

Hang Seng Bank's attributable profit and return on shareholders' funds reached record levels in 2000. We also made good progress in value creation for shareholders.

Attributable profit increased by HK\$1,707 million, or 20.5%, to HK\$10,014 million compared with 1999. The results reflect positive achievements in our personal wealth management initiatives, a record low cost:income ratio of 24.4%, and a substantial reduction of 86.2% in provisions for bad and doubtful debts.

The return on average shareholders' funds improved substantially by six percentage points to 23.6%.

Our encouraging performance enabled the Directors to declare a second interim dividend of HK\$2.80 per share, payable on 22 March 2001. This brings the total distribution for 2000 to HK\$4.80 per share, compared with HK\$4.10 per share for 1999, excluding the special interim dividend of HK\$4.10. The total dividend payment for the year represents 92% of the attributable profit for 2000.

managing for value

Our adoption of the Managing for Value strategy in January 1999 has sharpened our focus on higher-margin, value-creating businesses to achieve consistently superior returns for shareholders. Our target is at least to double shareholder value in five years, as measured by the combination of share price appreciation and reinvested dividends.

In 1999 and 2000, the Bank achieved a total return of 77% for shareholders, compared with the average return of 58% recorded by Hang Seng Index constituents. In absolute terms, total shareholder value increased by HK\$102 billion.

Economic profit – the difference between post-

tax profit and the cost of invested capital – increased substantially by HK\$2,540 million, or 84.9%, compared with 1999.

These results were achieved under difficult operating conditions. Despite the economic recovery in 2000, financial market liquidity remained high, loan demand weak, competition intense, and the interest margin continued to narrow.

Hang Seng Bank. Exceed. Excel.

Key to our encouraging performance was the timely satisfaction of increasingly sophisticated customer needs.

We have adopted our new corporate tagline *Hang Seng Bank. Exceed. Excel.* as our annual report theme this year to highlight our strong customer focus and our commitment constantly to exceed customer expectations. In our efforts to enhance the total customer relationship, we offer a trusted brand, one-stop financial solutions, competitive pricing and high quality service. A Bank-wide culture of innovation allows us to keep improving services in a rapidly changing environment and to stay competitive.

Technology is offering exciting opportunities. The launch of our e-Banking services in August offered new channels through which we can better serve our customers, deepen our relationships with them, and generate additional business. Growth has been quick, exceeding our forecasts.

Our internet initiative has become an integral part of our services, and we shall continue to

Excel

EXCEL



A culture of everyday innovation encourages staff to think out-of-the-box as we take advantage of exciting new opportunities in the e-age

innovating to succeed in changing times