

業務回顧

Review of Operations

集團財務撮要

Highlights of Group Financial Performance

以百萬港元位列示 HK\$ Million		二零零二年 2002	二零零一年 2001	變動 Variance
扣除準備前之營運溢利	Operating profit before provisions	1,587.6	1,300.4	22.1%
扣除準備後之營運溢利	Operating profit after provisions	883.4	875.5	0.9%
股東應佔溢利	Profit attributable to shareholders	829.0	868.2	-4.5%
資產總值	Total assets	60,129	54,432	10.5%
負債合計	Total liabilities	53,012	47,961	10.5%
股東資金	Shareholders' funds	6,094	5,417	12.5%
淨利息收入對營運收入	Net interest income / operating income	74.1%	75.4%	
成本對收入比率	Cost to income ratio	35.7%	41.6%	
平均總資產回報率	Return on average total assets	1.4%	1.7%	
平均股東資金回報率	Return on average shareholders' funds	14.4%	17.0%	

財務省覽

集團扣除準備前之營運溢利較二零零一年度增長百分之二十二點一，主要源自銀行業務理想收益。集團人壽保險業務溢利較二零零一年略遜。由於壞賬支出劇增，扣除準備後之營運溢利較去年升幅僅為百分之零點九。

本年度淨利息收入上升百分之八點八。年內，利率下調，資金成本降低，有助集團本年度淨息差維持在百分之三點七四水平，與去年度百分之三點七六相約。即使貸款總額有溫和收縮，及大部份貸款項目息差持續收窄，集團仍能在定息資產中賺取可觀回報。

其他營運收入較去年上升百分之十七，主要源自財富管理服務從單位信託基金分銷和投資服務收費、信用卡業務與財資營運收益、與保險銷售收費及佣金收入之增幅。

營運支出較去年減少百分之五。成本基礎之下降主要透過削減各項主要開支而達致。成本對收入比率由二零零一年百分之四十一點六降至本年百分之三十五點七。

Financial Review

The Group's operating profit before provisions was 22.1% higher than 2001, largely due to a stronger revenue contribution from our banking business. Our life assurance business generated a lower profit relative to 2001. With a substantial increase in bad debt charges, our operating profit after provisions was up marginally by 0.9% from the prior year.

Net interest income grew by 8.8% for the year. Interest rate falls during the year resulted in lower funding costs and assisted in achieving a net interest margin of 3.74%, similar to 2001's 3.76%. We experienced a mild contraction in our loan book and a continued tightening in loan margins for most loan products. However, a higher spread was earned on fixed rate assets.

Other operating income was 17.0% higher than 2001. The growth was largely attributable to higher fee and commission income, driven by wealth management, including fee income derived from unit trust distribution and investment services, credit cards, treasury and insurance sales.

Operating expenses decreased by 5.0% when compared with 2001. The lower cost base was achieved by a general reduction in all major types of expenses. Our cost to income ratio fell from 41.6% in 2001 to 35.7% in 2002.

業務回顧**Review of Operations****財務省覽(續)**

集團壞賬及呆賬準備調撥較二零零一年上升百分之六十五點七，反映本地經濟困難，失業率持續高企及個人破產個案趨升。本年度壞賬調撥大部分皆與信用卡及個人借貸業務組合有關。集團信用卡組合撇賬比率亦與市場一致相應高企。猶幸住宅按揭貸款、商業銀行業務與租購融資貸款組合之資產質素仍然維持穩健。不履行貸款比率亦由去年百分之二點零七降至二零零二年底百分之一點六七。

集團繼續加強管理剩餘資金投資組合，分散投資多類型債務證券與金融市場資產，旨為能維持審慎流動資金水平、在低息環境下賺取可靠計息收益，並掌握市場機遇，出售投資獲利。因應市況，並考慮利率走勢與市場變數，集團於二零零二年下半年出售投資組合內之部份債券，並重整當中若干投資項目。出售債券為集團本年度帶來淨收益八千二百四十萬港元。

每年一度之投資物業重估，錄得淨減值三千九百五十萬港元，已記入二零零二年度集團損益結算表內。

由於本港貸款需求疲弱、經營環境低迷，信貸審批標準全面收緊，零售信貸批核亦倍加審慎，集團銀行業務之客戶貸款及墊款總額較二零零一年底下跌百分之三點九。收縮主因繫於大部分零售借貸項目均告下跌而令零售貸款總額減少之故。商業借貸及租購融資借貸總額則與上年度相約。

集團存款總額(包括客戶存款及存款證)增長達百分之十四點二。藉此低息時機，集團加促吸納存款，以圖擴大客戶基礎，交叉銷售財富管理服務，並固定額外中、長期資金，支援漸趨活躍之剩餘資金投資活動。除以批發存款證籌集資金外，集團於二零零二年內發行一系列之零售存款證，二零零二年內，零售存款證總額達十六億港元。新添之接受存款方式有助集團分散集資基礎，妥善安排有期存款組合，並有效控制資金成本。

Financial Review (Continued)

The Group's charge for bad and doubtful debts rose 65.7% when compared with 2001, reflecting a difficult local economy, continuing high unemployment and an increasing number of personal bankruptcies. Almost all of the increase in bad debt charge in 2002 related to the credit card and consumer loan portfolio. In line with the market, a higher charge-off rate for our credit card portfolio was recorded. The asset quality of our residential mortgage loans, commercial banking and hire purchase finance loan portfolios continued to hold up well. At the end of 2002, our non-performing loan ratio was 1.67%, down from 2.07% at 2001 year end.

We continued to actively manage our portfolio of surplus funds investments by investing in a wide variety of debt securities and money market assets with the objectives of sustaining prudent liquidity, generating solid accrual income in a low interest rate environment, and capturing market opportunities to realize disposal gains. In response to market conditions in the second half of 2002, we made some disposals of bonds and repositioned part of our portfolio, having taken into consideration our assessment of interest rate trends and market changes. The disposal of bonds produced a total net gain of HK\$82.4 million for the year.

As a result of our annual revaluation of investment properties, a revaluation deficit charge of HK\$39.5 million was recognized in our 2002 profit and loss account.

Due to weak loan demand and the deflationary environment in Hong Kong, more stringent credit underwriting standards were adopted, and with a more cautious approach to managing retail credit, our banking business' total loans and advances to customers were 3.9% lower than those at the end of 2001. The contraction was caused mainly by a reduction in our retail loan book, which experienced a general decline in most loan products. The commercial lending and hire purchase loan books remained flat.

We achieved a 14.2% growth in the total deposit base, which comprises customers' deposits and certificates of deposits. In light of the low level of interest rates, we stepped up our deposit acquisition efforts with the objectives of growing the customer base, cross selling wealth management services and locking in additional term funding to support more active surplus funds investment. In addition to raising wholesale certificates of deposits, we launched a series of retail certificates of deposit during 2002, booking a total of HK\$1.6 billion new retail certificates of deposits during 2002. This new deposit taking avenue enabled us to diversify our funding base, strengthen our term deposit mix and maintain control over the cost of funding.

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財務省覽(續)

根據潛在價值會計入賬法，集團人壽保險業務淨收益為七千九百四十萬港元，較二零零一年度之九千萬港元，下降百分之十一點八。縱然保單銷售有所提高，惟經獨立精算師評估後調低集團人壽保險業務之長期投資回報率，導致潛在價值增長下降，整體溢利因而減少。持續下跌之中，長期利率對集團人壽保險業務之投資組合內債券價值產生正面作用，但對人壽債項儲備成本及潛在價值之既定假設而言，則產生不良效果，對集團人壽保險業務的整體盈利造成不一的衝擊。

銀行業務

Financial Review (Continued)

Our life assurance business' net contribution, using the embedded value accounting treatment, was HK\$79.4 million, down 11.8% relative to the HK\$90.0 million earned in 2001. The lower profit generation, despite higher sales, was caused by a lower embedded value increase mainly as a result of a lowering in the rate of long-term investment return assumed by our external actuary. The continued decline in medium to long-term interest rates was positive for bonds in our life business' investment portfolio but had an adverse effect on the actuarial reserving cost and embedded value assumptions and so had a mixed impact on our life assurance business' overall profitability.

Banking Business

		二零零二年 2002	二零零一年 2001	變動 Variance
淨利息息差	Net interest margin	3.74%	3.76%	
(以百萬港元位列示)	(HK\$ Million)			
各項客戶貸款減準備	Advances to customers less provisions	27,636	28,703	-3.7%
客戶存款	Deposits from customers	37,287	33,031	12.9%
已發行的存款證	Certificates of deposit issued	6,888	5,652	21.9%
存款合計	Total deposits	44,175	38,683	14.2%
貸款對存款比率(不包括借貸資本)	Loan to deposit ratio (excluding loan capital)	62.6%	74.2%	
平均流動資產比率	Average liquidity ratio	54.9%	46.2%	

二零零二年對本港銀行業乃艱辛的一年。全球市場受著美國會計醜聞、環宇股票價格下挫與已發展地區製造業放緩、企業盈利萎縮的衝擊。本港通縮持續，零售消費疲弱、失業率高企、加上經濟普遍表現欠佳，嚴重影響貸款需求，對資產價格構成巨大的下調壓力。經營環境惡劣，個人破產個案飆升，令活躍於本地信用卡與消費融資市場之銀行蒙受更高的貸款虧損。此外，新業務增長緩慢，穩健信貸競逐激烈，導致本年度大部分本地銀行盈利下降。

2002 was a very difficult year for the Hong Kong banking industry. The global market was affected by the accounting scandals in the US, a decline in global equity prices and the challenges brought about by a continuing slow manufacturing sector and weak corporate earnings in the developed economies. Continued deflation in Hong Kong, with weak retail sales, a high unemployment rate, and a weak economic performance in general severely affected loan demand and exerted substantial downward pressure on asset prices. A significant rise in personal bankruptcies in such an operating environment resulted in much higher loan losses for banks active in the local credit card and consumer finance sector. This, together with the slow rate of new business and keen competition for sound credits, resulted in a lower level of profitability for most local banks in the year.

業務回顧**Review of Operations****銀行業務 (續)**

儘管處於如斯不利市況，集團仍堅定發展銀行業務之既有策略，同時，維持健全的風險借貸與業務發展兩者之平衡。集團並擴大存款基礎、收緊零售借貸審批條件、加促拓展財富管理服務、增強剩餘資金管理將日漸上升的剩餘流動資金集匯轉化作投資用途。集團亦會繼續關注成本控制，並策劃重組方案，併合大新銀行與豐明銀行的個人銀行業務運作。

二零零二年內，利率走勢持續利好，有助集團銀行業務達致相較二零零一年均算穩定的淨利息息差。即使貸款結餘減少，傳統借貸業務息差收窄，惟定息貸款與固定收益證券回報尚佳，加上資金成本下降，均有助提高集團的淨利息收入。

銀行業務之其他營運收入較二零零一年度增加百分之十八，主要源自信用卡、財富管理銷售服務、以及分行保險產品分銷收費與佣金收入之增長。年內，更形活躍之買賣交投量與較大之剩餘資金集匯，為財資業務賺取相當可觀之非利息收入。

成本乃本年度關注重點之一。集團已厲行措施，減省成本，如削減廣告和推廣活動開銷，令銀行業務於二零零二年度營運支出減低，更有助成本對收入比率進一步下調。

個人銀行業務貸款虧損激增，壞賬及呆賬準備支出攀升。經濟低迷、資產價格疲弱、失業率高企、年內個人破產個案劇增，令信用卡及個人貸款業務之信貸虧損冒升。扣除準備後之營運溢利亦隨之而下降。

本年內出售證券溢利較二零零一年度減少，令一般業務溢利亦隨之而調低，集團銀行系稅前溢利下降百分之十二點五。然而，集團之主要銀行業務附屬機構大新銀行仍能在這極具挑戰性的年頭錄得理想股東資金回報率達百分之十六點五。

Banking Business (Continued)

Against this unfavourable market environment, we continued our strategy of developing our banking business whilst maintaining a sound balance between risk-justified lending and business development. We increased the deposit base, tightened retail lending criteria, stepped up our wealth management services, and pursued more active surplus funds management by redeploying the higher pool of surplus liquidity for investment. We maintained our focus on cost control and mapped out a reorganization plan for the integration of the personal banking business operated by Dah Sing Bank and MEVAS Bank.

The continuation of a benign interest rate environment through 2002 assisted our banking business to achieve a stable net interest margin relative to 2001. A higher spread earned on fixed-rate lending and fixed-income securities, together with a lower cost of funds, helped to raise our net interest income despite the lower loan balance and tighter spreads from traditional lending businesses.

Other operating income of the banking business grew 18% relative to 2001. The key growth drivers were increased fee and commission income from credit cards, wealth management sales and services, and insurance sales through our branch network. A higher volume of dealing and a larger surplus funds pool generated significantly higher non-interest income for Treasury in the year.

Costs were an important focus during the year. Actions taken to reduce costs, including cuts in advertising and promotion expenditures enabled us to achieve lower operating expenses for our banking business in 2002, assisting to reduce further the cost to income ratio.

The charge for bad and doubtful debts rose significantly due to higher loan losses from our personal banking business. A depressed economy, weakening asset prices, a high level of unemployment, and a substantial increase in personal bankruptcies over the year caused a significant increase in credit losses in our credit card and personal loan lending. A lower operating profit after provisions was recorded.

When compared with 2001, a lower securities disposal profit was realized in 2002. This resulted in lower profit on ordinary activities, and a 12.5% decline in profit before taxation for our Banking Group. Nevertheless, Dah Sing Bank, the key banking subsidiary of the Group, achieved a respectable 16.5% return on equity in what was a very challenging year.

業務回顧

Review of Operations

個人銀行業務

個人銀行業務包括零售銀行、顯客理財及私人銀行業務。

零售銀行業務於年內經歷極度艱難的營商環境。零售貸款總額下降(包括按揭、無抵押信用卡及個人貸款)，無抵押借貸撇賬急升。即使從信用卡、單位信託基金與保險銷售收費收入理想，惟貸款虧損高企嚴重影響零售銀行業務之盈利表現。因應現時營商狀況，集團採納較為審慎之零售業務策略，包括收緊信貸審批與監管條件，減少有關信用卡與個人信貸之推廣活動，加促財富管理與保險產品銷售收費收益，增加零售存款(包括零售存款證)，專注改善服務質素，同時削減成本基礎。

儘管信用卡市場遇上重大衝擊，年內集團欣喜獲頒發若干獎項。二零零二年內，大新銀行榮獲威士國際頒發「2001/2002年度全港最高商戶簽賬額增長率大獎—銅獎」、萬事達國際頒發「2002年全港最高商務卡消費額增長率大獎」及「2002年全港最高商戶營業額增長率大獎—銀獎」。豐明銀行亦獲萬事達國際頒發「2002年全港最多發行聯營卡計劃大獎」與「2002年全港最高持卡人消費額增長率大獎」。

顯客理財服務乃個人銀行業務之較新分項業務。顧客對象為中產階級或專業人士，為切合其對一般銀行事務與財富管理有較高要求的需要，提供高於零售大眾市場之專業與個人化銀行服務。

Personal Banking

Our personal banking business comprises retail banking, VIP banking and private banking.

Our retail banking business had a difficult year in an extremely tough operating environment. We experienced a contraction in the retail loan book which includes mortgages and unsecured credit cards and consumer lending, and a higher charge-off in unsecured lending. Therefore, despite a strong fee income contribution generated from credit cards, unit trust and insurance sales, our retail banking division's profitability was adversely affected by the much higher loan losses. Due to the prevailing business conditions, we adopted a more prudent retail business strategy which included tightening our credit approval and control criteria, scaling down our marketing efforts

related to credit cards and consumer lending, stepping up sales of fee generating wealth management and insurance products, growing retail deposits including retail certificates of deposit, focusing on improving our service quality, whilst at the same time trimming the cost base.

Despite the significant challenges encountered in the credit card market, we were pleased to have received several awards during the year. In 2002, Dah Sing Bank was recognized by Visa with the award "Largest Merchant Sales Volume Growth 2001/2002 (Hong Kong) - Bronze Prize", and by MasterCard International as achieving "The Highest Growth Rate in 2002, Commercial Products Volume in Hong Kong" and "The

Highest Growth Rate in 2002, Merchant Purchase Volume in Hong Kong 1st Runner Up". MEVAS Bank was also recognized by MasterCard as "The Top Co-branded Program Issuer in 2002" and as the bank achieving "The Highest Growth Rate in 2002, Cardholder Spending In Hong Kong".

VIP banking is a relatively new business segment within the personal banking sector. The target customers are middle-income individuals or professionals with banking service requirements above the retail mass market, who need a higher level of professional and personalized services for their general banking and wealth management needs.



Dah Sing Bank and MEVAS Bank received awards from both VISA and MasterCard for their credit card business in 2002.

大新銀行與豐明銀行信用卡業務於二零零二年榮獲威士國際及萬事達頒發獎項。



業務回顧**Review of Operations****個人銀行業務 (續)**

於年內，私人銀行業務繼續銳意擴大客戶基礎、交叉銷售更多投資產品、及拓展與投資有關業務。在其管理之客戶資產已大幅增加。

為配合個人銀行業務發展與分行分銷策略，集團繼續致力提昇及重組現有分行銷售網絡。二零零二年底，集團在港共經營四十三家分行、三所銷售服務中心、海峽群島格恩西島一家附屬公司與中國深圳一代表處。

商業銀行業務

商業銀行業務(包括貿易融資、商業借貸、租購貸款與器材融資)之扣除準備前營運溢利下降，反映貸款結餘減少、息差收窄。二零零一年內，租購運輸融資業務大幅收縮，須予撥回若干一般準備，令壞賬及呆賬準備支出下跌，但於二零零二年，則並無類似之一般準備撥回，令準備支出較去年為遜，對本年度業務盈利產生負面影響。

在競爭激烈的市況下，集團將貫徹審慎批出新做租購運輸融資。集團之器材融資業務主力服務在港及駐南中國經營的製造廠商，年內持續不斷擴大客戶基礎及增加貸款結餘。中國之出口及製造生產高速增长，有利集團之器材融資業務。

予以中小型企業之整體貿易融資及商業借貸組合年內錄得微升。更向商業銀行客戶推介其他產品(包括企業信用卡)，並加快擴大中小型企業客戶基礎。

租購與中小型企業商業銀行業務之資產質素整年維持良好。此業務範疇之不履行貸款比率較二零零一年度已進一步改善。

Personal Banking (Continued)

Private banking activities continued to focus during the year on increasing the customer base, cross selling more investment products and expanding investment related business. A significant increase in customer assets under management was achieved.

To align with our personal banking development and branch distribution strategy, we continued our efforts to upgrade and reorganize our branch and sales network. At the end of 2002, we operated forty-three branches and three sales and services centres in Hong Kong, one subsidiary in Guernsey, Channel Islands and one representative office in Shenzhen, China.

Commercial Banking

Commercial banking, which includes trade finance, commercial lending, hire purchase and equipment finance, reported a lower operating profit before provisions. This mainly reflected a lower loan balance and tighter spreads. In 2001, a write-back in the general provision charge due to a significant contraction in the hire purchase transport financing depressed the charge for bad and doubtful debts. The absence of a similar general provision credit in 2002 led to an unfavourable year-on-year comparison for the provision charge, and a negative impact on the profitability of this business in the year.



Dah Sing launched the MasterCard Corporate Payment Solutions in its first alliance with GE Corporate Card.
大新銀行首次夥合GE Corporate Card推出萬事達卡企業付賬新方案。

We continued to maintain a very cautious approach in underwriting new hire purchase transport financing, which remained highly competitive. Our equipment finance business, targeted at manufacturing companies operating in both Hong Kong and in the southern part of Mainland China, continued to perform well in growing the customer base and loan balance in the year. The high rate of growth in China's exports and manufacturing production is positive for our equipment finance business.

The overall portfolio of trade finance and commercial lending to Small and Medium Sized Enterprises (SME) increased slightly in the year. We introduced additional products to our commercial banking customers including corporate credit cards, and stepped up our efforts to increase the SME customer base.

The asset quality of both hire purchase and SME commercial banking held up well throughout the year. The non-performing loan ratio for this business segment further improved relative to 2001.

業務回顧**Review of Operations****財資業務**

財資業務於二零零二年度錄得極為理想盈利，淨利息收入與非利息收入均告攀升，有助抵銷因減少出售證券收益之影響。利率下調，令資金成本降低，剩餘資金累積上升，分配在債務證券的投資亦提高，為集團財資業務經營錄得淨利息收入增長。

集團存款總額升幅強勁，貸款卻缺乏增長，遂趨向增加證券投資。財資組合內仍以優質評級之主權機關、銀行、公共機構、資產抵押等債務證券為主。以現時本港疲弱市況，如此之資產分配顯示集團在審慎規管原則下而作出的分散資產管理。

年內，集團密切留意債券組合管理，俾能變現若干投資項目獲利。大部份之債券投資在年終結算日均以市值列於非持作為買賣用途證券組合賬內，蓋能讓集團可因應市場利率變異、資金流動及信貸情況，有效管理投資分配與風險承擔。

提昇集團在市場風險、利率風險之風險管理能力乃財資營運策略其中主要一環。此乃持續發展進程，可望於二零零三年及往後能進一步加強。

豐明銀行

集團之個人銀行附屬機構豐明銀行於二零零一年四月啟業，在擴大客戶基礎上取得理想進展，顯著存款增長亦具鼓舞性。由於經營環境惡劣及個人破產率飆升，豐明在擴大零售借貸組合時面臨重大挑戰，信用卡及個人貸款業務壞賬激增。信貸審批及監管條件遂進一步收緊，以減低信貸風險和加強資產質素，惟業務增長則受到限制。

二零零二年度錄得虧損三千四百五十萬港元，與二零零一年之三千五百萬港元虧損相約。

Treasury

Our Treasury division delivered a record level of profit, with increases in both net interest income and in non-interest income, which helped to offset the effect of a lower securities disposal gain in 2002. Lower interest rates contributed to a reduced cost of funds, whilst growth in surplus funds with an increasing allocation to debt securities investments enabled our Treasury to book a higher level of net interest income.

The strong growth in the Group's deposit base and a lack of loan growth resulted in an increasing investment in securities. Our Treasury portfolio remained predominantly highly rated and comprised of sovereign, bank, public sector entities and asset backed debt securities. Against the weak market conditions in Hong Kong, such an asset allocation reflected our continued efforts to diversify our balance sheet within prudent limits.

During the year, the bond portfolio was closely managed, allowing us to realise profit by liquidating some investment holdings. Most of our bond investments at the end of the year were carried at fair market value in the non-trading portfolio. This enables us to be more effective in managing our investment allocations and risk exposures in response to changes in market interest rates, capital flow and credit conditions.

A key part of our treasury strategy is to upgrade our risk management capabilities in managing market risk and interest rate risk. This is a continuing process and we expect to further strengthen such capabilities throughout 2003 and beyond.

MEVAS

MEVAS Bank, the Group's personal banking subsidiary launched in April 2001, achieved satisfactory progress in expanding its customer base. We were encouraged by the significant growth in the deposit base. Due to the difficult operating environment and the high level of personal bankruptcies, MEVAS faced a significant challenge in growing its retail lending portfolio, and experienced a large increase in bad debt charges in the credit card and personal loan business. A more stringent credit approval and control criteria was adopted to contain credit risk and strengthen asset quality, which constrained the business' ability to grow at a faster pace.

The full year loss in 2002 of HK\$34.5 million was in line with the HK\$35 million loss reported in 2001.

業務回顧**Review of Operations****保險業務**

在惡劣市況與競爭激烈之不利環境下，人壽保險公司於二零零二年度錄得新業務增長百分之八。全球股票市場疲弱，集團人壽保險公司則採取較穩健審慎之投資策略，投資項目主要為高質素債券，有助提升集團之投資回報。縱然整體營運收益上升，惟經獨立精算師評估後調低集團人壽保險業務之長期投資回報率，導致潛在價值增長下降，長期人壽保險業務整體溢利亦減少至七千九百四十萬港元（二零零一年度為九千萬港元）。

根據諮詢獨立精算師後之評估，於二零零二年底有效人壽保單總值為五億七千一百四十萬港元，較二零零一年底五億二千零五十萬港元，上升五千零九十萬港元。

集團佔百分之五十一權益與Aviva（前稱CGNU）合營之大新保險服務有限公司於二零零二年度達至收支平衡業績，而營運表現亦見改善。

總結長期人壽業務成績、人壽保險附屬機構剩餘股本投資結果、與綜合保險附屬機構表現，集團保險業務為集團錄得稅前溢利總計為八千一百萬港元，約佔集團稅前溢利百分之九。

風險管理

二零零二年內，集團的風險管理隊伍繼續專注改善風險管理架構及監控流程。集團已於七月份展開「風險價值」風險量度系統之初階試驗計劃，主要監控市場風險事宜，預期將於二零零三年全面推行。新增的系統改善項目有助集團提昇投資組合量度及監控能力。除持續進行的政策檢討外，集團亦已推行新增的風險政策及流程。

Insurance Business

Against a backdrop of difficult markets and intense competition, our life assurance company recorded new business growth of 8% in 2002. A more conservative investment strategy, with most of our life company's investments in high quality bonds, helped to boost our investment returns, despite the weak global equity markets. Although overall trading profit increased, a lower embedded value increase, caused mainly by the fall in the rate of long-term investment return assumed by the independent consulting actuary, led to a decline in the overall profit from the long-term life business to HK\$79.4 million (2001: HK\$90.0 million).

As at the end of 2002, the total value of policies in force as calculated in conjunction with the independent actuary was HK\$571.4 million, up HK\$50.9 million from HK\$520.5 million as at the end of 2001.

Our 51% owned general insurance subsidiary, Dah Sing General Insurance Company, a joint venture with Aviva (formerly CGNU), achieved a breakeven result in 2002 on the back of an improved operating performance.

Aggregating the results of the long-term life business, the investment results of the surplus capital of our life subsidiary and the results of the general insurance subsidiary, our insurance business contributed a total profit before taxation of HK\$81 million to the Group, or approximately 9% of the Group's pre-tax profit.

Risk Management

Throughout 2002, the risk management teams continued to focus on enhancements to our risk management framework and control processes. Implementation of a pilot "Value at Risk" risk measurement system for monitoring and controlling primarily market risk exposures at the initial stage commenced in July and will be fully operational in 2003. Additional systems enhancements have served to upgrade our portfolio measurement and monitoring capabilities, whilst additional risk policies and processes have been developed in addition to the ongoing process of policy review.

業務回顧

Review of Operations

風險管理 (續)

持續衰退影響市面經濟，令個人破產比率上升，集團已進行檢討，並收緊零售銀行信貸準則，包括發展及引進若干預測性模擬程式，更積極監控無抵押零售借貸組合之風險水平。

集團已不斷作出相應之計劃部署，以面對新修訂巴塞爾資本協議對銀行業界所帶來的挑戰與轉變。

Risk Management (Continued)

The continuing downturn affecting the economy and the rising level of personal bankruptcies prompted a review and tightening of our retail banking credit criteria including the development and introduction of predictive models to manage more actively the level of risk in the unsecured retail lending portfolios.

The Group has continued with the development of its plans to prepare for the challenges and changes which the implementation of the new Basel Capital Accord will bring to the industry.

資產質素

Asset Quality

以百萬港元位列示 HK\$ Million		二零零二年 2002	二零零一年 2001	變動 Variance
壞賬及呆賬準備調撥	Charge for bad and doubtful debts			
• 特殊準備支出	• Specific provision charged	686.0	431.4	59.0%
• 一般準備支出 / (撥回)	• General provision charged / (written back)	18.1	(6.4)	
本年度準備總支出	Total charge for the year	704.1	425.0	65.7%
年內平均貸款結餘	Average loan balance for the year	28,707	29,380	-2.3%
特殊準備率	Specific provision rate	2.39%	1.47%	
十二月三十一日：	As at 31 December:			
不履行貸款：	Non-performing loans	469.1	605.9	-22.6%
減：	Less:			
已撥出特殊準備	Specific provisions made	202.8	267.0	-24.0%
持有抵押品市值	Market value of securities held	249.3	328.4	-24.1%
未提撥準備之風險淨額約數	Estimated net exposures not yet provided	17.0	10.5	61.9%
不履行貸款比率	Non-performing loan ratio	1.67%	2.07%	
逾期及經重組貸款比率	Overdue and rescheduled loan ratio	2.03%	2.57%	

集團零售借貸組合的信貸質素受到不利因素影響，當中以個人破產個案激增為關鍵。雖然集團已於二零零一年推出相應措施，並於二零零二年收緊信用卡及個人借貸的審批條件及監控準則，惟於年度內無抵押消費信貸的壞賬支出仍繼續增加，反映此等業務範疇的資產質素轉壞。集團預期於二零零三年上半年無抵押消費信貸的借貸虧損仍會維持高水平。

The credit quality of our retail lending portfolios, was adversely affected, particularly by high level of personal bankruptcies. Although we implemented measures in 2001 and 2002 to tighten our underwriting and credit control criteria for credit cards and personal lending, the bad debt charge for the unsecured consumer credits continued to increase during the year, reflecting the deterioration in asset quality of this sector. We anticipate loan losses for unsecured consumer credits will continue at a high level in the first half of 2003.

業務回顧**Review of Operations****資產質素 (續)**

於二零零二年，商業銀行及租購貸款業務資產質素皆見平穩，情況與市場表現相約。集團不履行貸款比率與逾期及經重組貸款比率均繼有改善。

Asset Quality (Continued)

The asset quality of our commercial banking and hire purchase businesses was stable in 2002, in-line with the market. A continued improvement in our non-performing loan ratio and overdue & rescheduled loan ratio was achieved.

資本及流動資產**Capital and Liquidity**

		二零零二年	二零零一年
		2002	2001
集團銀行系	Banking Group		
資本基礎 (以百萬港元位列示)	Capital base (HK\$ Million)		
— 核心資本	— Core capital	4,697	4,365
— 附加資本與扣減項目	— Supplementary capital and deductions	1,548	1,349
扣減後的資本基礎總額	Total capital base after deductions	6,245	5,714
資本充足比率 (於年結日)	Capital adequacy ratio (as at year end)		
— 一級	— Tier 1	15.0%	14.2%
— 一級及二級 (扣減後)	— Tier 1 and Tier 2 (after deductions)	19.9%	18.7%
流動資產比率 (全年平均率)	Liquidity ratio (average for the year)	54.9%	46.2%

雖然集團資產總值之增加乃從存款基礎上而擴大的剩餘資金投資組合所致，惟新增投資大部份皆投資在銀行及公共機構或低風險比重的債務證券類別。揉合貸款總額輕微收縮，集團銀行系之加權風險資產增長較資本基礎為慢，資本充足比率因而得以提升。

Although the total assets of the Group increased due to a larger pool of surplus funds investments funded by increasing deposit base, a large amount of the incremental investments allocated to bank and public sector debt securities attracted lower risk weightings. Coupled with a small contraction in the loan book, our Banking Group's risk weighted assets grew more slowly than its capital base, and therefore a higher capital adequacy ratio was recorded.

集團增加債務證券組合的投入，使流動投資數額遂被推高，達致高質素的流動資產，令本年度內集團銀行系平均流動資產比率得以進一步推高。

With an increasing pool of liquid investments as we grow our debt securities portfolios, a high level of liquidity was attained and the average liquidity ratio of our Banking Group was further lifted in the year.

人力資源

集團於年內繼續致力改善工作流程及重新分配資源以配合市場變化、業務組合與新業務發展。集團仍會貫徹員工人數的嚴緊控制。

Human Resources

We continued our process streamlining and resource reallocation efforts over the year to align with changes in markets, business mix and new business direction. The tight control on staffing levels was maintained.

業務回顧**Review of Operations****人力資源 (續)**

於二零零二年，集團悉力提倡加強卓越服務文化，積極發展及提供優質客戶服務培訓。集團更籌辦多項民生、社區及員工福利活動，以提昇勞資關係、關注社會責任與推動健康意識。集團更欣然大新金融集團獲得香港社會服務聯會確認列為香港傑出關懷僱主之一。

於二零零二年底，集團聘用人數共一千三百九十四名，較二零零一年底之一千四百七十七名，減少八十三名。

資訊科技

集團仍會貫徹資訊科技之資源承諾，以支援創新產品、改善流程、提昇服務質素、加強風險管理，及最終能貢獻未來盈利。惟經歷二零零二年嚴峻營商環境，並預計二零零三年可能的經濟低迷所帶來的持續挑戰，集團厲行更嚴謹之資訊科技計劃辯明管控程序，收緊及決定須優先處理項目之資訊科技支出。集團繼續致力檢討及調校資訊科技之基礎設施及發放系統，以改善操作表現，並計劃未來須予提昇及發展的項目。集團亦提高資訊科技保安之關注，更落實措施，進一步加強資料保密之監控。

個人銀行業務重組

於第四季度，集團對零售銀行業務進行嚴謹之業務表現檢討。面對通縮市場環境、預料新增業務增長緩慢、信用卡及其他消費借貸虧損持續高企，總結零售借貸增長（尤以無抵押貸款業務為甚）仍極富挑戰性。

經審慎考慮個人銀行業務之策略方向與最新發展，集團於二零零二年底決定將大新銀行與豐明銀行之零售銀行業務及直接支援部門重組合併。

深信此項改變不但有助集團更有效運用兩間銀行之總體客戶基礎、改善資訊科技及操作平台之經濟效益，且亦能統一產品發展、生產及處理，以及減低營運單位成本。經重組後，豐明銀行將繼續以獨立品牌及銷售渠道營運，並取得大新銀行之強大支援，預期二零零三年之營運表現將獲改善。

Human Resources (Continued)

In 2002, we stepped up our effort to promote a stronger service excellence culture with more emphasis and training on quality services to customers. We also organized more social, community and staff well-being events to promote better staff relationships, social responsibility and health awareness. We are encouraged by the recognition given by The Hong Kong Council of Social Service to Dah Sing Financial Group as one of the leading Hong Kong caring employers.

At the end of 2002, the total number of employees of the Group was 1,394, down 83 from 1,477 at the end of 2001.

Information Technology

Investment in IT continued as a key resource commitment of our Group to support product innovation, process automation, service quality improvement, risk management and ultimately to contribute to our future profitability. However, in the difficult operating environment as we had experienced in 2002 and with an expectation of continuing challenges due to a likelihood of a slow

economy in 2003, we adopted more stringent IT project justification controls to tighten and prioritize our IT spend. We continued our efforts to review and fine-tune our IT infrastructure and delivery systems to improve operational performance and plan for future upgrade and development. We have also heightened our focus on IT security and took steps to further strengthen our information security control.

Reorganization of Personal Banking Business

In the fourth quarter, we conducted a rigorous review of the business performance of our retail banking businesses. Against the background of a deflationary market environment and expectation of slower new business growth, continuing high level of loan losses for credit cards and other consumer lending, it was concluded that new retail lending growth, especially for the unsecured sector, will remain highly challenging.

After carefully considering the strategic direction and latest development of our personal banking business, we made the decision at the end of 2002 to reorganize and integrate our retail banking businesses and the direct support functions of Dah Sing Bank and MEVAS Bank.

We believe the changes will enable us to better leverage on the aggregated customer base of both banks, improve economies of scale in respect of IT and operations platforms, standardize product development, manufacturing and processing, and lower the operating unit cost. MEVAS, while continuing to operate as a separate brand and distribution channel, benefits from the stronger support Dah Sing Bank offers after the reorganization, and we would expect an improved operating performance in 2003.



Dah Sing Financial Group was recognised as a Caring Company under a scheme organized by The Hong Kong Council of Social Service. 大新金融集團榮獲香港社會服務聯會嘉許為香港傑出關懷僱主之一。