



Results for 2001

PROFIT

The Directors announce that Hang Seng Bank Limited (the Bank) and its subsidiary and associated companies (Hang Seng) reported a **profit attributable to shareholders** of HK\$10,114 million for 2001, an increase of 1.0% compared with 2000. **Earnings per share** of HK\$5.29 were 1.0% higher than in 2000.

Operating profit before provisions was HK\$11,503 million, in line with the previous year. Net interest income remained flat, with the growth in other operating income, mainly from wealth management initiatives, offsetting an increase in operating expenses mainly due to a special contribution to the retirement benefit scheme. **Operating profit** was HK\$11,079 million, down by 2.3%, reflecting an increase in provisions for bad and doubtful debts. **Profit before tax** amounted to HK\$11,514 million, a reduction of 1.4%, after taking into account profits on disposal of long-term investments and a deficit on property revaluation.

SECOND INTERIM DIVIDEND

The Directors have declared a **second interim dividend** of HK\$2.80 per share (HK\$2.80 per share for 2000), which will be payable on Wednesday, 27 March 2002 to shareholders on the Register of Shareholders on Thursday, 21 March 2002. Together with the first interim dividend of HK\$2.10 per share already paid, the total distribution for 2001 will amount to HK\$4.90 per share (HK\$4.80 per share for 2000).

The total dividends for the year represent 93% of the attributable profit for 2001 (92% in 2000). This should not be taken as an indication of future dividend levels.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December

	2001 HK\$m	2000 HK\$m
Interest income	24,509	31,913
Interest expense	(12,849)	(20,222)
Net interest income	11,660	11,691
Other operating income (Note 1)	3,947	3,574
Operating income	15,607	15,265
Operating expenses (Note 2)	(4,104)	(3,725)
Operating profit before provisions	11,503	11,540
Provisions for bad and doubtful debts	(424)	(196)
Operating profit	11,079	11,344
Profit on tangible fixed assets and long-term investments	393	248
Net (deficit) /surplus on property revaluation	(14)	28
Share of profits of associated companies	56	55
Profit on ordinary activities before tax	11,514	11,675
Tax on profit on ordinary activities (Note 3)	(1,400)	(1,661)
Profit attributable to shareholders	10,114	10,014
Retained profits at 1 January	18,732	17,729
Transfer of depreciation to premises revaluation reserve	100	99
Realisation on disposal of premises and investment properties	42	69
Exchange adjustments	(2)	(2)
Dividends		
- Dividends paid in respect of the current year	(4,015)	(3,824)
- Proposed dividends	(5,353)	(5,353)
Retained profits at 31 December	19,618	18,732
Earnings per share (Note 4)	HK\$5.29	HK\$5.24
Dividends per share	HK\$4.90	HK\$4.80
Net asset value per share	HK\$23.57	HK\$24.03

INFORMATION IN THE CONSOLIDATED BALANCE SHEET

	31.12.2001 HK\$m	31.12.2000 HK\$m
Assets		
Cash and short-term funds (Note 5)	111,099	129,312
Placings with banks maturing after one month (Note 6)	43,666	58,405
Certificates of deposit	23,203	17,232
Securities held for dealing purposes	2,167	4,499
Advances to customers (Note 7)	222,436	217,518
Amounts due from immediate holding company and fellow subsidiary companies	8,297	10,383
Long-term investments (Note 8)	43,262	39,270
Investments in associated companies	774	789
Tangible fixed assets	11,323	12,049
Other assets (Note 9)	8,560	11,327
	474,787	500,784
Liabilities		
Current, savings and other deposit accounts (Note 10)	414,328	429,605
Deposits from banks	2,622	3,802
Amounts due to immediate holding company and fellow subsidiary companies	1,051	1,999
Other liabilities	11,715	19,441
	429,716	454,847
Capital resources		
Share capital	9,559	9,559
Reserves	30,159	31,025
Proposed dividends	5,353	5,353
Shareholders' funds	45,071	45,937
	474,787	500,784

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

	2001 HK\$m	2000 HK\$m
Net cash (outflow)/inflow from operating activities	(2,446)	28,763
Returns on investments and servicing of finance		
Dividends received from an associated company	41	39
Dividends paid	(9,368)	(8,604)
Income received on long-term investments	2,351	1,635
Net cash outflow from returns on investments and servicing of finance	(6,976)	(6,930)
Taxation paid	(407)	(758)
Investing activities		
Net cash outflow from investment in an associated company	(40)	—
Purchase of long-term investments	(43,180)	(31,247)
Proceeds from sale or redemption of long-term investments	38,903	18,665
Purchase of tangible fixed assets	(193)	(136)
Proceeds from sale of tangible fixed assets	104	115
Net cash outflow from investing activities	(4,406)	(12,603)
(Decrease)/increase in cash and cash equivalents	(14,235)	8,472

Notes:

	2001 HK\$m	2000 HK\$m
1 Other operating income		
Dividend income		
- Listed investments	86	94
- Unlisted investments	7	4
Fees and commissions	93	98
- Fees and commissions receivable	2,696	2,367
- Fees and commissions payable	(288)	(235)
Dealing profits	2,408	2,072
- Foreign exchange	531	534
- Securities and other trading activities	(1)	(5)
Rental income from investment properties	530	529
Other	245	247
	671	628
	3,947	3,574

	2001 HK\$m	2000 HK\$m
2 Operating expenses		
Staff costs		
- Salaries and other costs	1,834	1,826
- Retirement benefit costs	434	222
Depreciation	2,268	2,048
Premises and equipment	386	388
- Rental expenses	164	158
- Other	703	608
Other operating expenses	867	766
	583	523
	4,104	3,725
Cost:income ratio	26.3%	24.4%
Staff numbers (full-time equivalent)	7,488	7,449
3 Taxation in the consolidated profit and loss account represents:		
Provision for Hong Kong profits tax	1,407	1,697
Taxation outside Hong Kong	6	2
Deferred taxation	(21)	(46)
	1,392	1,653
Share of associated companies' taxation	8	8
Total charge for taxation	1,400	1,661
Effective tax rate	12.2%	14.2%

The provision for Hong Kong profits tax was made at 16.0% (the same rate as for 2000) based on an estimate of the assessable profits for the year ended 31 December 2001. Similarly, taxation provisions for subsidiary companies and branches outside the Hong Kong SAR were made at the appropriate rates of taxation prevailing in the countries in which they operate.

The effective tax rate fell from 14.2% for 2000 to 12.2% for 2001. This was mainly due to the increase in non-taxable capital gains on the disposal of equity investments and income from debt instruments qualifying for tax exemption. There was also the release of specific provisions made by the mainland China branches, which are not subject to tax since no relief had been given when the provisions were made, and a write-back of an over-provision for the previous year of assessment.

4 The calculation of earnings per share was based on earnings of HK\$10,114 million (HK\$10,014 million in 2000) and on the weighted average number of ordinary shares in issue of 1,911,842,736 shares (unchanged from 2000).

	31.12.2001 HK\$m	31.12.2000 HK\$m
5 Cash and short-term funds		
Cash in hand and balances with banks and other financial institutions	3,729	4,257
Money at call and placings with banks maturing within one month	101,293	110,372
Treasury bills	6,077	14,683
	111,099	129,312
Remaining maturity of treasury bills:		
- Within three months	3,385	6,733
- One year or less but over three months	2,692	7,950
	6,077	14,683
6 Placings with banks maturing after one month	31,12,2001	31,12,2000
	HK\$m	HK\$m
Remaining maturity:		
- Three months or less but over one month	29,835	35,756
- One year or less but over three months	13,831	22,649
	43,666	58,405

	31.12.2001 HK\$m	31.12.2000 HK\$m
7 (a) Advances to customers		
Gross advances to customers	225,926	221,973
Specific provisions	(2,052)	(3,017)
General provisions	(1,438)	(1,438)
	222,436	217,518
Remaining maturity:		
- Repayable on demand	12,062	11,139
- Three months or less but not repayable on demand	13,213	14,730
- One year or less but over three months	24,815	22,579
- Five years or less but over one year	82,065	73,168
- Over five years	86,789	92,066
- Non-performing advances and overdue for more than one month	6,982	8,291
Gross advances to customers	225,926	221,973
Provisions for bad and doubtful debts	(3,490)	(4,455)
	222,436	217,518
Included in advances to customers are:		
- Trade bills	1,882	1,929
- Provisions for bad and doubtful debts	(61)	(37)
	1,821	1,892

	Specific HK\$m	General HK\$m	Total HK\$m	Suspended interest HK\$m
(b) Provisions against advances to customers				
At 1 January 2001	3,017	1,438	4,455	801
Amounts written off	(1,503)	—	(1,503)	(534)
Recoveries of advances written off in previous years	114	—	114	—
Net charge to profit and loss account	424	—	424	—
Interest suspended during the year	—	—	—	301
Suspended interest recovered	—	—	—	(59)
At 31 December 2001	2,052	1,438	3,490	509

	31.12.2001 HK\$m	%	31.12.2000 HK\$m	%
(c) Non-performing advances to customers on which interest has been placed in suspense or on which interest has ceased to accrue are as follows:				
Gross non-performing advances on which interest				
- has been placed in suspense	6,084	6.894	6,894	6.894
- accrual has ceased	251	0.282	867	0.867
Suspended interest	6,335	7.276	7,761	7.761
	(161)	(0.182)	(327)	(0.327)
Gross non-performing advances*	6,174	7.434	7,434	7.434
Specific provisions	(2,052)	(2.522)	(3,017)	(3.017)
Net non-performing advances	4,122	5.012	4,417	4.417
Specific provisions as a percentage of gross non-performing advances*	33.2%		40.6%	
Gross non-performing advances* as a percentage of gross advances to customers	2.7%		3.3%	

* Stated after deduction of interest in suspense.

	31.12.2001 HK\$m	%	31.12.2000 HK\$m	%
(d) The amounts of advances to customers which are overdue for more than three months and their expression as a percentage of gross advances to customers are as follows:				
Gross advances to customers* which have been overdue with respect to either principal or interest for periods of				
- six months or less but over three months	1,338	0.6	854	0.4
- one year or less but over six months	894	0.4	762	0.3
- over one year	3,203	1.4	3,687	1.7
Overdue advances to customers	5,435	2.4	5,303	2.4
Less: overdue advances on which interest is still being accrued	(622)	(0.3)	(418)	(0.2)
Add: advances overdue for periods of three months or less, or which are not yet overdue, and on which interest has been placed in suspense:				
- included in rescheduled advances	484	0.2	1,576	0.7
- other	877	0.4	973	0.4
Gross non-performing advances*	6,174	2.7	7,434	3.3

* Stated after deduction of interest in suspense.