

permeates all levels of the Bank, allowed us to streamline business processes and achieve revenue gains. We also increased synergies with other members of the HSBC Group in areas including e-initiatives and the Mandatory Provident Fund business.

Reflecting the Bank's high cost efficiency, pre-tax profit per employee rose by 19.9% to a record high of HK\$1.57 million.

#### asset quality

In the improving economy, the net charge for bad and doubtful debts decreased significantly by HK\$1,223 million, or 86.2%, to HK\$196 million.

The net charge for specific provisions fell by HK\$1,228 million to HK\$199 million, the combined effect of a substantial reduction in provisions made and increases in releases of provisions and recoveries from doubtful accounts. There was a net release of HK\$3 million from general provisions, with provisions of HK\$122 million made and a release of HK\$125 million from the additional general provision of HK\$250 million made in 1997. The balance of the additional general provision was transferred to the general bad debt provision in view of the slowdown in the US economy and its possible implications for Hong Kong.

The ratio of total provisions to gross advances to customers continued to fall, by 0.44 of a percentage point to 2.01%. Specific provisions decreased from 1.74% to 1.36% and general provisions fell from 0.71% to 0.65%.

Gross non-performing advances (after deduction of interest in suspense) fell by HK\$1.2 billion, or 14.1%, to HK\$7.4 billion.

The ratio of non-performing advances (after deduction of interest in suspense) to total gross advances fell by 1.0 percentage point to 3.3%. Specific provisions plus collateral that is conservatively valued amounted to almost 100% of non-performing advances.

## business performance

Following the redefinition in 1999 of our business lines to increase the focus on individual customer segments under the Managing for Value strategy, relationships with these segments were deepened in 2000 with a view to long-term higher value creation for both customers and the Bank.

Personal banking, which focuses on personal wealth management and financial services, remained the major profit contributor, providing 49.1% of the HK\$11,344 million operating profit after provisions. Corporate and institutional banking contributed 8.5%, commercial banking 9.8% and treasury 10.6%. Other businesses, which mainly cover the management of shareholders' funds, investment properties and long-term equity investments, provided 22.0%.

In the intensely competitive market, our market share of deposits and loans increased. Current, savings and other deposit accounts rose by 14.3% to HK\$429.6 billion at the year-end. Certificates of deposit in issue grew by 26.2% to HK\$14.7 billion.

Advances to customers (after deduction of interest in suspense and provisions) recorded encouraging growth of 10.3% to HK\$217.5 billion. This reflects the Bank's success in expanding its personal and corporate loan portfolios despite weak loan demand.

Our market share in mortgage lending also increased. Residential mortgages, excluding those under the Government Home Ownership Scheme and Staff Housing Loan Scheme, expanded by 5.6%. As a result of intense price competition, however, the average portfolio yield of residential mortgages fell from 49 basis points above BLR in 1999 to 26 basis points below BLR in 2000.

#### a significant e-force

In the e-age, our strategy is to use innovative technology to provide cost-efficient and value-added solutions, and to build and strengthen customer relationships.

2000 was a milestone year in our development

# e NRICH



## SHARING OUR SUCCESS

Hang Seng shares its success with the community. Besides education and community services, the Bank is a keen supporter of sports development in Hong Kong.

The territory's most successful squad in Paralympic history received a total of HK\$620,000 as cash

incentives under the Hang Seng Olympics and Paralympics Athlete Incentive Awards Scheme in 2000.

The Bank and the Hong Kong Sports Development Board jointly presented HK\$590,000 to 13 Paralympic athletes. The Bank, on its own initiative, presented a further HK\$110,000 to Olympic and

Paralympic athletes.

Members of the community were invited to pledge their support to the athletes through a specially designed website under the Hang Seng Olympic e-Wish Campaign.

As a keen supporter of sports development for the disabled, the Bank has raised over HK\$3.6 million since

1995 for disabled athletes through the Scheme and the Hang Seng Hong Kong Cup, a fund-raising table tennis championship sponsored by the Bank.

Launched in 1996, the Scheme was the first to offer cash incentives to Hong Kong's Olympic and Paralympic athletes.

