

# e CHANGE

## managing to maximise shareholder value

develop as a significant e-banking force to give customers more options and better value.

### outlook for 2001

In 2001, the Hong Kong economy is expected to reflect the US economic slowdown, with cooling external demand, subdued investment and slower consumption growth.

Operating conditions will remain difficult as banks contend with more intense competition, continued margin pressure, rising costs and moderate loan demand. We shall build on our many strengths – including our financial prudence, large customer franchise and efficient operating platform – to increase performance.

In our major focus areas of personal wealth management and commercial banking, we shall add to our extensive range of products and services

to help customers protect and grow their assets. The emphasis will be on increasing our share of wallet as well as market share, and on increasing non-interest income. We shall also expand in mainland China, which offers vast opportunities in the medium term.

The final phase of interest rate deregulation, which involves lifting the interest rate rules on Hong Kong dollar savings and current deposits, will take place on 1 July 2001. Following full interest rate deregulation, banks will have to compete on pricing as well as services. We shall make every effort to find ways to provide choices for different customer segments.

### rewarding staff

I would like to thank our hard-working staff who are responsible for the Bank's success. In view of the

strengthening of the economy in 2000, the Bank awarded a pay increase in January 2001, which will raise salary expenses by 2%. In accordance with our commitment to a performance-based remuneration system, recognition and reward were based upon merit and demonstrated performance.


The Directors wish to convey their appreciation of the staff's understanding in the past two years when pay rises were not awarded due to the difficult operating conditions. Compensation strategies, however, allowed staff who performed strongly to be recognised: in January 2000, staff who performed outstandingly received a one-off cash award, and in April, a performance-based variable bonus was paid.

Under another incentive programme, the number of staff subscribing to the HSBC Holdings plc Overseas Savings-Related Share Option Scheme had increased to 3,390 and the number awarded options under the HSBC Holdings Executive Share Option Scheme had risen to 1,707 by the year-end.

### acknowledgements

The Bank owes much to its very supportive Board of Directors. Mr David T C Ho has given notice that he will retire as a Director after the annual general meeting in April. We wish him well and are most grateful for his valuable contribution and the wise counsel he has given us since joining the Board in 1961.

We also thank our shareholders and customers for their strong support and confidence in the Bank. In this challenging environment, our solid track record and sound growth strategies have placed us in a good position to continue to deliver quality earnings and superior service to them.



David Eldon  
Chairman

Hong Kong, 26 February 2001

Our objective is at least to double shareholder value in 5 years. In 1999 and 2000, we achieved a total return of 77% for shareholders

