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## The Bank of East Asia, Limited

東亞銀行有限公司

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

### ANNOUNCEMENT OF 2020 FINAL RESULTS

#### SUMMARY OF RESULTS

The Board of Directors of the Bank is pleased to announce the audited results (Note 1(a)) of the Group for the year ended 31<sup>st</sup> December, 2020. This financial report, which has been reviewed by the Bank's Audit Committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2020 annual accounts.

#### Consolidated Income Statement

For the year ended 31<sup>st</sup> December, 2020

	Notes	2020 HK\$ Mn	2019 Restated HK\$ Mn
Interest income	4	21,107	28,575
Interest income calculated using the effective interest method		21,718	28,143
Other interest (expense)/income		(611)	432
Interest expense	5	(9,557)	(14,009)
Net interest income		11,550	14,566
Fee and commission income	6	3,714	3,821
Fee and commission expense		(792)	(946)
Net fee and commission income		2,922	2,875
Net trading profit	7	984	807
Net result on financial instruments at FVTPL	8	198	213
Net result on financial assets measured at FVOCI	9	153	84
Net loss on sale of investments measured at amortised cost		(14)	(1)
Net hedging profit	10	62	12
Net insurance profit	11(a)	771	826
Other operating income	12	684	373
Non-interest income		5,760	5,189
Operating income		17,310	19,755
Operating expenses	13	(8,963)	(9,891)
Operating profit before impairment losses		8,347	9,864
Impairment losses on financial instruments	14	(4,674)	(7,253)
Impairment losses on assets held for sale		(12)	-
Impairment losses on intangible assets	15	(2)	-
Impairment losses on associate	22	(402)	-
Impairment losses		(5,090)	(7,253)
Operating profit after impairment losses		3,257	2,611
Net profit on sale of assets held for sale	16	32	18
Net profit/(loss) on disposal of subsidiaries/associates		341	(7)
Net loss on disposal of fixed assets	17	(33)	(13)
Valuation losses on investment properties		(301)	(33)
Share of profits less losses of associates and joint ventures		310	622
Profit for the year before taxation		3,606	3,198
Income tax	18	79	138
Profit for the year		3,685	3,336

## Consolidated Income Statement (Continued)

		2020	2019
	<i>Notes</i>	<u>HK\$ Mn</u>	<u>Restated HK\$ Mn</u>
Attributable to:			
Owners of the parent		3,614	3,260
Non-controlling interests		71	76
Profit for the year		<u>3,685</u>	<u>3,336</u>
Earnings per share			
Basic	<i>1(b)</i>	HK\$0.97	HK\$0.89
Diluted	<i>1(b)</i>	HK\$0.97	HK\$0.89
Dividends per share		HK\$0.40	HK\$0.46

**Consolidated Statement of Comprehensive Income**  
For the year ended 31<sup>st</sup> December, 2020

	<u>2020</u>	<u>2019</u>
	HK\$ Mn	HK\$ Mn
Net profit	<u>3,685</u>	<u>3,336</u>
Other comprehensive income for the year:		
Items that will not be reclassified to income statement:		
Premises:		
- unrealised surplus on revaluation of premises	57	99
- deferred taxes	(4)	2
Fair value reserve (equity instruments):		
- net change in fair value	228	382
- deferred taxes	12	(1)
Liability credit reserve:		
- net change in fair value attributable to Group's own credit risk	(29)	(4)
- deferred taxes	4	-
Items that may be reclassified subsequently to income statement:		
Fair value reserve (debt instruments):		
- net change in fair value	439	1,709
- amount transferred to income statement on disposal	(618)	(285)
- on amortisation	(1)	(7)
- deferred taxes	74	(131)
Hedging reserve (cash flow hedges):		
- effective portion of changes in fair value of hedging instruments	2	(5)
- fair value change transferred to income statement	(3)	(9)
Share of changes in equity of associates and joint ventures	(17)	102
Exchange differences arising from translation of accounts/disposal of overseas branches, subsidiaries, associates and joint ventures	<u>1,931</u>	<u>(222)</u>
Other comprehensive income	<u>2,075</u>	<u>1,630</u>
Total comprehensive income	<u><u>5,760</u></u>	<u><u>4,966</u></u>
Total comprehensive income attributable to:		
Owners of the parent	5,688	4,909
Non-controlling interests	<u>72</u>	<u>57</u>
	<u><u>5,760</u></u>	<u><u>4,966</u></u>

## Consolidated Statement of Financial Position

As at 31<sup>st</sup> December, 2020

	Notes	2020 HK\$ Mn	2019 HK\$ Mn
<b>ASSETS</b>			
Cash and balances with banks		56,377	51,525
Placements with and advances to banks		66,849	62,280
Trade bills		11,793	12,081
Trading assets	19	1,190	1,273
Derivative assets	25	8,059	5,693
Loans and advances to customers	20	509,070	505,336
Investment securities	21	144,171	163,514
Investments in associates and joint ventures	22	9,182	9,970
Fixed assets		14,065	14,328
- Investment properties		4,961	5,333
- Other properties and equipment		8,208	7,907
- Right-of-use assets		896	1,088
Goodwill and intangible assets		1,912	1,926
Deferred tax assets		2,022	1,563
Other assets	23	59,730	35,709
- Assets held for sale	28	26,657	39
- Others		33,073	35,670
<b>Total Assets</b>		<b>884,420</b>	<b>865,198</b>
<b>EQUITY AND LIABILITIES</b>			
Deposits and balances of banks		31,143	27,915
- Designated at fair value through profit or loss		5,442	3,182
- At amortised cost		25,701	24,733
Deposits from customers		589,202	573,527
Derivative liabilities		13,016	7,654
Certificates of deposit issued		60,852	74,059
- Designated at fair value through profit or loss		24,494	27,401
- At amortised cost		36,358	46,658
Current taxation		624	2,103
Debt securities issued		5,057	3,181
- Designated at fair value through profit or loss		155	-
- At amortised cost		4,902	3,181
Deferred tax liabilities		460	584
Other liabilities		59,959	56,299
- Liabilities held for sale	28	26,864	-
- Others		33,095	56,299
Loan capital – at amortised cost		10,311	10,238
<b>Total Liabilities</b>		<b>770,624</b>	<b>755,560</b>
Share capital	1(c)	41,557	41,379
Reserves	26	57,328	53,928
<b>Total equity attributable to owners of the parent</b>		<b>98,885</b>	<b>95,307</b>
Additional equity instruments		13,968	13,963
Non-controlling interests		943	368
<b>Total Equity</b>		<b>113,796</b>	<b>109,638</b>
<b>Total Equity and Liabilities</b>		<b>884,420</b>	<b>865,198</b>

## Consolidated Statement of Changes in Equity

For the year ended 31<sup>st</sup> December, 2020

	Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Capital reserve – staff share options issued	Fair value reserve	Hedging reserve	Liability credit reserve	Other reserves <sup>5</sup>	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1 <sup>st</sup> January, 2020	41,379	13,651	1,848	1,090	(1,629)	163	2,331	1	(7)	5,347	31,133	95,307	13,963	368	109,638
Changes in equity															
Profit for the year	-	-	-	-	-	-	-	-	-	-	3,614	3,614	-	71	3,685
Other comprehensive income	-	-	53	-	1,930	-	134	(1)	(25)	(17)	-	2,074	-	1	2,075
Total comprehensive income	-	-	53	-	1,930	-	134	(1)	(25)	(17)	3,614	5,688	-	72	5,760
Issue of additional equity instruments <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	5,021	-	5,021
Shares issued in lieu of dividend (Note 1(c))	178	-	-	-	-	-	-	-	-	-	-	178	-	-	178
Equity settled share-based transaction	-	-	-	-	-	11	-	-	-	-	-	11	-	-	11
Transfer	-	6	(6)	(195)	-	(17)	-	-	-	(192)	404	-	-	-	-
Distribution/Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	-	(2,275)	(2,275)	-	(53)	(2,328)
Change of ownership in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	556	556
Redemption of additional equity instruments <sup>2</sup>	-	-	-	-	-	-	-	-	-	-	(24)	(24)	(5,016)	-	(5,040)
At 31 <sup>st</sup> December, 2020	41,557	13,657	1,895	895	301	157	2,465	-	(32)	5,138	32,852	98,885	13,968	943	113,796
At 1 <sup>st</sup> January, 2019	39,925	14,054	1,752	933	(1,426)	158	664	15	(3)	4,963	30,791	91,826	8,894	2,855	103,575
Changes in equity															
Profit for the year	-	-	-	-	-	-	-	-	-	-	3,260	3,260	-	76	3,336
Other comprehensive income	-	-	101	-	(203)	-	1,667	(14)	(4)	102	-	1,649	-	(19)	1,630
Total comprehensive income	-	-	101	-	(203)	-	1,667	(14)	(4)	102	3,260	4,909	-	57	4,966
Issue of additional equity instruments <sup>3</sup>	-	-	-	-	-	-	-	-	-	-	-	-	5,069	-	5,069
Shares issued in lieu of dividend (Note 1(c))	1,454	-	-	-	-	-	-	-	-	-	-	1,454	-	-	1,454
Equity settled share-based transaction	-	-	-	-	-	23	-	-	-	-	-	23	-	-	23
Transfer	-	(403)	(5)	157	-	(18)	-	-	-	282	(13)	-	-	-	-
Distribution/Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	-	(2,905)	(2,905)	-	(52)	(2,957)
Change of ownership in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Redemption of Hybrid Tier 1 capital instruments <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,495)	(2,495)
At 31 <sup>st</sup> December, 2019	41,379	13,651	1,848	1,090	(1,629)	163	2,331	1	(7)	5,347	31,133	95,307	13,963	368	109,638

1. *In 2020, the Bank issued HK\$5,037 million (USD650 million) undated non-cumulative subordinated Additional Tier 1 capital securities. Direct issuance costs of HK\$16 million are accounted for as a deduction from the equity instruments.*
2. *In 2020, the Bank redeemed HK\$5,016 million (USD650 million) undated non-cumulative subordinated Additional Tier 1 capital securities issued in 2015.*
3. *In 2019, the Bank issued HK\$5,083 million (USD650 million) undated non-cumulative subordinated Additional Tier 1 capital securities. Direct issuance costs of HK\$14 million are accounted for as a deduction from the equity instruments.*
4. *In 2019, the Bank redeemed the remaining HK\$2,495 million (USD318 million) Hybrid Tier 1 capital instruments which were classified as non-controlling interests in the consolidated financial statements.*
5. *Other reserves include statutory reserve and other reserves.*

**Consolidated Cash Flow Statement**  
For the year ended 31<sup>st</sup> December, 2020

		2020	2019 Restated <sup>(Note)</sup>
	Notes	HK\$ Mn	HK\$ Mn
<b>OPERATING ACTIVITIES</b>			
Profit for the year before taxation		3,606	3,198
Adjustments for:			
Charge for impairment losses on financial instruments		4,674	7,253
Charge for impairment losses on assets held for sale		12	-
Charge for impairment losses on intangible assets		2	-
Charge for impairment losses on associate		402	-
Share of profits less losses of associates and joint ventures		(310)	(622)
Net loss on sale of investments measured at amortised cost		14	1
Net profit on sale of debt securities measured at FVOCI		(661)	(72)
Net (profit)/ loss on disposal of subsidiaries and associates		(341)	7
Net profit on sale of assets held for sale		(32)	(18)
Net loss on disposal of fixed assets		33	13
Interest expense on debt securities issued		122	94
Interest expense on loan capital issued		449	690
Interest expense on lease liabilities		35	41
Depreciation on bank premises, furniture, fixtures and equipment	13	556	530
Depreciation on right-of-use assets	13	425	397
Dividend income from equity securities measured at FVOCI	9	(13)	(12)
Amortisation of intangible assets	13	14	14
Amortisation of premium/discount on debt securities and loan capital issued		8	15
Revaluation losses on debt securities and loan capital issued		33	157
Valuation losses on investment properties		301	33
Equity settled share-based payment expenses	13	11	23
		9,340	11,742
(Increase)/decrease in operating assets:			
Cash and balances with banks with original maturity beyond three months		1,775	4,786
Placements with and advances to banks with original maturity beyond three months		15,641	(12,438)
Trade bills		285	2,569
Trading assets		261	2,096
Financial assets designated at fair value through profit or loss		446	1,184
Derivative assets		(2,366)	4,518
Loans and advances to customers		(8,468)	(14,302)
Debt investment securities measured at amortised cost		896	794
Debt investment securities measured at FVOCI		(15,174)	(11,277)
Debt investment securities mandatorily measured at FVTPL		2,252	2,070
Non-trading equity securities mandatorily measured at FVTPL		(1,820)	1,363
Other assets		2,296	(1,918)
Increase/(decrease) in operating liabilities:			
Deposits and balances of banks		3,228	425
Deposits from customers		15,675	(587)
Certificates of deposit issued		(13,236)	15,569
Derivative liabilities		5,362	(1,842)
Other liabilities		4,119	4,057
Exchange adjustments		(1,095)	484
<b>NET CASH INFLOW FROM OPERATIONS</b>		<b>19,417</b>	<b>9,293</b>
Income tax paid			
Hong Kong profits tax paid		(1,539)	(24)
Outside Hong Kong profits tax paid		(214)	(335)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>17,664</b>	<b>8,934</b>

		2020	2019
	Notes	HK\$ Mn	Restated <sup>(Note)</sup> HK\$ Mn
<b>INVESTING ACTIVITIES</b>			
Dividends received from associates and joint ventures		61	1
Dividends received from equity securities measured at FVOCI		13	12
Purchase of fixed assets		(599)	(1,010)
Proceeds from disposal of other properties and equipment		5	17
Proceeds from sale of assets held for sale		43	1,016
Proceeds from disposal of associates		906	-
Additional investments in associates		(61)	(151)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>368</b>	<b>(115)</b>
<b>FINANCING ACTIVITIES</b>			
Ordinary dividends paid		(1,358)	(823)
Distribution to Hybrid/Additional Tier 1 issue holders	2(c)	(792)	(680)
Issue of additional equity instruments		5,021	5,083
Issue of debt securities		1,867	3,024
Issue of loan capital		4,632	1,675
Payment of lease liabilities		(444)	(391)
Redemption of Hybrid Tier 1 issued		-	(2,495)
Redemption of debt securities issued		(163)	(408)
Redemption of loan capital		(4,651)	(3,913)
Redemption of additional equity instruments		(5,040)	-
Interest paid on debt securities issued		(117)	(15)
Interest paid on loan capital		(560)	(653)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>		<b>(1,605)</b>	<b>404</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>16,427</b>	<b>9,223</b>
<b>CASH AND CASH EQUIVALENTS AT 1<sup>ST</sup> JANUARY</b>		<b>94,638</b>	<b>86,020</b>
Effect of foreign exchange rate changes		2,637	(605)
<b>CASH AND CASH EQUIVALENTS AT 31<sup>ST</sup> DECEMBER</b>		<b>113,702</b>	<b>94,638</b>
<b>Cash flows from operating activities included:</b>			
Interest received		21,653	28,941
Interest paid		11,290	13,703
Dividend received		38	48

*Note: To conform to current year's presentation, 2019 comparative figures have been restated by reclassifying cash flows of purchase and sale of certain non-trading equity securities from investing activities to operating activities.*



## Notes to the Financial Statements

1. (a) The financial information relating to the years ended 31<sup>st</sup> December, 2020 and 2019 included in this announcement of 2020 final results do not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31<sup>st</sup> December, 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31<sup>st</sup> December, 2020 in due course.

The Bank's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

- (b) (i) The calculation of basic earnings per share is based on the consolidated profit for the year attributable to owners of the parent of HK\$2,822 million (2019: HK\$2,580 million) after the distribution of HK\$792 million (2019: HK\$680 million) to Hybrid/Additional Tier 1 issue holders, and on the weighted average of 2,913 million (2019: 2,885 million) ordinary shares outstanding during the year.
- (ii) The calculation of diluted earnings per share is based on the consolidated profit for the year attributable to owners of the parent of HK\$2,822 million (2019: HK\$2,580 million) after the distribution of HK\$792 million (2019: HK\$680 million) to Hybrid/Additional Tier 1 issue holders, and on 2,913 million (2019: 2,885 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

(c) Share capital

Movement of the Bank's ordinary shares is set out below:

	2020		2019	
	No. of shares Million	HK\$ Mn	No. of shares Million	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1 <sup>st</sup> January	2,907	41,379	2,846	39,925
Shares issued in lieu of dividend	10	178	61	1,454
At 31 <sup>st</sup> December	2,917	41,557	2,907	41,379

## 2. Distribution/Dividends

### (a) Dividends attributable to the year

	<u>2020</u> HK\$ Mn	<u>2019</u> HK\$ Mn
Interim dividend declared and paid of HK\$0.16 per share on 2,915 million shares (2019: HK\$0.11 per share on 2,897 million shares)	466	319
Second interim dividend of HK\$0.24 per share on 2,917 million shares (2019: HK\$0.35 per share on 2,907 million shares)	<u>700</u>	<u>1,017</u>
	<u><u>1,166</u></u>	<u><u>1,336</u></u>

The total dividend attributable to the year is HK\$0.40 per share (2019: HK\$0.46 per share). The second interim dividend has not been recognised as a liability at the end of the reporting period.

### (b) Dividends attributable to the previous financial year, approved and paid during the year

	<u>2020</u> HK\$ Mn	<u>2019</u> HK\$ Mn
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.35 per share on 2,907 million shares (2019: HK\$0.32 per share on 2,846 million shares)	1,017	910
Special dividend of HK\$0.35 per share on 2,846 million shares	<u>-</u>	<u>996</u>
	<u><u>1,017</u></u>	<u><u>1,906</u></u>

### (c) Distribution to holders of Hybrid/Additional Tier 1 capital instruments

	<u>2020</u> HK\$ Mn	<u>2019</u> HK\$ Mn
Interest paid or payable on the Hybrid Tier 1 capital instruments	-	179
Distribution paid on the Additional Tier 1 capital instruments	<u>792</u>	<u>501</u>
	<u><u>792</u></u>	<u><u>680</u></u>

### 3. Changes in Accounting Policies

The Group has initially adopted Amendments to HKFRS 9 “Financial Instruments”, HKAS 39 “Financial Instruments: Recognition and Measurement” and HKFRS 7 “Financial Instruments: Disclosures” in respect of Interest Rate Benchmark Reform and early adopted Amendment to HKFRS 16 “Leases” in respect of COVID-19-Related Rent Concessions from 1<sup>st</sup> January, 2020. A number of other new standards are effective 1<sup>st</sup> January, 2020 but they do not have a material effect on the Group’s financial statements.

#### *Interest Rate Benchmark Reform: Amendments to HKFRS 9, HKAS 39 and HKFRS 7*

Interest rate benchmark reform is a global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives. The objective of the reform is to replace IBORs with alternative nearly risk-free rates (RFRs) that are based on actual market transactions. Consequently, financial contracts referencing these benchmarks may need to be amended to reference the alternative RFR in the applicable currency. The Amendments to HKFRS 9, HKAS 39 and HKFRS 7 modify specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform so that entities applying those hedge accounting requirements assume that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. These Amendments replace the need for specific judgements to determine whether certain hedge accounting relationships that hedge the variability of cash flows or interest rate risk exposures for periods after the interest rate benchmarks are expected to be reformed or replaced continue to qualify for hedge accounting.

Significant judgement will be required in determining when uncertainty is expected to be resolved and when the temporary exceptions will cease to apply. As at 31<sup>st</sup> December 2020, the Group believes it is too early to reliably estimate when interest rate benchmark uncertainty will be resolved for all benchmarks assumed to be in scope of the amendments and so the temporary exceptions applied to the Group’s hedge accounting relationships that reference benchmarks subject to reform or replacement.

The Group enters into fixed-for-floating interest rate swaps to hedge the exposure to changes in the fair value due to movements in market interest rates on certain fixed rate financial instruments, including subordinated notes issued, debt securities investment and loans and advances to customers. The table below indicates the nominal amount and weighted average maturity of derivative instruments designated in fair value hedge accounting relationships that will be affected by the interest rate benchmark reform. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Group manages through hedging relationships.

	2020	
	Notional designated HK\$ Mn	Weighted average exposure years
Interest rate swaps		
USD London Interbank Offered Rate	58,036	3.35
Bank Bill Swap Rate	7,649	0.58
The Euro Interbank Offered Rate	5,373	0.28
Hong Kong Interbank Offered Rate	1,665	0.08
Singapore Dollar Swap Offer Rate	820	0.03
Bank Bill Benchmark Rate	714	0.01
	<u>74,257</u>	<u>4.33</u>

The notional contract amounts of interest rate derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding as at the reporting date; they do not represent amounts at risk.

#### COVID-19-Related Rent Concessions: Amendment to HKFRS 16

The Amendment to HKFRS 16 provides practical expedient to exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. Practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30<sup>th</sup> June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after 1<sup>st</sup> June, 2020 with early adoption permitted. The Group has early adopted the Amendment from 1<sup>st</sup> January, 2020 to all rent concessions that met the conditions. A total of HK\$5 million of rent concessions was recognised as a credit to variable lease payments that were not included in the measurement of lease liabilities (Note 13) during the year.

#### 4. Interest Income

	2020	2019
	HK\$ Mn	Restated HK\$ Mn
Loans, deposits with banks, and trade bills	17,966	24,041
Investment securities		
- measured at amortised cost or FVOCI	2,972	4,113
- designated at FVTPL	2	107
- mandatory at FVTPL	144	245
Trading assets	23	69
	<u>21,107</u>	<u>28,575</u>

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for, or individually managed in conjunction with, interest bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets.

The above included HK\$21,718 million (2019: HK\$28,143 million) interest income, before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

## 5. Interest Expense

	2020 HK\$ Mn	2019 HK\$ Mn
Customer deposits and deposits of banks		
– at amortised cost	7,739	11,485
– designated at FVTPL	40	65
Certificates of deposit and debt securities issued		
– at amortised cost	951	1,254
– designated at FVTPL	332	447
Subordinated notes carried at amortised cost	455	704
Lease liabilities	35	41
Other borrowings	5	13
	<u>9,557</u>	<u>14,009</u>

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for, or individually managed in conjunction with, interest bearing financial liabilities are first netted together and then combined with the interest expense from the corresponding financial liabilities.

The above included HK\$9,243 million (2019: HK\$13,457 million) interest expense, before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

## 6. Fee and Commission Income

Fee and commission income is disaggregated by services:

	2020 HK\$ Mn	2019 Restated <sup>(Note)</sup> HK\$ Mn
Credit cards	909	1,221
Loans, overdrafts and guarantees	754	686
Investment products	457	353
Securities and brokerage	370	198
Trust and other fiduciary activities	282	315
Trade finance	262	325
Other retail banking services	165	158
Sale of third party insurance policies	52	90
Financial consultancy	13	26
Others	450	449
Total fee and commission income	<u>3,714</u>	<u>3,821</u>

of which:

Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not measured at FVTPL

	2,935	2,890
Fee income	3,714	3,821
Fee expenses	(779)	(931)

*Note: Certain fee and commission income in 2019 has been reclassified among the categories of investment products, trust and other fiduciary activities, and other retail banking services; and certain fee income from loans of HK\$66 million in 2019 has been reclassified to interest income in line with the nature of the income (Note 4).*

## 7. Net Trading Profit

	2020 HK\$ Mn	2019 HK\$ Mn
Profit on dealing in foreign currencies and funding swaps	130	399
Profit on trading securities	76	184
Net gain on derivatives	755	194
Loss on other dealing activities	(2)	(6)
Dividend income from trading equity securities	25	36
	<u>984</u>	<u>807</u>

## 8. Net Result on Financial Instruments at FVTPL

	2020 HK\$ Mn	2019 HK\$ Mn
Net loss from financial instruments designated at FVTPL	(22)	(28)
Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading profit)	220	241
	<u>198</u>	<u>213</u>

## 9. Net Result on Financial Assets Measured at FVOCI

	2020 HK\$ Mn	2019 Restated <sup>(Note)</sup> HK\$ Mn
Net profit on sale of debt securities	140	72
Dividend income from equity securities	13	12
	<u>153</u>	<u>84</u>

*Note: To better reflect the income nature, dividend income from equity securities measured at FVOCI for 2019 has been reclassified from other operating income (Note 12) to conform to current year's presentation.*

## 10. Net Hedging Profit

	2020 HK\$ Mn	2019 HK\$ Mn
Fair value hedges		
- Net gain on hedged items attributable to the hedged risk	2,203	1,594
- Net loss on hedging instruments	(2,141)	(1,582)
	<u>62</u>	<u>12</u>

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the years 2020 and 2019.

## 11. Net Insurance Profit

	2020	2019
	HK\$ Mn	HK\$ Mn
(a) Net insurance profit		
Net interest income	666	650
Net trading loss	(78)	(101)
Net result on financial instruments at FVTPL	292	588
Net profit on sale of debt investment securities measured at FVOCI	521	264
Net insurance premium	6,461	6,058
Other operating income	1	1
	<u>7,863</u>	<u>7,460</u>
Net insurance claims and expenses	(7,076)	(6,608)
	<u>787</u>	<u>852</u>
Operating expenses	(4)	(3)
Impairment losses on financial instruments	(12)	(23)
	<u>771</u>	<u>826</u>
(b) Net insurance premium		
Gross insurance premium income ( <i>Note</i> )	6,531	6,123
Reinsurers' share of gross insurance premium income	(70)	(65)
	<u>6,461</u>	<u>6,058</u>
(c) Net insurance claims and expenses		
Claims, benefits and surrenders paid	2,144	2,915
Movement in provisions	4,830	3,554
	<u>6,974</u>	<u>6,469</u>
Reinsurers' share of claim, benefits and surrenders paid	(59)	(322)
Reinsurers' share of movement in provisions	21	306
	<u>(38)</u>	<u>(16)</u>
	<u>6,936</u>	<u>6,453</u>
Net insurance commission expenses	140	155
	<u>7,076</u>	<u>6,608</u>

*Note: Gross insurance premium income represents gross premiums received and receivable in respect of long-term business and general insurance business, net of discounts and returns.*

## 12. Other Operating Income

	2020	2019
	HK\$ Mn	Restated HK\$ Mn
Rental from safe deposit boxes	121	119
Rental income on properties	154	175
Government subsidy – Employment Support Scheme	252	-
Others	157	79
	<u>684</u>	<u>373</u>

### 13. Operating Expenses

	2020	2019
	HK\$ Mn	Restated <sup>(Note)</sup> HK\$ Mn
Contributions to defined contribution plan*		
- Hong Kong	188	175
- Outside Hong Kong	94	227
Equity settled share-based payment expenses	11	23
Salaries and other staff costs	4,778	4,799
Total staff costs	<u>5,071</u>	<u>5,224</u>
Premises and equipment expenses excluding depreciation		
- Expenses relating to short-term leases	18	69
- Expenses relating to low value assets	1	1
- Variable lease payments not included in the measurement of lease liabilities	(1)	4
- Maintenance, repairs and others	742	676
Total premises and equipment expenses excluding depreciation	<u>760</u>	<u>750</u>
Depreciation on		
- Bank premises, furniture, fixtures and equipment	556	530
- Right-of-use assets	425	397
	<u>981</u>	<u>927</u>
Amortisation of intangible assets	<u>14</u>	<u>14</u>
Other operating expenses		
- Internet platform charges	511	913
- Legal and professional fees	357	364
- Communications, stationery and printing	267	268
- Advertising expenses	251	255
- Card related expenses	207	174
- Insurance expenses	108	114
- Stamp duty, withholding taxes and value added taxes	77	117
- Business promotions and business travel	64	105
- Audit fee	20	19
- Others	275	647
Total other operating expenses	<u>2,137</u>	<u>2,976</u>
Total operating expenses**	<u>8,963</u>	<u>9,891</u>

*Note: Certain other operating expenses of HK\$128 million in 2019 has been reclassified from legal and professional expense to maintenance, repairs and others in line with the nature of the expenses.*

\* *Forfeited contributions totalling HK\$17 million (2019: HK\$19 million) were utilised to reduce the Group's contribution during the year. There were no forfeited contributions available for reducing future contributions at the year end (2019: Nil).*

\*\* *Included in operating expenses are direct operating expenses of HK\$7 million (2019: HK\$5 million) in respect of investment properties which generated rental income during the year.*

### 14. Impairment Losses on Financial Instruments

	2020	2019
	HK\$ Mn	HK\$ Mn
Loans and advances to customers	4,734	7,250
Others	(60)	3
	<u>4,674</u>	<u>7,253</u>



## 15. Impairment Losses on Intangible Assets

	<u>2020</u> HK\$ Mn	<u>2019</u> HK\$ Mn
Impairment losses on intangible assets	<u>2</u>	<u>-</u>

## 16. Net Profit on Sale of Assets Held for Sale

	<u>2020</u> HK\$ Mn	<u>2019</u> HK\$ Mn
Net profit on sale of properties	30	108
Net profit/(loss) on sale of disposal groups	<u>2</u>	<u>(90)</u>
	<u>32</u>	<u>18</u>

## 17. Net Loss on Disposal of Fixed Assets

	<u>2020</u> HK\$ Mn	<u>2019</u> HK\$ Mn
Net loss on disposal of bank premises, furniture, fixtures and equipment	<u>(33)</u>	<u>(13)</u>

## 18. Income Tax

Taxation in the consolidated income statement represents:

	<u>2020</u> HK\$ Mn	<u>2019</u> HK\$ Mn
Current tax – Hong Kong		
Tax for the year	531	1,024
Over-provision in respect of prior years	<u>(394)</u>	<u>(145)</u>
	<u>137</u>	<u>879</u>
Current tax – outside Hong Kong		
Tax for the year	229	284
Over-provision in respect of prior years	<u>(50)</u>	<u>(138)</u>
	<u>179</u>	<u>146</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(395)</u>	<u>(1,163)</u>
	<u>(79)</u>	<u>(138)</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 19. Trading Assets

	<u>2020</u>	<u>2019</u>
	HK\$ Mn	HK\$ Mn
Treasury bills (including Exchange Fund Bills)	119	34
Debt securities	190	56
Equity securities	881	1,183
	<u>1,190</u>	<u>1,273</u>

## 20. Loans and Advances to Customers

### (a) Loans and advances to customers

	<u>2020</u>	<u>2019</u>
	HK\$ Mn	HK\$ Mn
Loans and advances to customers at amortised cost	513,929	509,105
Less: Impairment allowances	(4,859)	(3,769)
- Stage 1	(845)	(501)
- Stage 2	(1,038)	(516)
- Stage 3	(2,976)	(2,752)
	<u>509,070</u>	<u>505,336</u>

(b) Loans and advances to customers – by industry sectors

The analysis of gross advances to customers and the percentage of secured advances by industry sector is based on the categories and definitions used by the HKMA.

	2020		2019 Restated <i>(Note)</i>	
	Gross advances HK\$ Mn	% of gross advances covered by collateral %	Gross advances HK\$ Mn	% of gross advances covered by collateral %
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	29,038	59.33	25,243	59.07
- Property investment	49,544	89.17	49,904	89.77
- Financial concerns	13,434	55.49	15,322	63.71
- Stockbrokers	4,468	94.34	1,694	70.22
- Wholesale and retail trade	6,273	52.78	7,156	53.63
- Manufacturing	4,390	47.24	3,510	50.49
- Transport and transport equipment	5,441	56.21	4,736	64.85
- Recreational activities	82	70.40	99	71.92
- Information technology	676	5.20	655	2.19
- Others	19,151	56.85	17,256	58.99
- Sub-total	132,497	69.81	125,575	71.36
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,383	100.00	1,124	100.00
- Loans for the purchase of other residential properties	87,512	100.00	89,319	100.00
- Credit card advances	4,043	0.00	4,696	0.00
- Others	27,730	85.01	26,599	80.73
- Sub-total	120,668	93.20	121,738	91.93
Total loans for use in Hong Kong	253,165	80.96	247,313	81.49
Trade finance	4,427	49.24	3,686	53.24
Loans for use outside Hong Kong*	256,337	37.78	258,106	41.29
Total advances to customers	513,929	59.15	509,105	60.90

*Note: 2019 comparative figures have been restated by reclassifying HK\$28,341 million advances from Others categories to Property development, Property investment and Loans for the purchase of other residential properties categories in the amounts of HK\$1 million, HK\$132 million and HK\$28,208 million respectively in line with the industry sector of the loans and advances.*

\* Loans for use outside Hong Kong include the following loans for use in Mainland China.

	2020		2019	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use in PRC				
Industrial, commercial and financial				
- Property development	41,344	29.81	41,117	34.72
- Property investment	13,254	81.47	16,957	90.50
- Financial concerns	41,107	3.84	32,658	3.43
- Wholesale and retail trade	6,644	40.81	7,771	46.21
- Manufacturing	5,870	12.28	5,556	13.30
- Transport and transport equipment	584	38.04	2,315	73.20
- Recreational activities	71	58.14	560	2.89
- Information technology	1,601	0.70	1,326	0.90
- Others	13,997	19.62	16,341	27.53
- Sub-total	<u>124,472</u>	25.03	<u>124,601</u>	33.14
Individuals				
- Loans for the purchase of other residential properties	14,180	99.98	13,360	99.97
- Credit card advances	7,072	0.00	8,631	0.00
- Others	14,910	1.84	17,838	1.48
- Sub-total	<u>36,162</u>	39.96	<u>39,829</u>	34.20
Total loans for use in PRC	<u>160,634</u>	28.39	<u>164,430</u>	33.40

Individually impaired loans, as well as relevant information, in respect of industry sectors which constitute 10% or more of total advances to customers are as follows:

	2020	2019
	HK\$ Mn	HK\$ Mn
(i) Property development		
a. Individually impaired loans	642	1,329
b. Specific provisions	216	257
c. Collective provisions	88	139
d. New provision charged to income statement	324	1,745
e. Written off	284	2,058
(ii) Property investment		
a. Individually impaired loans	2,298	1,076
b. Specific provisions	702	301
c. Collective provisions	319	289
d. New provision charged to income statement	1,079	1,327
e. Written off	666	1,657
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	273	264
b. Specific provisions	13	19
c. Collective provisions	153	71
d. New provision charged to income statement	200	68
e. Written off	-	6
(iv) Financial concerns		
a. Individually impaired loans	-	48
b. Specific provisions	-	-
c. Collective provisions	303	101
d. New provision charged to income statement	250	58
e. Written off	-	-

The specific provisions represent lifetime expected credit loss provisions for credited impaired exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired exposures.

(c) Loans and advances to customers – by geographical areas

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 24 which is prepared in a manner consistent with the way in which information is reported internally to the Group's Senior Management. The specific provisions represent lifetime expected credit loss provisions for credit impaired exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired exposures.

	2020				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	262,280	863	1,225	447	423
Mainland China	178,085	1,856	4,992	2,353	1,179
Other Asian Countries and Regions	29,483	80	234	174	55
Others	44,081	14	14	2	226
<b>Total</b>	<b>513,929</b>	<b>2,813</b>	<b>6,465</b>	<b>2,976</b>	<b>1,883</b>

% of total advances to customers 1.26%

Market value of collateral held against impaired advances to customers 4,801

	2019				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	252,488	391	716	176	396
Mainland China	186,380	1,603	4,997	2,508	533
Other Asian Countries and Regions	30,255	110	156	68	62
Others	39,982	-	320	-	26
<b>Total</b>	<b>509,105</b>	<b>2,104</b>	<b>6,189</b>	<b>2,752</b>	<b>1,017</b>

% of total advances to customers 1.22%

Market value of collateral held against impaired advances to customers 4,958

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis. The above information by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk.

Collateral includes any tangible security that carries a fair market value and is readily marketable. This includes (but is not limited to) cash and deposits, stocks and bonds, mortgages over properties and charges over other fixed assets such as plant and equipment. Where collateral values are greater than gross loans and advances to customers, only the amount of collateral up to the gross loans and advances is included.

## 21. Investment Securities

	2020				Total HK\$ Mn
	Mandatorily measured at FVTPL	Designated at FVTPL	Measured at FVOCI	Measured at amortised cost	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Treasury bills (including Exchange Fund Bills)	-	-	25,828	2,359	28,187
Certificates of deposits held	-	-	1,175	1,065	2,240
Debt securities	4,571	-	94,325	12,297	111,193
Equity securities	482	-	1,283	-	1,765
Investment funds	786	-	-	-	786
	<u>5,839</u>	<u>-</u>	<u>122,611</u>	<u>15,721</u>	<u>144,171</u>

	2019				Total HK\$ Mn
	Mandatorily measured at FVTPL	Designated at FVTPL	Measured at FVOCI	Measured at amortised cost	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Treasury bills (including Exchange Fund Bills)	-	-	35,719	3,008	38,727
Certificates of deposits held	-	-	1,141	1,604	2,745
Debt securities	8,095	446	96,268	13,693	118,502
Equity securities	1,972	-	1,055	-	3,027
Investment funds	513	-	-	-	513
	<u>10,580</u>	<u>446</u>	<u>134,183</u>	<u>18,305</u>	<u>163,514</u>

Debt securities were designated as at FVTPL on initial recognition when the Group held derivatives for managing specific risk of the debt securities, and the designation therefore eliminated or significantly reduced an accounting mismatch that would otherwise arise.

### Equity securities designated at FVOCI

	2020		2019	
	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Equity investments held for long-term strategic purposes	<u>1,283</u>	<u>13</u>	<u>1,055</u>	<u>12</u>

As at 31<sup>st</sup> December, 2020, equity securities designated at FVOCI amounting to HK\$1,283 million (2019: HK\$1,055 million) were held for long-term strategic purposes, of which HK\$1,156 million (2019: HK\$853 million) was attributable to the fair value of the Bank's investment in China UnionPay Co., Ltd. None of these strategic investments was disposed of during 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

## 22. Investments in Associates and Joint Ventures

	2020 HK\$ Mn	2019 HK\$ Mn
Share of net assets	9,504	9,579
Goodwill	477	788
	9,981	10,367
Less: Impairment allowances	(799)	(397)
	<u>9,182</u>	<u>9,970</u>

At 31<sup>st</sup> December, 2020, the fair value of the Group's investment in AFFIN Bank Berhad ("AFFIN") based on the quoted market price had been persistently below the carrying amount for a period of time. As a result, the Group performed an impairment test on the investment using a value-in-use ("VIU") methodology and this demonstrated that the recoverable amount of the investment was HK\$3,648 million. An additional impairment charge of HK\$402 million was recorded in 2020, making an aggregated impairment allowance of HK\$799 million for AFFIN. The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management for the next five years and extrapolating in perpetuity using a long-term growth rate of 3% to derive a terminal value. Discount rate of 11% (2019: 10.3%), which is based on a Capital Asset Pricing Model calculation for AFFIN, is used in the VIU calculation.

The following table illustrates the impact on VIU of reasonably possible changes to key assumptions. This reflects the sensitivity of the VIU to each key assumption on its own and it is possible that more than one favourable and/or unfavourable change may occur at the same time.

	Favourable change			Unfavourable change		
		Increase in VIU	VIU		Decrease in VIU	VIU
		HK\$ Mn	HK\$ Mn		HK\$ Mn	HK\$ Mn
At 31 <sup>st</sup> December, 2020						
Discount rate	-50 bps	236	3,884	+50 bps	(210)	3,438
Long-term growth rate	+50 bps	69	3,717	-50 bps	(65)	3,583
Expected cash flows	+10%	365	4,013	-10%	(365)	3,283

## 23. Other Assets

	2020 HK\$ Mn	2019 HK\$ Mn
Accrued interest	2,488	3,034
Customer liabilities under acceptances	17,333	21,513
Other accounts*	13,437	11,318
Less: Impairment allowances	(185)	(195)
- Stage 1	(14)	(44)
- Stage 2	(3)	(7)
- Stage 3	(168)	(144)
	<u>33,073</u>	<u>35,670</u>
Assets held for sale (Note 28)	26,657	39
	<u>59,730</u>	<u>35,709</u>

\* Include nil contract assets (2019: nil) from contracts with customers under HKFRS 15.

## 24. Segment Reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's Senior Management for the purposes of resource allocation and performance assessment, the Group has presented the following nine reportable segments.

### Hong Kong operations

Hong Kong operations include Hong Kong banking business carrying out by the Bank and other business operations, dividing into the following six reportable segments.

- **Personal Banking** includes branch operations, personal internet banking, consumer finance, property loans and credit card business to individual customers in Hong Kong.
- **Corporate Banking** includes corporate lending and loan syndication, asset based lending, commercial lending, securities lending and trade financing activities with correspondent banks and corporates in Hong Kong.
- **Treasury Markets** include treasury operations and securities dealing in Hong Kong.
- **Wealth management** includes private banking business, investment products & advisory and trusts & fiduciary services in Hong Kong.
- **Centralised operations** include supporting units of banking operations in Hong Kong.
- **Others** mainly include insurance business, trust business, securities & futures broking and corporate financial advisory carried out by subsidiaries operated in Hong Kong and other supporting units of Hong Kong operations located outside Hong Kong.

### Mainland operations

**Mainland China operations** mainly include the back office unit for Mainland China operations in Hong Kong, all subsidiaries and associates operated in Mainland China, except those subsidiaries carrying out data processing and other back office operations for Hong Kong operations in Mainland China.

### Overseas operations

**Overseas operations** mainly include the back office unit for overseas banking operations in Hong Kong, Macau Branch, Taiwan Branch and all branches, subsidiaries and associates operated in overseas.

### Corporate management

**Corporate management** absorbs the regulatory capital cost of loan capital issued by the Bank and receives from Hong Kong operations the interest income on capital instruments issued by the Bank.

For the purposes of assessing segment performance and allocating resources among segments, the Group's Senior Management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of interests in associates and joint ventures and assets held for sale. Segment liabilities include deposits, financial liabilities and other liabilities attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.



2020

	Hong Kong operations												
	Hong Kong banking business						Others	Total	Mainland China operations	Overseas operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Corporate banking	Treasury markets	Wealth management	Centralised operations	Total							
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Net interest income/(expense)	2,692	2,319	101	327	(76)	5,363	148	5,511	4,117	1,492	426	4	11,550
Non-interest income	1,069	576	477	502	635	3,259	1,273	4,532	955	317	-	(44)	5,760
Operating income	3,761	2,895	578	829	559	8,622	1,421	10,043	5,072	1,809	426	(40)	17,310
Operating expenses	(1,758)	(321)	(169)	(237)	(2,111)	(4,596)	(461)	(5,057)	(3,264)	(682)	-	40	(8,963)
Operating profit/(loss) before impairment losses	2,003	2,574	409	592	(1,552)	4,026	960	4,986	1,808	1,127	426	-	8,347
(Charge for)/Write back of impairment losses on financial instruments	(208)	(1,083)	1	8	1	(1,281)	(1)	(1,282)	(2,954)	(438)	-	-	(4,674)
Impairment losses on assets held for sale	-	-	-	-	-	-	-	-	(12)	-	-	-	(12)
Impairment losses on intangible assets	-	-	-	-	-	-	-	-	(2)	-	-	-	(2)
Impairment losses on associates	-	-	-	-	-	-	-	-	-	(402)	-	-	(402)
Operating profit/(loss) after impairment losses	1,795	1,491	410	600	(1,551)	2,745	959	3,704	(1,160)	287	426	-	3,257
Net profit on sale of assets held for sale	-	-	-	-	30	30	-	30	1	1	-	-	32
Net profit on disposal of subsidiaries/associates	-	-	-	-	-	-	-	-	-	341	-	-	341
Net profit/(loss) on disposal of fixed assets	(19)	-	-	-	1	(18)	-	(18)	(12)	(3)	-	-	(33)
Valuation losses on investment properties	-	-	-	-	(248)	(248)	(52)	(300)	-	(1)	-	-	(301)
Share of profits less losses of associates and joint ventures	-	-	-	-	-	-	(3)	(3)	123	190	-	-	310
Profit/(Loss) before taxation	1,776	1,491	410	600	(1,768)	2,509	904	3,413	(1,048)	815	426	-	3,606
Depreciation for the year	(340)	(6)	(7)	(3)	(216)	(572)	(41)	(613)	(302)	(66)	-	-	(981)
Segment assets	115,004	163,163	218,240	31,371	11,406	539,184	9,244	548,428	230,472	113,192	-	(43,511)	848,581
Investments in associates and joint ventures	-	-	-	-	-	-	76	76	4,121	4,985	-	-	9,182
Other assets – Assets held for sale	-	-	-	-	20	20	26,620	26,640	17	-	-	-	26,657
Total assets	115,004	163,163	218,240	31,371	11,426	539,204	35,940	575,144	234,610	118,177	-	(43,511)	884,420
Segment liabilities	328,720	46,151	69,730	29,911	1,958	476,470	2,229	478,699	203,868	103,955	-	(42,762)	743,760
Other liabilities – Liabilities held for sale	-	-	-	-	-	-	26,864	26,864	-	-	-	-	26,864
Total liabilities	328,720	46,151	69,730	29,911	1,958	476,470	29,093	505,563	203,868	103,955	-	(42,762)	770,624
Capital expenditure incurred during the year	197	8	9	5	280	499	42	541	255	40	-	-	836

2019 (Restated) <sup>Note</sup>

	Hong Kong operations												
	Hong Kong banking business						Others	Total	Mainland China operations	Overseas operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Corporate banking	Treasury markets	Wealth management	Centralised operations	Total							
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Net interest income/(expense)	3,531	2,356	877	407	(139)	7,032	168	7,200	5,382	1,589	395	-	14,566
Non-interest income	986	473	335	370	313	2,477	1,319	3,796	1,138	294	-	(39)	5,189
Operating income	4,517	2,829	1,212	777	174	9,509	1,487	10,996	6,520	1,883	395	(39)	19,755
Operating expenses	(1,694)	(338)	(155)	(221)	(2,032)	(4,440)	(466)	(4,906)	(4,328)	(696)	-	39	(9,891)
Operating profit/(loss) before impairment losses	2,823	2,491	1,057	556	(1,858)	5,069	1,021	6,090	2,192	1,187	395	-	9,864
(Charge for)/Write back of impairment losses on financial instruments	(199)	(117)	5	(4)	-	(315)	(3)	(318)	(6,994)	59	-	-	(7,253)
Operating profit/(loss) after impairment losses	2,624	2,374	1,062	552	(1,858)	4,754	1,018	5,772	(4,802)	1,246	395	-	2,611
Net profit/(loss) on sale of assets held for sale	-	-	-	-	105	105	-	105	(72)	(15)	-	-	18
Net loss on disposal of subsidiaries/associates	-	-	-	-	-	-	-	-	-	(7)	-	-	(7)
Net loss on disposal of fixed assets	(8)	-	-	-	(1)	(9)	-	(9)	(4)	-	-	-	(13)
Valuation losses on investment properties	-	-	-	-	(28)	(28)	(5)	(33)	-	-	-	-	(33)
Share of profits less losses of associates and joint ventures	-	-	-	-	-	-	12	12	123	487	-	-	622
Profit/(Loss) before taxation	2,616	2,374	1,062	552	(1,782)	4,822	1,025	5,847	(4,755)	1,711	395	-	3,198
Depreciation for the year	(313)	(4)	(5)	-	(205)	(527)	(32)	(559)	(302)	(66)	-	-	(927)
Segment assets	117,815	160,856	199,827	28,342	11,924	518,764	29,169	547,933	241,082	113,978	-	(47,804)	855,189
Investments in associates and joint ventures	-	-	-	-	-	-	79	79	3,741	6,150	-	-	9,970
Other assets – Assets held for sale	-	-	-	-	5	5	-	5	34	-	-	-	39
Total assets	117,815	160,856	199,827	28,342	11,929	518,769	29,248	548,017	244,857	120,128	-	(47,804)	865,198
Total liabilities	325,912	38,606	68,813	22,709	3,290	459,330	23,594	482,924	213,666	105,872	-	(46,902)	755,560
Capital expenditure incurred during the year	392	5	12	3	196	608	50	658	310	42	-	-	1,010

Note: During the year, the segmental approach has been revised to provide a fair comparison of performance among operating segments in order to facilitate the Senior Management to have a better decision making about allocating resource to and assessing the performance of individual operating segments. 2019 comparative figures have been restated to conform to current year's presentation.

## 25. Off-balance Sheet Exposures

The following is a summary of the contractual amounts of each significant class of contingent liability and commitments and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

### (a) Contingent liabilities and commitments

	2020 HK\$ Mn	2019 HK\$ Mn
Contractual amounts of contingent liabilities		
Direct credit substitutes	9,065	11,705
Transaction-related contingencies	1,325	1,051
Trade-related contingencies	4,303	2,157
	<u>14,693</u>	<u>14,913</u>
Contractual amounts of commitments		
Commitments that are unconditionally cancellable without prior notice	159,852	148,791
Other commitments with an original maturity		
- up to 1 year	7,093	10,038
- over 1 year	27,722	26,772
	<u>194,667</u>	<u>185,601</u>
Total	<u>209,360</u>	<u>200,514</u>
Credit risk weighted amounts	<u>22,946</u>	<u>23,193</u>

### (b) Derivatives

	2020 HK\$ Mn	2019 HK\$ Mn
Fair value of derivatives		
Assets		
Exchange rate contracts	2,333	2,887
Interest rate contracts	2,004	2,037
Equity contracts	3,721	767
Others	1	2
	<u>8,059</u>	<u>5,693</u>
Liabilities		
Exchange rate contracts	2,827	3,375
Interest rate contracts	6,450	3,442
Equity contracts	3,740	827
Others	-	10
	<u>13,017</u>	<u>7,654</u>
Notional amounts of derivatives		
Exchange rate contracts	293,773	449,156
Interest rate contracts	428,454	371,674
Equity contracts	17,522	12,214
Others	77	89
	<u>739,826</u>	<u>833,133</u>
Credit risk weighted amounts*		
Exchange rate contracts	1,695	1,743
Interest rate contracts	444	290
Equity contracts	1,123	58
Others	-	-
	<u>3,262</u>	<u>2,091</u>

The fair value and credit risk weighted amounts of the off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

\* The Bank adopted the Foundation Internal Ratings Based approach according to Capital Rules for calculating the credit risk weighted amount as at 31<sup>st</sup> December, 2020 and 31<sup>st</sup> December, 2019. The derivatives – Others consist of credit derivatives which are classified as direct credit substitutes in calculating the credit risk weighted amount, and therefore such credit risk weighted amount is included under contingent liabilities and commitments.

## 26. Reserves

	2020 HK\$ Mn	2019 HK\$ Mn
General reserve	13,657	13,651
Revaluation reserve on bank premises	1,895	1,848
Capital reserve	895	1,090
Exchange revaluation reserve	301	(1,629)
Capital reserve – staff share options issued	157	163
Fair value reserve	2,465	2,331
Hedging reserve	-	1
Liability credit reserve	(32)	(7)
Other reserves	5,138	5,347
Retained profits*	32,852	31,133
	<u>57,328</u>	<u>53,928</u>
Dividends declared, not provided for	<u>700</u>	<u>1,017</u>

\* A regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 31<sup>st</sup> December, 2020, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$1,762 million (2019: HK\$5,162 million).

## 27. Comparative Figures

Certain 2019 comparative figures have been restated to conform to current year's presentation. Please refer to consolidated income statement, consolidated cash flow statement, Notes 4, 6, 9, 12, 13, 20(b) and 24 for the effect of restatement.

## 28. Assets Held for Sale

The assets held for sale and liabilities held for sale are summarised below:

	2020 HK\$ Mn	2019 HK\$ Mn
Assets held for sale (Note 23)		
Disposal groups held for sale	26,620	-
Other properties	37	39
	<u>26,657</u>	<u>39</u>
Liabilities held for sale		
Disposal groups held for sale	<u>26,864</u>	<u>-</u>

On 23<sup>rd</sup> September, 2020, the Bank announced that it had completed its comprehensive strategic review and decided to initiate a sale process for its wholly-owned subsidiary, BEA Life Limited (“BEA Life”). Subsequently, the Bank launched the sale process of BEA Life and the legacy life insurance portfolio underwritten by its wholly owned subsidiary, Blue Cross (Asia-Pacific) Insurance Limited (“life insurance business”). As part of the sale process, the Bank will seek to enter into a long-term exclusive distribution agreement that will provide an ongoing source of recurrent revenue for the bank as a distributor of insurance products through its banking platform. The assets and liabilities of the life insurance business as at 31<sup>st</sup> December, 2020 are classified and presented separately as assets held for sale and liabilities held for sale in the consolidated financial statements.

The assets and liabilities of the disposal groups held for sale after elimination of inter-companies balances are summarised below:

	2020 HK\$ Mn	2019 HK\$ Mn
<b>ASSETS</b>		
Cash and balances with banks	3	-
Investment securities	25,920	-
Fixed assets	9	-
- Investment properties	-	-
- Other properties and equipment	9	-
Other assets	688	-
Assets held for sale	<u>26,620</u>	<u>-</u>
<b>LIABILITIES</b>		
Derivative liabilities	1	-
Current taxation	39	-
Deferred tax liabilities	1	-
Other liabilities	26,823	-
Liabilities held for sale	<u>26,864</u>	<u>-</u>

As at 31<sup>st</sup> December 2020, the total equity of the disposal groups attributable to the Group was HK\$2,688 million.

#### Investment Securities

	2020			Total HK\$ Mn
	Mandatorily measured at FVTPL HK\$ Mn	Measured at FVOCI HK\$ Mn	Measured at amortised cost HK\$ Mn	
Debt securities	1,272	19,088	2,104	22,464
Equity securities	1,026	-	-	1,026
Investment funds	2,430	-	-	2,430
	<u>4,728</u>	<u>19,088</u>	<u>2,104</u>	<u>25,920</u>

The cumulative income recognised in other comprehensive income relating to disposal groups held for sale is as follows:

	2020 HK\$ Mn	2019 HK\$ Mn
Cumulative income recognised in other comprehensive income	<u>707</u>	<u>-</u>

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### A. Capital Adequacy

	2020	2019
	HK\$ Mn	HK\$ Mn
Capital base		
- Common Equity Tier 1 capital	81,784	75,313
- Additional Tier 1 capital	13,968	13,963
- Total Tier 1 capital	95,752	89,276
- Tier 2 capital	12,669	9,349
- Total capital	108,421	98,625
Risk weighted assets by risk type		
- Credit risk	453,886	439,676
- Market risk	11,516	13,260
- Operational risk	32,285	34,878
	497,687	487,814
Less: Deductions	(3,145)	(3,619)
	494,542	484,195
	2020	2019
	%	%
Common Equity Tier 1 capital ratio	16.5	15.6
Tier 1 capital ratio	19.4	18.4
Total capital ratio	21.9	20.4

Capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules issued by the HKMA. In accordance with the Capital Rules, the Bank has adopted the foundation internal ratings-based approach for the calculation of the risk-weighted assets for credit risk and the internal models approach for the calculation of market risk and standardised approach for operational risk.

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance. The Bank's shareholdings in these subsidiaries are deducted from its Tier 1 capital and Tier 2 capital subject to the thresholds as determined in accordance with Part 3 of the Capital Rules.

The Group operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the banking group.

For the purpose of compliance with the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) Rules, the Group has established a section on the Bank's website. Additional information relating to the Group's regulatory capital and other disclosures can be found in this section of the Bank's website, accessible through the "Regulatory Disclosure" link on the home page of the Bank's website at [www.hkbea.com](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## B. Leverage Ratio

	<u>2020</u>	<u>2019</u>
	HK\$ Mn	HK\$ Mn
Total Tier 1 capital	95,752	89,276
Exposure measure	879,956	874,070
	<u>%</u>	<u>%</u>
Leverage ratio	10.9	10.2

The disclosure on leverage ratio is effective since 31<sup>st</sup> March, 2015 and is computed on the same consolidated basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at [www.hkbea.com](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## C. Liquidity Position

	<u>2020</u>	<u>2019</u>
	%	%
Average liquidity coverage ratio		
- First quarter	178.1	169.8
- Second quarter	177.7	171.7
- Third quarter	175.9	166.9
- Fourth quarter	183.8	175.7

The liquidity coverage ratio is calculated in accordance with the Banking (Liquidity) Rules effective from 1<sup>st</sup> January, 2015. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at [www.hkbea.com](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

The Bank held an amount of HKD-denominated level 1 assets that was not less than 20% of its HKD-denominated total net cash outflows. There is no significant currency mismatch in the Bank's LCR at respective levels of consolidation.

### Net stable funding ratio

	<u>2020</u>	<u>2019</u>
	HK\$ Mn	HK\$ Mn
Total available stable funding	540,767	525,048
Total required stable funding	455,969	464,523
	<u>2020</u>	<u>2019</u>
	%	%
Net stable funding ratio	118.6	113.0

The net stable funding ratio is calculated in accordance with the Banking (Liquidity) Rules effective from 1<sup>st</sup> January, 2018. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at [www.hkbea.com](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## D. Overdue, Rescheduled and Repossessed Assets

### (a) Overdue and rescheduled advances

	2020		2019	
	HK\$ Mn	% of total advances to customers	HK\$ Mn	% of total advances to customers
Advances to customers overdue for				
- 6 months or less but over 3 months	776	0.2	1,049	0.2
- 1 year or less but over 6 months	870	0.2	308	0.1
- Over 1 year	1,167	0.2	747	0.1
	<u>2,813</u>	<u>0.6</u>	<u>2,104</u>	<u>0.4</u>
Rescheduled advances to customers	<u>166</u>	<u>0.0</u>	<u>163</u>	<u>0.0</u>
Total overdue and rescheduled advances	<u>2,979</u>	<u>0.6</u>	<u>2,267</u>	<u>0.4</u>
Covered portion of overdue advances	<u>1,878</u>	<u>0.4</u>	<u>1,408</u>	<u>0.3</u>
Uncovered portion of overdue advances	<u>935</u>	<u>0.2</u>	<u>696</u>	<u>0.1</u>
Current market value of collateral held against the covered portion of overdue advances	<u>5,007</u>		<u>2,876</u>	
Specific provisions made on advances overdue for more than 3 months	<u>1,578</u>		<u>1,190</u>	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year-end. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at year-end. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

An asset considered as an eligible collateral should generally satisfy the following:

- (a) The market value of the asset is readily determinable or can be reasonably established and verified;
- (b) The asset is marketable and there exists a readily available secondary market for disposing of the asset;
- (c) The Bank's right to repossess the asset is legally enforceable and without impediment; and
- (d) The Bank is able to secure control over the asset if necessary.

The two main types of "Eligible Collateral" are as follows:

- (i) "Eligible Financial Collateral" mainly comprises cash deposits and shares.
- (ii) "Eligible Physical Collateral" mainly comprises land and buildings, vehicles and equipment.

When the Bank's clients face financial difficulties and fail to settle their loans, depending on different situations, the Bank usually takes the following actions to recover the debt:

- (a) Debt rescheduling / restructuring
- (b) Enforcement of security
- (c) Legal action
- (d) Recovery via debt collector



(b) Advances to banks

	2020 HK\$ Mn	2019 HK\$ Mn
Advances to banks overdue for		
- 6 months or less but over 3 months	-	-
- 1 year or less but over 6 months	-	-
- Over 1 year	-	-
	-	-
Rescheduled advances to banks	-	-
Total overdue and rescheduled advances	-	-

(c) Other overdue and rescheduled assets

	2020		
	Accrued interest HK\$ Mn	Debt securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	8	-	-
- 1 year or less but over 6 months	20	-	-
- Over 1 year	73	-	-
	101	-	-
Rescheduled assets	-	-	-
Total other overdue and rescheduled assets	101	-	-

  

	2019		
	Accrued interest HK\$ Mn	Debt securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	16	-	-
- 1 year or less but over 6 months	9	-	-
- Over 1 year	89	-	-
	114	-	-
Rescheduled assets	1	-	-
Total other overdue and rescheduled assets	115	-	-

\* Other assets refer to trade bills and receivables.

(d) Repossessed assets

	2020 HK\$ Mn	2019 HK\$ Mn
Repossessed land and buildings*	211	225
Repossessed vehicles and equipment	28	-
Repossessed machines	-	-
Total repossessed assets	239	225

The amount represents the estimated market value of the repossessed assets as at 31<sup>st</sup> December.

\* The balance included HK\$52 million (2019: HK\$4 million) relating to properties that were contracted for sale but not yet completed.

## **E. Banking Disclosure Statement**

Additional information disclosures for this year which are prepared in accordance with the Banking (Disclosure) Rules, the disclosure requirements in Part 6 of Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and disclosure templates issued by the HKMA can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at [www.hkbea.com](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

### **STATEMENT OF COMPLIANCE**

- (1) In preparing the accounts for 2020, the Bank has fully complied with the Banking (Disclosure) Rules and the disclosure requirements in Part 6 of Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules.
- (2) The Group is committed to maintaining high standards of corporate governance and considers such commitment essential in balancing the interests of shareholders, customers, employees and other relevant stakeholders; and in upholding accountability and transparency.
- (3) During the financial year ended 31<sup>st</sup> December, 2020, the Bank has complied with all Code Provisions set out in the CG Code.
- (4) During the financial year ended 31<sup>st</sup> December, 2020, the Bank has followed the modules on CG-1, CG-5, Guidance on Empowerment of INEDs and the circular on Bank Culture Reform.

### **PAYMENT OF SECOND INTERIM DIVIDEND FOR 2020**

The Board has declared a second interim dividend for the year ended 31<sup>st</sup> December, 2020 ("2020 Second Interim Dividend") of HK\$0.24 per Share (2019 Second Interim Dividend: HK\$0.35 per Share), together with the 2020 interim dividend of HK\$0.16 per Share paid in September 2020, will constitute a total dividend of HK\$0.40 per Share (2019 total dividend: HK\$0.46 per Share) for the full year. The 2020 Second Interim Dividend will be paid on or about Friday, 9<sup>th</sup> April, 2021 in cash with an option to receive new, fully paid Shares in lieu of cash ("Scrip Dividend Scheme"), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Tuesday, 16<sup>th</sup> March, 2021. For the purpose of calculating the number of new Shares to be allotted under the Scrip Dividend Scheme, the market value of the new Shares means 95% of the average closing price of the Shares on the Stock Exchange from Thursday, 11<sup>th</sup> March, 2021 (being the first day that the Shares will be traded ex-dividend) to Wednesday, 17<sup>th</sup> March, 2021 (both days inclusive). Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Tuesday, 16<sup>th</sup> March, 2021.

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued under the Scrip Dividend Scheme. The dividend warrants and the share certificates for the Scrip Dividend Scheme will be sent to shareholders by ordinary mail on or about Friday, 9<sup>th</sup> April, 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Bank will be closed for the following periods:

- a) For the purpose of determining shareholders who qualify for the 2020 Second Interim Dividend, the Register of Members of the Bank will be closed on Monday, 15<sup>th</sup> March, 2021 and Tuesday, 16<sup>th</sup> March, 2021. In order to qualify for the 2020 Second Interim Dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Standard Limited (Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) by 4:00 p.m. on Friday, 12<sup>th</sup> March, 2021.
- b) For the purpose of determining shareholders who are entitled to attend and vote at the 2021 AGM, the Register of Members of the Bank will be closed from Thursday, 29<sup>th</sup> April, 2021 to Thursday, 6<sup>th</sup> May, 2021 (both days inclusive). In order to qualify for attending and voting at the 2021 AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Standard Limited (Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) by 4:00 p.m. on Wednesday, 28<sup>th</sup> April, 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES**

On 16<sup>th</sup> July, 2020, the Bank completed the redemption of US\$600 million of 6.125% Subordinated Notes due 2020 (the "2020 Subordinated Notes") upon their maturity. The 2020 Subordinated Notes were issued in 2010 and listed on the Singapore Exchange.

On 2<sup>nd</sup> December, 2020, the Bank completed the redemption of US\$650 million of 5.5% Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "Undated Capital Securities") on the First Call Date. The Undated Capital Securities were issued in 2015 under the Bank's Medium Term Note Programme and listed on the Stock Exchange.

Save for the redemption of the 2020 Subordinated Notes and the Undated Capital Securities as disclosed herein, there was no purchase, sale or redemption by the Bank or any of its subsidiaries, of listed securities of the Bank during the year ended 31<sup>st</sup> December, 2020.

## **EXECUTIVE CHAIRMAN'S STATEMENT**

The global coronavirus pandemic in 2020 changed the way we work, learn, and interact with each other. It brought misery worldwide, put healthcare systems under severe strain and brought much of the global economy to a standstill.

To mitigate the economic impact, governments and central banks adopted bold fiscal and monetary policies, expanding liquidity and forcing interest rates to near zero. The banking sector as a whole has had to adapt quickly to a radically different business environment.

Throughout this challenging year, we at BEA have remained steadfast in our commitment to serve our customers and the communities in which we operate, working closely with local authorities to support clients, negotiate payment holidays and protect employment.

We started the year in a strong position, having made the difficult decision in 2019 to write down a series of legacy bad loans. At the same time, we accelerated our commitment to digital transformation, and shifted resources to fee-based services. As a result of these timely initiatives, our business performance improved in 2020, despite the low interest rate environment and the disruption caused by the pandemic.

### **Strategic Focus**

BEA is committed to maintaining strong capital and liquidity positions, and delivering attractive returns to shareholders – now and into the future. To achieve these goals, we are transforming the way we work.

Firstly, we are speeding up the pace of digitalising our business, seeking to improve the productivity of our middle and back-office infrastructure. We are seeing the benefits in faster turn-around times and better customer service.

Secondly, we are incorporating advanced analytics into our decision-making. This is delivering improved performance across our operation, from account opening to sale of fee-based products, and from credit-risk management to compliance.

Thirdly, we are expanding our ability to generate revenue with less capital. In particular, we are generating more fee-based income by expanding the range of services that we provide to each and every client.

Fourthly, we are streamlining our work practices and seeking cost-savings wherever possible. In response to the pandemic, we identified and implemented a series of “quick wins”, resulting in immediate cost savings in 2020. We plan more fundamental changes in the next three years, with investments in new technology to further streamline and automate our business.

I have often said that our most valuable asset is our people. Throughout our history, their ability to adapt and change with our business and operational needs has never wavered. The Bank is committed to providing the necessary training and redeployment support to ensure that our employees grow with us, and we grow with our employees.

### **Outlook**

The global recovery from the pandemic is likely to be uneven as countries struggle to roll out vaccination programmes and bring the pandemic under control. Based on the Mainland's success in 2020, we are confident that China will lead the global economic rebound in 2021 and is on its way to becoming the world's largest economy later in the decade. As integration of the GBA deepens, this region is developing into a global powerhouse for innovation, attracting the best talent and the shrewdest investors.

BEA is a Hong Kong-headquartered bank, deeply rooted in the Greater China region and serving 1.9 million customers in the GBA alone. The Group is fully licensed to participate in all aspects of banking and wealth management, and possesses an extensive omni-channel distribution network. Our platforms in Hong Kong, Macau and the Pearl River Delta uniquely position us to benefit from the opportunities in the GBA and beyond, and we are determined to capitalise on these opportunities.

Following our 2020 Strategic Review, we announced in September that we will explore strategic and synergistic partnerships in Mainland China to enhance the value and capability of our unique regional platform. This is a key priority for the Bank. We believe that the right partners will invigorate our digital transformation, strengthen risk management and facilitate growth, thereby markedly raising our competitiveness. To this end, we are exploring opportunities with a range of potential partners with the capacity to accelerate the realisation of our strategic objectives, in line with the regulatory landscape.

Furthermore, our overseas branches and affiliates in Singapore, Malaysia, the UK and North America extend and feed into our Greater China network. We are ideally positioned to serve Mainland companies seeking to expand their overseas network under China's national development strategy.

As we grow, we will benefit from our commitment to be a market leader in ESG performance. In 2020, we mapped out a three-year road map for green and sustainable banking, and prepared an action plan to address ESG risks, including climate-change risk. Demonstrating our commitment to green finance, climate-related risk factors are now part of the ESG risk assessment criteria used in making corporate lending decisions. Furthermore, in November 2020, we established a Board-level ESG Committee to oversee the Bank Group's ESG performance.

I am encouraged by the resilience that this bank has displayed during 2020. In large measure, we owe this resilience to the close working relationship that we enjoy with our banking partners, including our major strategic partners.

I am thankful for the diligence, commitment and determination of the management and staff, who have given their very best each and every day throughout this difficult year. I am grateful to our Board of Directors for their patience, seasoned advice and ready support, which has guided us through the pandemic. I deeply appreciate the loyalty of our shareholders and, above all, I thank our customers for their continuing support and their many helpful suggestions about their needs and preferences.

We will never take this support and loyalty for granted, and we will continue to strive to perform to the very best of our ability in everything that we do.

**David LI Kwok-po**  
*Executive Chairman*

Hong Kong, 24<sup>th</sup> February, 2021

## REPORT OF THE CO-CHIEF EXECUTIVES

### FINANCIAL REVIEW

#### Financial Performance

For the year 2020, BEA and its subsidiaries earned a profit attributable to owners of the parent of HK\$3,614 million, representing an increase of HK\$354 million or 10.8%, compared with the HK\$3,260 million earned in 2019. Pre-provision operating profit of the Group was down by HK\$1,517 million, or 15.4%, to HK\$8,347 million. The increase in attributable profit was mainly due to a significant decrease in impairment losses in Mainland China.

Basic earnings per share were HK\$0.97 in 2020, compared to HK\$0.89 in 2019.

Return on average assets and return on average equity stood at 0.3% and 3.0%, respectively, in 2020, compared to 0.3% and 2.7%, respectively, in 2019.

NII for the Group decreased by HK\$3,016 million, or 20.7%, to HK\$11,550 million. NIM decreased from 1.86% to 1.48%, and average interest earning assets fell by 0.4%.

Net fee and commission income rose by HK\$47 million, or 1.6%, to HK\$2,922 million. Net commission income from lending, retail banking services, securities and brokerage and sale of investment products grew. This was partly offset by a decline in credit card and trade-related services resulting from the adverse macroeconomic conditions.

Taken together, net trading and hedging results and net results from other financial instruments rose by HK\$268 million to HK\$1,383 million. Net insurance profit was down by HK\$55 million, which was mainly due to lower mark-to-market gain on financial instruments. Overall, non-interest income rose by 11.0% to HK\$5,760 million. Total operating income decreased by 12.4% to HK\$17,310 million.

Total operating expenses fell by 9.4% to HK\$8,963 million, mainly attributable to declines in staff costs and internet platform charges. The cost-to-income ratio for 2020 was 51.8% versus 50.1% in 2019.

Operating profit before impairment losses stood at HK\$8,347 million, a decrease of HK\$1,517 million, or 15.4%, when compared with 2019.

The net charge for impairment losses on financial instruments fell sharply from HK\$7,253 million in 2019 to HK\$4,674 million in 2020, mainly due to a reduction in impairment losses recorded by Mainland China operations. The Group's impaired loan ratio rose from 1.22% at the end of December 2019 to 1.26% at the end of December 2020. The impaired loan ratio for Hong Kong operations rose from 0.25% to 0.75%, while that for Mainland China operations decreased from 3.80% to 3.10%. In addition, there was an impairment loss of HK\$402 million on the Group's interest in an associate operating in Malaysia in 2020.

Operating profit after impairment losses amounted to HK\$3,257 million, an increase of HK\$646 million, or 24.7%.

Net profit on sale of subsidiaries and associates increased by HK\$348 million, mainly due to a profit of HK\$349 million on a partial disposal of 14.7% and reclassification 6.3% of the Group's interest in Prasac Microfinance Institution Limited in Cambodia in 2020.

Valuation on investment properties recorded a net loss of HK\$301 million.

The Group shared after-tax profits from associates and joint ventures of HK\$310 million, a decrease of HK\$312 million, or 50.1% compared to 2019. The decrease was partly due to the abovementioned disposal and reclassification of Prasac Microfinance Institution Limited in 2020 and lower contribution from associates operating in US, Canada and Malaysia.

After accounting for income taxes, profit increased to HK\$3,685 million, an increase of 10.5% compared to the HK\$3,336 million recorded in 2019.

## Financial Position

Total consolidated assets of the Group stood at HK\$884,420 million at the end of December 2020, an increase of 2.2% compared to HK\$865,198 million at the end of 2019.

Gross advances to customers increased by 0.9% to HK\$513,929 million.

Total equity attributable to owners of the parent increased to HK\$98,885 million, or 3.8%, mainly due to the net profit of HK\$3,614 million earned during 2020.

Total deposits from customers increased by 2.7% to HK\$589,202 million. Of the total, demand deposits and current account balances increased by HK\$3,075 million, or 4.6%, and savings deposits increased by HK\$48,160 million, or 34.5%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, increased to HK\$650,054 million.

The loan-to-deposit ratio stood at 79.1% at the end of December 2020, compared to 78.6% at the end of 2019.

As at 31<sup>st</sup> December, 2020, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio were 21.9%, 19.4%, and 16.5%, respectively. The average liquidity coverage ratio for the quarter ended 31<sup>st</sup> December, 2020 was 183.8%, well above the statutory minimum of 100%.

## RATINGS

### S&P Global Ratings

*The Bank of East Asia, Limited*

Long-term Counterparty Credit (local and foreign currency)	A-
Short-term Counterparty Credit (local and foreign currency)	A-2
Outlook	Stable

### Moody's Investor Service

*The Bank of East Asia, Limited*

Long-term Bank Deposit (local and foreign currency)	A3
Short-term Bank Deposit (local and foreign currency)	Prime-2
Outlook	Stable

## **BUSINESS REVIEW**

The coronavirus pandemic inflicted widespread damage on the global economy in 2020, with many industries seeing their business plummet to unimagined lows. To encourage companies to retain workers, central banks around the globe launched sizable monetary stimuli, forcing interest rates down to near zero. Government fiscal support brought a measure of much-needed relief to hard-hit sectors, but this has not been enough to prevent a sharp decline in overall economic growth.

With external demand weak, Hong Kong's exports fell by 1.5% year-on-year in 2020. Meanwhile, with the Government imposing stringent border controls and social distancing measures, Hong Kong visitor arrivals plunged by 93.6% year-on-year in 2020. Retail sales were also depressed, falling by an annualised rate of 24.3% over the same period. Unemployment averaged 6.6% in the three months to the end of December. Facing tremendous stress, the economy contracted by 6.1% year-on-year in 2020. Bucking the trend, property prices rose by 0.03% year-on-year to the end of December, as demand remained strong amidst ultra-low interest rates.

While the outlook remains bleak, the vaccine rollout has provided hope of a global economic rebound. However, the pace of recovery will be largely determined by vaccine efficacy and how quickly it is administered to a sizeable majority of the world's population.

Nevertheless, Hong Kong's gross domestic product is forecast to grow by 4% in 2021, due to the low base of comparison with 2020. Inflation will remain low, at 1.5%.

On the Mainland, exports rose by 3.6% in 2020, as demand for manufactured goods rebounded from the lows experienced in the first quarter. With the pandemic largely under control on the Mainland, domestic economic activity has stabilised. Value-added industrial output grew by 2.8% in 2020, while the overall economy grew by 2.3%.

Fuelled by a surge in food prices, overall inflation averaged 2.5% in 2020. However, non-food inflation averaged only 0.4%, reflecting weakness in consumer demand. Meanwhile, property prices rose by 3.9%, due to robust underlying demand.

Looking ahead, Mainland economic growth is expected to pick up speed if the worldwide deployment of vaccines proceeds on schedule. Together with the effect of the low base of comparison against 2020, China's economy is forecast to grow by 8.6% in 2021. Inflation will be modest, averaging 2.0%.

### **Business – Hong Kong**

At the end of December 2020, BEA's customer loans in Hong Kong were 2.1% higher than at the end of 2019 at HK\$295,768 million. Customer deposits increased by 3.8% to HK\$391,071 million, while debt investments rose by 5.3% to HK\$130,125 million.

Under the impact of COVID-19, profit before tax for Hong Kong operations declined to HK\$3,413 million.

Performance was dragged by a 23.5% decrease in NII. Interbank rates dropped significantly following substantial cuts to the US federal funds target rate in March, and remained at a low level throughout the second half of the year. NIM was 41 basis points lower than the previous year.

The decline in NII was partially offset by a 19.4% increase in non-interest income, due in part to successful efforts to drive fees and commissions. The impact of financial market movements in March, which led to substantial revaluation losses on the debt and equity securities portfolios of the Bank and its insurance subsidiaries in the first half, was largely reversed as global markets staged a sustained recovery.

Overall, operating income declined by 8.7% year-on-year.

Successive waves of the COVID-19 outbreak and the resultant restrictions began to take their toll on certain businesses and individuals in the second half of the year. Credit costs trended upwards, particularly in the corporate portfolio. However, impairment losses did not reach the worst-case projections made in the Bank's COVID-19 scenario planning exercises.



To protect asset quality, underwriting criteria were tightened and proactive measures were taken to restructure payments and enhance debt recovery. The Bank actively participated in the HKSAR government's relief measures, providing principal payment holidays and trade loan extensions, among other features, to both individual and corporate customers.

Under the challenging operating environment, additional efforts were made to reduce costs by automating and simplifying processes, achieving meaningful man-hour savings. Operating expenses were well contained, rising by just 3.1%.

To mitigate the pressure on NIM, the Bank sought to attract current and savings account balances while maintaining a tight control on deposit pricing. Growth was achieved in Current Account and Savings Account ("CASA") deposits for all main business units, and the CASA ratio improved by 11.8 percentage points.

Meanwhile, a prudent approach was taken to new lending, focussing on yield rather than volume.

The Bank places significant importance on customer advocacy. Continued efforts have been made to enhance internal systems and processes, thereby improving the customer experience and raising satisfaction. In 2020, BEA's Net Promoter Score from a survey of personal banking customers in Hong Kong increased by 7 points year-on-year.

### **Retail Banking**

The Bank's retail operations were impacted by COVID-19 as branch services were affected by temporary closures and social distancing measures. BEA has made a sustained effort to build out its digital platform in recent years, and service access was maintained via automated channels. Digital adoption accelerated, with online and mobile financial transactions increasing by 23.1%. In particular, digital investment transactions more than doubled.

Successful growth in fee-based income helped to mitigate the effects of the challenging operating environment. Insurance and investment income rose by 26.1%. A shift in focus to long-term life insurance products saw strong growth in commissions. Meanwhile, investment activity picked up in the second half as market sentiment improved. Overall, operating income declined by 16.7% compared to 2019 due to the aforementioned drag on NII.

BEA focussed on growing its retail wealth business to capture more fee income from affluent customers. A Relationship Manager ("RM") Academy was established to uplift the capabilities of frontline staff. Meanwhile, product development and turnaround time were also improved. With an enhanced product suite and additional support from specialist product teams, RM productivity recorded double-digit growth.

To continue this momentum, acquisition also focussed on the affluent segment. The SupremeGold service was revamped in the first half of the year, with new features including comprehensive mobile wealth management tools. Growth in SupremeGold accounts remained strong at 13.7% for the year. A new premium service, SupremeGold Private, was launched in November, providing more sophisticated financial planning and wealth management solutions.

In the coming years, effective omni-channel service fulfilment will be increasingly important to attract and engage customers. The Bank will continue to migrate standard transactions to digital channels and repurpose its branch network and frontline staff to focus on advisory services and relationship building.

The Bank also sees immense prospects in the GBA. With its strong regional presence, digital platform and retail wealth capabilities, BEA is well-placed to capture opportunities from the forthcoming Wealth Management Connect scheme. A cross-border mortgage service has already been launched and the Bank will continue to develop market-leading solutions under the leadership of its GBA Office.

### **Corporate and Commercial Banking**

Corporate Banking faced significant headwinds during the period under review. The impact of COVID-19 and geopolitical tensions hampered global trade and economic activity, while local businesses were also affected by social distancing measures and dampened consumer appetite.

The challenging circumstances led to downgrades for certain corporate loans, and impairment losses inevitably rose, dragging overall performance.

Under these conditions, the Bank sought to diversify its portfolio and focus on growth in stable industries. The corporate loan balance recorded a 5.2% increase for the year, mainly driven by growth in secured and syndicated loans. However, with deposit spreads compressed in the low-interest environment, NII declined by 1.6%.

Operating income rose by 2.3%, led by higher non-interest income. Strong growth was achieved in fees from treasury and insurance products. The Bank also enhanced its capabilities in debt capital markets solutions for corporate clients, generating new fee revenue.

Income growth was driven by the Bank's refined segmentation strategy. Acquisition focussed on industries with secure trade flows, bringing additional growth in fees as well as CASA deposits. To develop a stable source of recurring revenue, sector solutions have been developed with packaged products targeting companies across value chains. Initial results have been promising and solutions will be rolled out for additional sectors in the coming year.

Going forward, Corporate Banking will work closely with BEA China to target growth industries with national policy support including healthcare, technology, media and telecommunications.

In addition, the Bank is dedicated to supporting the development of green and sustainable finance in Hong Kong. In November 2020, BEA won the "Outstanding Award for Green Loan Arranger" at the Hong Kong Sustainable Finance Awards. The Bank will continue to drive ESG initiatives, incorporate climate-related risk assessment in its lending policies, and instil sustainability in its DNA.

## **Wealth Management**

After a rocky start to 2020, Private Banking's performance was positive during the second half of the year. Investor sentiment improved significantly with a buoyant stock and bond market recovery, as well as optimism over potential COVID-19 vaccines.

Non-interest income increased by 35.5%, with strong growth in revenues from client investment activity across all asset classes. This offset a decline in NII. Overall, operating income recorded mild growth of 2.5% year-on-year.

AUM increased by 6.0% as client portfolios recovered. In line with market sentiment, loan demand returned in the second half of the year, largely undoing the impact of deleveraging in the first half. Overall, lending to Private Banking customers increased by 2.2% year-on-year.

Amidst market volatility and heightened geopolitical risks, the Bank's relationship managers worked with clients to diversify portfolios, lower gearing and enhance returns. Emphasis was placed on identifying investment strategies with sound downside protection and ability to capture rebound opportunities. Even at the worst of the downturn, there was no significant deterioration in asset quality or shortfall in clients' margin positions.

The Bank made effective use of digital communication tools to communicate and maintain relationships with clients in China. Income from Mainland customers, particularly those in the GBA, increased year-on-year despite COVID-19 travel restrictions.

Initiatives to expand Private Banking's customer base and deepen wallet share were also successful. An internal referral programme resulted in a significant number of new accounts, particularly from Corporate Banking. Meanwhile, penetration of wealth management products improved by 16 percentage points.

Looking ahead, the Bank is investing to uplift the capabilities and productivity of private bankers while upgrading its digital platform for high-net-worth customers. A new Chief Investment Strategist was hired in December 2020 to coordinate the Bank's house view and advisory services. The Bank will also strengthen its team of investment counsellors to provide additional client support, and enable digitalised trading solutions to improve the customer experience.

## **Insurance and MPF Services**

Net insurance profit declined by 6.6% year-on-year. Revaluation gains in the debt and equity portfolios of the Bank's insurance subsidiaries did not reach the highs recorded in 2019. Meanwhile, additional policy reserves were required under the low-interest environment. Excluding these impacts, profit from BEA's core insurance business grew by 8.3%.

BEA Life Limited, the Bank's wholly-owned life insurance arm ("BEA Life"), shifted its product mix towards long-term protection products which command higher margins and commissions. In particular, new premium income from whole life and annuity products grew by 9.5 times year-on-year, driving an 83.0% increase in the Bank's commission income from sales of BEA Life products.

Blue Cross (Asia-Pacific) Insurance Limited, BEA's wholly-owned general insurance arm ("Blue Cross"), saw 75.0% growth in underwriting profit due to a significant improvement to the medical claims ratio. Premium income was 9.5% lower as a result of reduced demand, as travel was restricted under COVID-19 and both corporates and individuals were impacted by the economic downturn.

Blue Cross continued to drive adoption of its mobile application. Penetration of mobile outpatient e-claim submissions increased from 5.4% in 2019 to 17.1% in 2020. E-claims will be extended to cover inpatient expenses in mid-2021, while a new virtual consultation service will bring added convenience for customers.

Total membership of BEA's Mandatory Provident Fund ("MPF") schemes grew to 836,000 at the end of 2020, while AUM rose to HK\$31.8 billion. Employers and employees were receptive to digital MPF service channels under COVID-19, and a 35% upturn in digital usage was recorded during the period under review.

## **Business – Mainland China**

The Mainland's GDP growth rate decelerated to 2.3% in 2020, the slowest pace since economic reforms began in 1978. Like many companies operating on the Mainland, BEA China experienced a contraction in business during the year. Advances to customers remained flat, at HK\$127,033 million, but with a higher quality composition due to various de-risking measures. Meanwhile, NII decreased by 23.2% to HK\$4,112 million, as NIM shrank under the low interest rate environment. BEA China took proactive measures to manage the asset quality of its retail and corporate portfolio, resulting in a much lower non-performing loan formation rate and non-performing loan ratio despite the impact of COVID-19. With credit cost still at a relatively high level, primarily due to accelerated asset recovery measures, BEA's China operations reported a net loss of HK\$818 million for 2020, an improvement on its position in 2019.

Responding to the challenging operating environment, BEA China focussed on maintaining stable operations and developing the competencies required for future success.

On the corporate banking side, BEA China expanded its clientele and suite of products for transaction banking, investment banking and treasury in order to better capture clients' operating cash flow. With a stronger focus on diversified revenue sources, non-interest income of syndicated loans grew by 74.2% year-on-year, and BEA China won the Best Syndicated Loan Program & Best Lead Bank award from the Shanghai Banking Association. During the year, BEA also originated 45 offshore bond issuances, a historical high, as the Bank Group forged a closer partnership with its clients for offshore financing solutions. Meanwhile, BEA China continued to strengthen its collaboration with the Bank Group through the launch of an enhanced Global Relationship Management programme which helped drive continuous revenue growth from its top corporate clients amidst a challenging economy.

On the retail banking side, BEA China set its sights on further expanding its income sources in 2020. By improving its wealth management product offerings and incentivising its sales force, BEA China successfully increased non-interest income from retail wealth management by 75.9% year-on-year, with a significant increase in high-net-worth customers. Through the retail banking transformation project, BEA China successfully maintained a stable loan portfolio with a balanced composition of secured residential mortgages and unsecured consumer loans supported by more advanced big data analytics. At year end, retail lending stabilised at around 30% of total loan volume.

Regarding asset quality, BEA China has been gradually reducing the size of its legacy corporate problem loans via sales transfer and other de-risking means since 2019. As for retail loans, despite deteriorating asset quality in early 2020 due to the impact of the pandemic, BEA China has seen some encouraging signs emerge in the second half of 2020. Overall asset quality has greatly improved, with the non-performing loan formation ratio significantly reduced year-on-year. Between the end of 2019 and the end of 2020, the impaired loan ratio dropped by 71 basis points to 3.10%. We expect this to continue on an improving trend in 2021.

Ongoing productivity uplift programmes made good progress during the year. BEA China continues to improve its operational efficiency through process reengineering, streamlining and operation centralisation. The repositioning effort translated into improved resource allocation and branch consolidation involving 1 branch and 17 sub-branches. At the end of 2020, BEA China maintained one of the most extensive networks among foreign banks in Mainland China, with 30 branches and 49 sub-branches covering 40 cities. With these efforts, BEA China successfully reduced its cost-to-income ratio to 62.7% in 2020, down by 2.2 percentage points year-on-year.

### **Business – International, Macau and Taiwan**

In 2020, the Bank's overseas operations remained resilient. In light of the challenging operating environment due to the pandemic, BEA's overseas branches launched a series of payment relief programmes and support measures for the Bank's customers.

BEA's overseas branches carried out a full review of existing client relationships and adopted a prudent approach to new business during the year. Challenging relationships were terminated. Overall, the Bank's overseas operations achieved modest loan growth of 3.7% in 2020.

Pre-provision operating profit for overseas branches fell by 8.5% year on year, mainly due to the narrowing of NIM on interest-bearing assets.

Net profit after tax also dropped to HK\$595 million, mainly due to a spike in impairment losses triggered by COVID-19. Through prudent acquisition of new business and proactive management of asset quality, the impaired loan ratio ended the year at 0.33%, down from 0.54% at the end of 2019.

Given the uncertain business landscape, the Bank's overseas branches have further tightened control of costs. The result was encouraging. Total operating expenses dropped slightly year on year, notwithstanding a surge in information technology and risk and compliance expenses due to more stringent regulatory requirements. The cost-to-income ratio edged up from 35.2% in 2019 to 36.7% in 2020.

Customer advances in the US rose by single digits in 2020. The Bank's branches in New York and Los Angeles focused on acquiring quality investment-grade syndicated loans with positive business prospects. Asset quality remained strong. Meanwhile, the Bank's UK operations continued to deliver positive growth in both loans and pre-provision operating profit.

With a view to improving the performance of its International Division, the Bank conducted a review of its strategy during the year. Following the review, the Bank's Singapore and Macau branches will in future focus on corporate banking businesses. The review process will continue in the coming year.

Taiwan Branch, the Bank's branch operations in Taiwan, continued to face various headwinds due to external factors. As a result, the unit took a cautious approach to loans and only sought opportunities from large corporates in Taiwan.

With the low-interest environment expected to persist for an extended period, the Bank's overseas operations will seek opportunities in sectors that will do well when the economy recovers and enhance collaboration with BEA Head Office, BEA China and the Bank's strategic partners in order to enhance the clients' total value to BEA Group.

The business units will continue to monitor the evolving impact of the pandemic and safeguard asset quality. Overseas branches will also continue to seek and adopt tools to further streamline workflow and invest in technology with an aim to enhance the customer experience, improve operational efficiency and comply with regulatory requirements.

## BEA Union Investment Management Limited

The capital market was volatile in 2020 due to COVID-19 and global lockdowns. Nonetheless, BEA Union Investment Management Limited, a non-wholly owned subsidiary of the Bank (“BEA Union Investment”) continued to grow, with its AUM increasing by 10% over the year.

Retail investors preferred investment products with regular payout over a fixed tenor while preserving original capital. BEA Union Investment introduced two fixed maturity funds and received overwhelming response.

In mid-2020, the Company’s wholly-owned subsidiary, BEA Union Investment Management (Shenzhen) Limited, set up the first private fund targeting Mainland China professional investors.

With the proximity to China and the initiatives over the GBA, BEA Union Investment will continue to search for opportunities derived from this fast growing area.

### Our People

As of 31<sup>st</sup> December, 2020, the BEA Group employed 9,539 people:

	As of 31 <sup>st</sup> December, 2020	As of 31 <sup>st</sup> December, 2019
Hong Kong	5,576	5,564
Mainland China	3,373	3,681
Macau and Taiwan	151	158
Overseas	439	443
Total	9,539	9,846

Employees have always been the Bank’s greatest assets, and BEA attracts, retains, develops and motivates talent by maintaining a performance-driven culture. During the year, the Bank revamped its performance management system with a number of notable initiatives, including aligning financial and non-financial performance scoring with the Bank’s scorecard for shared objectives and introducing peer review for effective collaboration.

To enhance and reinforce a sound corporate culture, as well as drive employee engagement, the Bank revamped its intranet to feature more timely content with greater depth and breadth. BEA’s core values were promoted through stories of exemplary staff behaviour and words of encouragement from the Bank’s General Managers. These messages were disseminated through the intranet as well as a poster campaign, inspiring staff and creating a more inclusive and motivational workplace.

The Bank continuously seeks bottom-up feedback from staff members and encourages them to share their views and ideas. To this end, an employee survey of all staff was conducted during the year under review, with a strong response rate of 91%. As well as voicing their opinions on a wide range of topics, staff members gave valuable suggestions on workplace enhancements. Actions will be taken to address this feedback.

## **RISK MANAGEMENT**

### **Approach to Risk**

The Group recognises that a sound risk culture is the very foundation of its strength. To this end, the Group maintains a prudent and proactive risk management framework that supports risk awareness, proper behaviour and sound judgement in relation to risk-taking. All employees are responsible for the management of risk.

To ensure that business activities provide an appropriate balance between risk and reward, the following principles guide the Group's risk appetite and determine how its business and risks are managed.

#### **Financial and Capital Position**

- Maintain a sound capital position defined by stringent regulatory and internal capital ratios.
- Maintain sufficient funds to continue business and operations during crises.

#### **Business and Return**

- Formulate business plans in line with the Group's risk appetite.
- Generate sustainable, diversified earnings that deliver consistent returns to shareholders.

#### **Operations**

- Ensure that the Bank's operations are conducted with integrity and in compliance with all applicable legal and regulatory requirements.
- Zero tolerance for any inappropriate conduct by any member of staff, business and/or customer, or any action to engage in or knowingly facilitate illegal activities.

### **Risk Management Framework**

The Group has established a robust risk governance and management framework that ensures appropriate oversight of, and accountability for, the effective management of risk.

This framework enables the Board and Senior Management to administer risk management-related responsibilities with appropriate delegation, checks and balances.

The key aspects of the framework, principal risks and principal uncertainties are outlined below.

### **Enterprise Risk Management**

The Group manages risk on a Group-wide basis within an Enterprise Risk Management ("ERM") framework. The ERM framework spans multiple risk types and focusses on optimising the balance and interaction of the different types of risk, and the balance between risk and return.

ERM provides an effective and efficient approach to governance and oversight within the organisation, and assists the Group to monitor and mitigate risks to the successful implementation of the Group's strategies.

Further, ERM promotes risk awareness throughout the organisation and facilitates better operational and strategic decision-making, promoting a strong risk culture and ensuring that operations are compatible with the nature and level of risk that stakeholders are willing to take.

### **Risk Governance**

The Board of Directors has ultimate responsibility for the effective management of risk. It approves risk appetite, risk policies that govern the execution of strategies, procedures and limits.

The Risk Committee stands at the highest level of the Group's risk governance structure under the Board. It provides direct oversight of the formulation of the Group's risk appetite and ensures that the Group's risk appetite is reflected in the policies and procedures that Senior Management adopts to execute business functions.

Through the Group's management committees, the Risk Committee regularly reviews the Group's ERM framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

### Three Lines of Defence

The Group has adopted the "Three Lines of Defence" risk management structure to ensure that roles and responsibilities with regard to risk management within the Group are clearly defined. The "Three Lines of Defence" model is summarised below.

<b>The First Line of Defence</b>	Comprises the Risk Owners, who are heads of business units or support units of the Bank Group, together with staff under their purview.  They are primarily responsible for the day-to-day management of risk within their units, including establishing and executing specific risk control mechanisms and detailed procedures.
<b>The Second Line of Defence</b>	Consists of the Risk Controllers, who are designated staff responsible for setting out a risk management governance framework, monitoring risks independently and supporting the management committees in their oversight of risk management for the Bank Group.
<b>The Third Line of Defence</b>	Internal Audit Division, which is responsible for providing assurance as to the effectiveness of the Group's risk management framework, including risk governance arrangements.

The Group Chief Risk Officer leads and coordinates all the Group's risk management-related matters, works closely with the Risk Controllers on the formulation of risk management policies, and exercises risk oversight at the Group level through a functional working relationship with all Risk Controllers and Risk Owners.

### Principal Risks

The Group faces a variety of risks that could affect its franchise, operations, and financial conditions. The principal risks that have been identified under the ERM framework and how these are managed can be found in the following table.

<b>Principal risk type</b>	<b>How it is managed</b>
<b>Credit Risk</b>	Managed through control limits, delegated lending authorities, underwriting criteria, monitoring processes, internal rating structure, recovery procedures, and provisioning policies set out in the policies, guidelines, manuals and regulatory requirements.
<b>Interest Rate Risk</b>	The Group has established control limits and assesses the gap risk, basis risk and options risk primarily through the monitoring of repricing mismatches and the impact of changes in interest rates on earnings and economic value.
<b>Market Risk</b>	The Group measures and monitors potential loss due to adverse price movements and market volatility in accordance with the control limits set out in comprehensive policies, guidelines and manuals.
<b>Liquidity Risk</b>	The Group conducts cash flow analysis to monitor funding needs and has a contingency funding plan in place that clearly stipulates procedures and mitigating actions required to meet liquidity needs in crisis situations.
<b>Operational Risk</b>	The Group has established a framework that defines the standards and processes for managing operational risks and internal controls against risk appetite through various tools and systems.
<b>Reputation Risk</b>	The Group identifies, assesses, monitors, mitigates and controls reputation risk systematically. Specific procedures and guidelines are in place to facilitate timely and effective communications with various stakeholders.

<b>Strategic Risk</b>	<p>The Group formulates and updates its strategic plan (covering a period of five years) annually to set strategic goals and objectives, evaluate strategic position and develop appropriate strategies according to the latest changing circumstances of the external environment and internal capability.</p> <p>The Group establishes comprehensive policies, manuals and reports to set out the management framework as well as assessment and monitoring tools.</p> <p>The Group proactively manages the Capital Adequacy Ratio (“CAR”) and conducts regular reviews of Internal Capital Adequacy Assessment Processes to assess the level and structure of capital resources needed to support the risks that it faces.</p>
<b>Legal Risk</b>	<p>The Group has produced comprehensive policies, guidelines and manuals. Qualified internal personnel and/or external professionals are engaged to provide advice and training courses.</p>
<b>Compliance Risk</b>	<p>The Group has established various policies, guidelines and manuals to ensure compliance with legal and regulatory requirements. A risk-based approach is in place to complement the management of compliance risk.</p>
<b>Technology Risk</b>	<p>The Group strengthens cyber security awareness of all staff through comprehensive training programmes and further mitigates technology risk by implementing a range of control measures.</p>
<b>Business Continuity Risk</b>	<p>The Group conducts business impact analysis and performs annual drills to test business continuity preparedness and effectiveness.</p>
<b>New Product and Business Risk</b>	<p>The Group has established a risk governance structure and an appropriate approval process for new products/businesses.</p>

## ERM Reports

ERM is driven and supported by the following enterprise-wide risk reports, which are applied in a consistent manner to identify, assess and manage risk across the Group.

## Risk Appetite

Risk Appetite is the Board’s articulation of accepted and tolerated levels of risk and return from an enterprise-wide perspective. The Risk Appetite Statement consists of qualitative statements and quantitative metrics, covering income-generating risks and non-income-generating risks.

## Risk Profile

The Risk Profile report provides a point-in-time view of the suite of risk categories and assessment of their potential to have a significant impact on the Group’s financial results, reputation or business sustainability.

## Emerging Risks

The Group adopts an emerging risks process that provides a forward-looking view of issues that have the potential to disrupt the successful execution of the Group’s strategies or operations over the medium-to-long term.

## Principal Uncertainties

The key uncertainties currently facing the Group and the mitigating measures implemented are set out below.



Principal Uncertainties	Mitigating Measures
<b>Virus Risk</b>	
<p>The COVID-19 pandemic emerged in late 2019 and plunged the global economy into a downturn. The latest consumer and manufacturer readings from the world's major economies (China, Europe and the US) suggest that a full global recovery from the COVID-19 contraction remains uncertain in the near future.</p>	<p>The Group will continue to monitor the market situation and portfolios closely in order to manage risk exposure.</p> <p>Stress tests are conducted regularly to assess the impact of hypothetical scenarios on the Group's profitability and CAR.</p>
<b>Cyber Security Risk</b>	
<p>Cyber security risk is a key focus area for regulators and the banking industry, as these risks evolve rapidly. Attackers are constantly seeking more sophisticated and efficient ways to jeopardise banks' operations and cyber security.</p>	<p>The Group has implemented a series of actions and controls to tackle cyber security risk:</p> <ul style="list-style-type: none"> <li>(a) Engaged an external consultant to review the Group's cyber security controls.</li> <li>(b) Maintain access to different intelligence sources to monitor the latest worldwide threats.</li> </ul>
<b>Political Risk</b>	
<p>COVID-19 has intensified the already tense US-China relationship, impacting a wide-range of interactions including trade, human rights issues, immigration, national security and technology.</p> <p>Further, the imposition of tariffs by both the US and China, plus favourable tax policies meant to keep industries at home, are further restricting global trade.</p>	<p>To manage the impact of political risk, the Bank identifies potential adverse events and devises ways to mitigate any impact on its capital adequacy, liquidity and asset quality such as:</p> <ul style="list-style-type: none"> <li>(a) Stress testing capital adequacy and loan loss allowance.</li> <li>(b) Close monitoring of liquidity coverage.</li> <li>(c) Enhanced credit control on loan exposures most susceptible to US-China trade tensions.</li> <li>(d) Portfolio review on loan exposures, and more frequent review of credit strategies and concentration limits.</li> </ul>
<b>Conduct Risk</b>	
<p>Emerging conduct risks arise from a number of factors, including product design and sales practices, changes in the market environment, changes in customer profiles, and adoption of new technologies.</p>	<p>To enhance and strengthen its risk and compliance culture, the Group has implemented a number of measures:</p> <ul style="list-style-type: none"> <li>(a) Formulated an accountability framework to define accountability processes and obligations</li> <li>(b) Enhanced the performance management framework to ensure alignment of remuneration and risk</li> <li>(c) Strengthened the bank-culture reform with initiatives including a new governance structure and a revamped dashboard</li> </ul>

## **Interbank Offered Rate (“IBOR”) Transition**

A series of scandals surrounding IBOR rising from the 2008 financial crisis prompted a move in the UK, US and many other jurisdictions from IBOR to Alternative Reference Rates (“ARRs”). This was followed in 2017 by the Financial Conduct Authority (“FCA”) of the UK announcing that it would no longer compel panel banks to submit rates for deriving the fixing of the London Interbank Offered Rate (“LIBOR”) after 2021.

In early 2020, the FCA, together with the Bank of England and the Working Group on Sterling Risk-Free Reference Rates, set out a roadmap for IBOR reform. In May 2020, the Alternative Reference Rates Committee of the US published best practices and roadmap for transition of the USD LIBOR to Secured Overnight Financing Rate. In August 2020, the People’s Bank of China released the white paper “Participation in International Benchmark Interest Rate Reforms and Improving China’s Benchmark Interest Rate”, signalling its commitment to shifting away from using the LIBOR. In October 2020, the International Swaps and Derivatives Association (“ISDA”) launched IBOR Fallbacks Supplement and Protocol as to amend the ISDA’s standard definitions for interest rate derivatives and incorporate fallbacks for derivatives linked to certain IBORs, effective as of 25<sup>th</sup> January, 2021. In November 2020, ICE Benchmark Administration, the administrator of LIBORs of USD, GBP, EUR, CHF and JPY, announced its plan to cease publication of overnight, 1-month, 3-month, 6-month and 12-month USD LIBORs after the end of June 2023 and other LIBORs after 2021. The HKMA is also following developments closely, and has set a schedule for authorised institutions to transition away from the LIBOR.

In addition to regulatory compliance and conduct risk, the transition to ARR may expose the Bank to an increased level of legal, operational and financial risks.

For orderly transition to ARR, the Bank formed a global cross-functional IBOR Reform Project Team in late 2019 to formulate and implement the Bank’s IBOR transition plan covering Hong Kong, Mainland China and overseas operations.

In the middle of 2020, the Bank started to publish IBOR transition information on its official website to keep investors and the public informed. To protect the interests of customers, the Bank has started and will continue to communicate the potential impact of the reform and details of transitional arrangements with customers who are affected by the reform.

Regulatory authorities expect banks to offer more ARR products and the Bank has been developing its ARR product capabilities. Trading of interest rate swaps referencing Sterling Overnight Index Average, the ARR for the GBP LIBOR, started in 2020. More ARR products will be offered in 2021.

The Bank has been complying with the requirements and milestones set out by the HKMA and relevant international regulatory authorities, and will continue to monitor the reform process to ensure compliance with regulatory requirements and industry practices.

## COMPLIANCE

Compliance is an integral part of the Group's corporate governance regime, and the Group is committed to upholding the highest standards in all jurisdictions in which it operates.

The Compliance Division is responsible for overseeing the regulatory compliance framework and monitoring compliance risks for the Group; communicating new regulatory requirements to relevant units; delivering compliance advice on the implementation of regulations; conducting regulatory compliance reviews using a risk-based approach; and regularly reporting compliance matters to the Group's management committees.

Any significant compliance issues, including those related to anti-money laundering and counter-financing of terrorism, are also reported to the Risk Committee and the Board of Directors via the Operational Risk Management Committee. Through the support of the Risk and Compliance Function established in the Bank's business, functional, and operations units – which act as the first line of defence against regulatory non-compliance – a comprehensive and efficient compliance risk management framework is maintained.

The Group is fully prepared to meet the demands of the evolving regulatory environment – including those related to anti-money laundering and counter-financing of terrorism; international standards and regulatory changes in jurisdictions where the Group has a presence; cross-border business; personal data protection; insurance and investment products sales practices; and any other relevant requirements.

By order of the Board

**Adrian David LI Man-kiu**  
*Co-Chief Executive*

**Brian David LI Man-bun**  
*Co-Chief Executive*

Hong Kong, 24<sup>th</sup> February, 2021

*As at the date of this announcement, the Board of Directors of the Bank comprises Dr. the Hon. Sir David LI Kwok-po<sup>#</sup> (Executive Chairman), Professor Arthur LI Kwok-cheung<sup>\*</sup> (Deputy Chairman), Dr. Allan WONG Chi-yun<sup>\*\*</sup> (Deputy Chairman), Mr. Aubrey LI Kwok-sing<sup>\*</sup>, Mr. Winston LO Yau-lai<sup>\*</sup>, Mr. Stephen Charles LI Kwok-sze<sup>\*</sup>, Mr. Adrian David LI Man-kiu<sup>#</sup> (Co-Chief Executive), Mr. Brian David LI Man-bun<sup>#</sup> (Co-Chief Executive), Dr. Daryl NG Win-kong<sup>\*</sup>, Mr. Masayuki OKU<sup>\*</sup>, Dr. the Hon. Rita FAN HSU Lai-tai<sup>\*\*</sup>, Mr. Meocre LI Kwok-wing<sup>\*\*</sup>, Dr. the Hon. Henry TANG Ying-yen<sup>\*\*</sup>, Dr. Delman LEE<sup>\*\*</sup>, Mr. William Junior Guilherme DOO<sup>\*\*</sup>, Dr. David MONG Tak-yeung<sup>\*\*</sup> and Dr. Francisco Javier SERRADO TREPAT<sup>\*</sup>.*

<sup>#</sup> *Executive Director*

<sup>\*</sup> *Non-executive Director*

<sup>\*\*</sup> *Independent Non-executive Director*

## GLOSSARY

### 詞彙

2021 AGM 「2021 股東周年常會」	An AGM of the Bank to be held in the Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Thursday, 6 <sup>th</sup> May, 2021 at 11:30 a.m. or any adjournment thereof 本行將於 2021 年 5 月 6 日星期四上午 11 時 30 分在香港中環金融街 8 號四季酒店大禮堂舉行的股東周年常會，或其任何續會
AGM 「股東周年常會」	An Annual General Meeting of the Bank 本行的股東周年常會
AUM 「管理資產」	Assets under management 管理資產
Bank Group or BEA Group or Group 「集團」或「本集團」	The Bank and its subsidiaries 東亞銀行及其附屬公司
Bank or BEA 「本行」或「東亞銀行」	The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong 東亞銀行有限公司，於香港註冊成立的有限公司
Bank Culture Reform 「銀行企業文化改革」	The circular in respect of Bank Culture Reform, issued by the HKMA on 2 <sup>nd</sup> March, 2017 金管局於 2017 年 3 月 2 日發出之銀行企業文化改革通告
Banking Ordinance 「《銀行業條例》」	The Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 《銀行業條例》（香港法例第 155 章）
BEA China 「東亞中國」	The Bank of East Asia (China) Limited, a wholly-owned subsidiary of the Bank 東亞銀行（中國）有限公司，本行的全資附屬公司
Board 「董事會」	Board of Directors of the Bank 本行的董事會
Capital Rules 「《資本規則》」	Banking (Capital) Rules issued by the HKMA 金管局頒布的《銀行業（資本規則）》
CG Code 「《企業管治守則》」	Corporate Governance Code and Corporate Governance Report, Appendix 14 to the Listing Rules 《上市規則》附錄 14 內所載的《企業管治守則》及《企業管治報告》
CG-1 「CG-1」	Supervisory Policy Manual CG-1 on Corporate Governance of Locally Incorporated Authorized Institutions, issued by the HKMA 金管局頒布之監管政策手冊 CG-1 內有關《本地註冊認可機構的企業管治》
CG-5 「CG-5」	Supervisory Policy Manual CG-5 on Guideline on a Sound Remuneration System, issued by the HKMA 金管局頒布之監管政策手冊 CG-5 內有關《穩健的薪酬制度指引》
CHF 「瑞士法郎」	Swiss franc 瑞士法定貨幣
China, Mainland, Mainland China, or PRC 「中國」或「內地」	People's Republic of China 中華人民共和國
Companies Ordinance 「《公司條例》」	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 《公司條例》（香港法例第 622 章）
Director(s) 「董事」	Includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require 包括任何任職本行董事職位的人士（不論其職銜如何），或文義另有所指的人士
ESG 「環境、社會及管治」	Environmental, social, and governance 環境、社會及管治

EUR 「歐羅」	Euro, the lawful currency of 19 of the 27 member states of the European Union 歐洲聯盟 27 個成員國內，其中 19 個成員國採納的法定貨幣
GBA 「大灣區」	Guangdong-Hong Kong-Macao Greater Bay Area 「粵港澳大灣區」
GBP 「英鎊」	Pound sterling, the lawful currency of the UK 英國法定貨幣
Guidance on Empowerment of INEDs 「提升獨立非執行董事的專業能力指引」	The guidance on Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong, issued by the HKMA 金管局頒布之提升香港銀行業獨立非執行董事的專業能力指引
HK\$ or HKD 「港幣」	Hong Kong dollar, the lawful currency of Hong Kong 香港法定貨幣
HK\$ Mn 「港幣百萬元」	HK\$ Million 港幣百萬元
HKAS 「香港會計準則」	Hong Kong Accounting Standards 香港會計準則
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKMA 「金管局」	Hong Kong Monetary Authority 香港金融管理局
Hong Kong or HK 「香港」	Hong Kong Special Administrative Region of PRC 中華人民共和國香港特別行政區
JPY 「日元」	Japanese yen, the lawful currency of Japan 日本法定貨幣
Listing Rules 「《上市規則》」	The Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time) 聯交所《證券上市規則》，經不時修訂、修改或以其他方式補充
NII 「淨利息收入」	Net interest income 淨利息收入
NIM 「淨息差」	Net interest margin 淨息差
Senior Management 「高層管理人員」	the Co-Chief Executives and Deputy Chief Executives of the Bank 本行的聯席行政總裁及副行政總裁
Share(s) 「股」或「股份」	Ordinary share(s) of the Bank 本行普通股
Stock Exchange 「聯交所」	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司
UK 「英國」	United Kingdom 英國
US 「美國」	United States of America 美利堅合眾國
US\$ or USD 「美元」	United States dollar, the lawful currency of the US 美國法定貨幣