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The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

ANNOUNCEMENT OF 2010 FINAL RESULTS

SUMMARY OF RESULTS

The Directors of The Bank of East Asia, Limited ("BEA") are pleased to announce the audited results^a of the Bank and its subsidiaries (the "Group") for the year ended 31st December, 2010. 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 2010 annual accounts.

1. Consolidated Income Statement

	2010	2009		
	HK\$ Mn	Restated ^d HK\$ Mn		Variance %
Interest income	13,626	12,121	+	12.4
Interest expense	(6,083)	(5,374)	+	13.2
Net interest income	7,543	6,747	+	11.8
Fee and commission income	3,649	2,799	+	30.3
Fee and commission expense	(707)	(537)	+	31.6
Net fee and commission income	2,942	2,262	+	30.1
Net trading (losses)/ profits	(146)	941	-	115.6
Net result from financial instruments designated at fair value through profit or loss	263	(267)	+	198.1
Net hedging loss	(5)	-		-
Other operating income	529	505	+	4.8
Non-interest income	3,583	3,441	+	4.1
Operating income	11,126	10,188	+	9.2
Operating expenses	(6,904)	(6,129)	+	12.6
Operating profit before impairment losses	4,222	4,059	+	4.0
Impairment losses on loans and advances	(285)	(1,105)	-	74.2
Impairment losses on held-to-maturity investments	-	(9)	-	95.3
Impairment losses on available-for-sale financial assets	(24)	(14)	+	77.4
Write back of impairment losses on associates	1	-	+	1,253.3
Write back of/(Charge for) impairment losses on bank premises	2	(13)	-	115.2
Impairment losses	(306)	(1,141)	-	73.1
Operating profit after impairment losses	3,916	2,918	+	34.2
Net loss on sale of held-to-maturity investments	-	(12)	-	100.0
Net profit on sale of available-for-sale financial assets	234	102	+	129.6
Net profit on sale of loans and receivables	1	2	-	65.3
Net profit on sale of subsidiaries/associates	238	-	+	115,887.9
Net (loss)/profit on sale of fixed assets	(6)	16	-	135.0
Valuation gains on investment properties	426	206	+	107.3
Share of profits less losses of associates	341	264	+	29.3
Profit for the year before taxation	5,150	3,496	+	47.3
Income tax				
Current tax ^b				
- Hong Kong	(416)	(73)	+	470.7
- Overseas	(557)	(454)	+	22.5
Deferred tax	126	(292)	-	143.2
Profit for the year after taxation	4,303	2,677	+	60.8
Attributable to:				
Owners of the parent	4,224	2,604	+	62.2
Non-controlling interests	79	73	+	9.3
Profit after taxation	4,303	2,677	+	60.8
Per share				
- Basic earnings ^c	HK\$1.92	HK\$1.39	+	38.1
- Diluted earnings ^c	HK\$1.92	HK\$1.38	+	39.1
- Dividends	HK\$0.94	HK\$0.76	+	23.7

2. Consolidated Statement of Comprehensive Income

	2010	2009 Restated ^d	Variance	
	HK\$ Mn	HK\$ Mn		%
Net profit	<u>4,303</u>			
- As previously reported		2,638		
- Adjustment arising from changes in accounting policies		39		
- As restated		<u>2,677</u>		
Other comprehensive income for the year (after taxation and reclassification adjustments):				
Premises:				
- unrealised surplus on revaluation of premises	40	97	-	59.4
- deferred taxes	(2)	(37)	-	95.0
- exchange differences	3	-	+	7,790.0
Available-for-sale investment revaluation reserve:				
- fair value changes taken to equity	91	575	-	84.2
- fair value changes transferred from/(to) income statement:				
- on impairment and amortisation	24	11	+	126.0
- on disposal	(200)	(29)	+	592.4
- deferred taxes	57	(43)	+	231.8
Share of changes in equity of associates	36	17	+	119.5
Exchange differences on other reserves	50	-	+	8,892.0
Exchange differences on translation of:				
- accounts of overseas branches, subsidiaries and associates	<u>769</u>	<u>163</u>	+	371.9
Other comprehensive income	<u>868</u>	<u>754</u>	+	15.1
Total comprehensive income	<u>5,171</u>	<u>3,431</u>	+	50.7
Total comprehensive income attributable to:				
Owners of the parent	5,092	3,358	+	51.6
Non-controlling interests	<u>79</u>	<u>73</u>	+	9.3
	<u>5,171</u>	<u>3,431</u>	+	50.7

3. Consolidated Statement of Financial Position

	2010	2009		1 st January, 2009
	HK\$ Mn	Restated ^d HK\$ Mn	Variance %	Restated ^d HK\$ Mn
ASSETS				
Cash and balances with banks and other financial institutions	48,293	29,712	+ 62.5	28,105
Placements with banks and other financial institutions	58,197	67,945	- 14.3	96,574
Trade bills	18,548	1,847	+ 904.2	1,164
Trading assets	5,845	5,722	+ 2.2	3,437
Financial assets designated at fair value through profit or loss	16,192	10,392	+ 55.8	4,130
Advances to customers and other accounts	320,040	261,803	+ 22.2	243,725
Available-for-sale financial assets	40,779	30,883	+ 32.0	18,560
Held-to-maturity investments	5,714	7,239	- 21.1	5,006
Investments in associates	3,573	2,615	+ 36.6	2,486
Fixed assets	12,414	11,467	+ 8.3	9,146
- Investment properties	2,574	2,095	+ 22.8	1,839
- Other property and equipment	9,840	9,372	+ 5.0	7,307
Goodwill and intangible assets	4,188	4,135	+ 1.3	2,734
Deferred tax assets	410	322	+ 27.3	301
Total Assets	534,193	434,082	+ 23.1	415,368
EQUITY AND LIABILITIES				
Deposits and balances of banks and other financial institutions	9,994	11,886	- 15.9	27,045
Deposits from customers	419,833	342,528	+ 22.6	323,802
Trading liabilities	3,101	1,455	+ 113.1	2,846
Certificates of deposit issued	5,586	2,812	+ 98.6	5,491
- At fair value through profit or loss	2,754	2,442	+ 12.8	3,777
- At amortised cost	2,832	370	+ 665.3	1,714
Current taxation	618	147	+ 322.1	333
Debt securities issued	4,950	4,346	+ 13.9	-
Deferred tax liabilities	214	308	- 30.6	7
Other accounts and provisions	28,561	18,506	+ 54.3	12,139
Loan capital	12,693	12,359	+ 2.7	11,036
- At fair value through profit or loss	3,548	7,712	- 54.0	6,395
- At amortised cost	9,145	4,647	+ 96.8	4,641
Total Liabilities	485,550	394,347	+ 23.1	382,699
Share capital	5,105	4,623	+ 10.4	4,183
Reserves	39,138	30,754	+ 27.3	28,147
Total equity attributable to owners of the parent	44,243	35,377	+ 25.1	32,330
Non-controlling interests	4,400	4,358	+ 1.0	339
Total Equity	48,643	39,735	+ 22.4	32,669
Total Equity and Liabilities	534,193	434,082	+ 23.1	415,368

4. Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital reserve – staff share options issued	Exchange revaluation reserve	Investment revaluation reserve	Revaluation reserve of bank premises	Capital reserve	General reserve	Other reserves	Retained profits	Total	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
At 1 st January, 2010													
- As previously reported	4,623	4,526	170	1,169	286	928	86	14,866	1,518	6,993	35,165	4,358	39,523
- Adjustment arising from changes in accounting policies	-	-	-	-	-	54	-	-	-	158	212	-	212
- As restated	4,623	4,526	170	1,169	286	982	86	14,866	1,518	7,151	35,377	4,358	39,735
Changes in equity													
Shares issued in lieu of dividend	47	(47)	-	-	-	-	-	557	-	-	557	-	557
Subscription of new shares	418	4,695	-	-	-	-	-	-	-	-	5,113	-	5,113
Shares issued under Staff Shares Option Schemes	17	130	-	-	-	-	-	-	-	-	147	-	147
Equity settled share-based transaction	-	-	29	-	-	-	-	-	-	-	29	-	29
Transfer	-	27	(34)	-	-	-	-	30	439	(462)	-	-	-
Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(2,072)	(2,072)	(56)	(2,128)
Sale of interests in businesses to non-controlling interests investors	-	-	-	-	-	-	-	-	-	-	-	4	4
Purchase of interests in businesses from non-controlling interests investors	-	-	-	-	-	-	-	-	-	-	-	-	-
Hybrid Tier 1 note issue	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	-	-	-	-	-	-	15	15
Total comprehensive income for the year	-	-	-	769	(28)	41	-	-	86	4,224	5,092	79	5,171
At 31 st December, 2010	5,105	9,331	165	1,938	258	1,023	86	15,453	2,043	8,841	44,243	4,400	48,643
At 1 st January, 2009													
- As previously reported	4,183	4,922	125	1,006	(228)	863	86	14,634	1,216	5,339	32,146	339	32,485
- Adjustment arising from changes in accounting policies	-	-	-	-	-	65	-	-	-	119	184	-	184
- As restated	4,183	4,922	125	1,006	(228)	928	86	14,634	1,216	5,458	32,330	339	32,669
Changes in equity													
Shares issued in lieu of dividend	17	(17)	-	-	-	-	-	177	-	-	177	-	177
Capitalisation issue	418	(418)	-	-	-	-	-	-	-	-	-	-	-
Shares issued under Staff Shares Option Schemes	5	36	-	-	-	-	-	-	-	-	41	-	41
Equity settled share-based transaction	-	-	71	-	-	-	-	-	-	-	71	-	71
Transfer	-	3	(26)	-	-	(6)	-	55	285	(311)	-	-	-
Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(600)	(600)	(55)	(655)
Sale of interests in businesses to non-controlling interests investors	-	-	-	-	-	-	-	-	-	-	-	132	132
Purchase of interests in businesses from non-controlling interests investors	-	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Hybrid Tier 1 note issue	-	-	-	-	-	-	-	-	-	-	-	3,877	3,877
Exchange adjustments	-	-	-	-	-	-	-	-	-	-	-	2	2
Total comprehensive income for the year	-	-	-	163	514	71	-	-	17	2,565	3,330	73	3,403
- As previously reported	-	-	-	163	514	71	-	-	17	2,565	3,330	73	3,403
- Adjustments arising from changes in accounting policies	-	-	-	-	-	(11)	-	-	-	39	28	-	28
- As restated	-	-	-	163	514	60	-	-	17	2,604	3,358	73	3,431
At 31 st December, 2009 (as restated)	4,623	4,526	170	1,169	286	982	86	14,866	1,518	7,151	35,377	4,358	39,735

5. Consolidated Cash Flow Statement

	2010 HK\$ Mn	2009 HK\$ Mn
OPERATING ACTIVITIES		
Profit for the year before taxation	5,150	3,496
Adjustments for:		
Charge for impairment losses on loans and advances (Write back of)/charge for impairment allowances on held-to- maturity investments, available-for-sale financial assets and associates	285	1,105
Share of profits less losses of associates	23	23
Net loss on sale of held-to-maturity investments	(341)	(264)
Net profit on sale of available-for-sale financial assets	-	12
Net profit on sale of subsidiaries and associates	(234)	(102)
Net loss/(profit) on sale of fixed assets	(238)	-
Net loss/(profit) on sale of fixed assets	6	(16)
Interest expense on loan capital and certificates of deposit	679	641
Depreciation on fixed assets	581	512
(Write back of)/charge for impairment loss on bank premises	(2)	13
Dividend income from available-for-sale financial assets	(66)	(46)
Amortisation of intangible assets	34	13
Amortisation of premium/discount on certificates of deposit and loan capital issued	68	68
Revaluation losses on certificates of deposit and loan capital issued	140	1,236
Valuation gains on investment properties	(426)	(206)
Equity-settled share-based payment expenses	29	71
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	5,688	6,556
(Increase)/decrease in operating assets:		
Cash and balances with banks with original maturity beyond three months	(8,176)	(2,405)
Placements with banks and other financial institutions with original maturity beyond three months	21,616	(3,875)
Trade bills	(16,701)	(683)
Trading assets	(191)	(2,617)
Financial assets designated at fair value through profit or loss	(5,800)	(6,262)
Advances to customers	(52,025)	(18,095)
Advances to banks and other financial institutions	(642)	172
Held-to-maturity debt securities	1,467	(2,056)
Available-for-sale financial assets	(7,112)	(11,489)
Other accounts and accrued interest	(7,809)	(1,219)
Increase/(decrease) in operating liabilities:		
Deposits and balances of banks and other financial institutions	(1,671)	(15,159)
Deposits from customers	79,030	18,726
Trading liabilities	1,655	(1,391)
Other accounts and provisions	10,150	6,328
Exchange adjustments	551	(114)
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS	20,030	(33,583)
Income tax paid		
Hong Kong profits tax paid	(39)	(53)
Overseas profits tax paid	(524)	(527)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	19,467	(34,163)

	2010	2009
	HK\$ Mn	HK\$ Mn
INVESTING ACTIVITIES		
Dividends received from associates	78	190
Dividends received from available-for-sale equity securities	66	46
Purchase of equity securities	(937)	(851)
Proceeds from sale of equity securities	433	483
Purchase of intangible assets	-	(1,380)
Purchase of fixed assets	(873)	(2,561)
Purchase of investment properties	(16)	-
Proceeds from disposal of fixed assets	56	50
(Purchase)/disposal of shareholding in associates	(513)	36
Purchase of subsidiaries	(54)	(43)
Proceeds from sale of interest in a subsidiary	521	1
Sale of interests in business to non-controlling interests investors	4	132
Purchase of interests in business from non-controlling interests investors	-	(10)
NET CASH USED IN INVESTING ACTIVITIES	(1,235)	(3,907)
FINANCING ACTIVITIES		
Ordinary dividends paid	(1,241)	(427)
Distribution to Hybrid Tier 1 issue holders	(330)	(51)
Issue of ordinary share capital	147	41
Issue of Hybrid Tier 1 note	-	3,877
Subscription for new shares	5,113	-
Issue of certificates of deposit	4,111	594
Issue of debt securities	411	4,334
Issue of loan capital	4,615	-
Redemption of certificates of deposit issued	(1,409)	(3,260)
Redemption of loan capital	(4,290)	-
Interest paid on loan capital	(435)	(535)
Interest paid on certificates of deposit issued	(88)	(79)
NET CASH GENERATED FROM FINANCING ACTIVITIES	6,604	4,494
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24,836	(33,576)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	60,530	94,106
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	85,366	60,530
Cash flows from operating activities included:		
Interest received	12,733	12,671
Interest paid	5,162	6,238
Dividend received	97	78

Notes:

- (a) The financial information set out in this report does not constitute the Group's statutory accounts for the year ended 31st December, 2010 but there is no material change as compared to those accounts. The statutory accounts for the year ended 31st December, 2010 will be available from the website of The Stock Exchange of Hong Kong Limited.
- (b) The provision for Hong Kong profits tax for 2010 is calculated at 16.5% (2009: 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.
- (c)
 - (i) The calculation of basic earnings per share is based on earnings of HK\$3,894 million (2009 (restated): HK\$2,553 million) after the distribution of HK\$330 million (2009: HK\$51 million) to Hybrid Tier 1 issue holders and on the weighted average of 2,024 million (2009: 1,843 million) ordinary shares outstanding during the year.
 - (ii) The calculation of diluted earnings per share is based on earnings of HK\$3,894 million (2009 (restated): HK\$2,553 million) after the distribution of HK\$330 million (2009: HK\$51 million) to Hybrid Tier 1 issue holders and on 2,026 million (2009: 1,844 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.
- (d) Early adoption of the amendments to HKAS 12, Income taxes

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. Previously, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1st January, 2009 and 2010, with consequential adjustments to comparatives for the year ended 31st December, 2009.

6. Dividends

	<u>2010</u> HK\$ Mn	<u>2009</u> HK\$ Mn	<u>Variance</u> %
Interim dividend declared and paid of HK\$0.38 per share on 2,034 million shares (2009: HK\$0.28 per share on 1,842 million shares)	772	516	+ 49.9
Final dividend paid in respect of the previous financial year on shares issued under the share option schemes subsequent to the balance sheet date and before the close of the Register of Members of the Bank, of HK\$0.48 per share (2009: HK\$0.02 per share)	2	-	-
Final dividend proposed after the balance sheet date of HK\$0.56 per share on 2,042 million shares (2009: HK\$0.48 per share on 2,016 million shares)	1,144	968	+ 18.1
	<u>1,918</u>	<u>1,484</u>	+ 29.3

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

7. Interest Income

	<u>2010</u> HK\$ Mn	<u>2009</u> HK\$ Mn	<u>Variance</u> %
Listed securities classified as held-to-maturity or available-for-sale	381	264	+ 44.0
Trading assets			
- listed	22	13	+ 68.2
- unlisted	66	28	+ 139.6
Interest rate swaps	1,382	959	+ 44.1
Financial assets designated at fair value through profit or loss			
- listed	431	206	+ 109.2
- unlisted	197	81	+ 143.5
Loans, deposits with banks and financial institutions, trade bills, and other unlisted securities that are not at fair value through profit or loss	11,147	10,570	+ 5.5
Total interest income	<u>13,626</u>	<u>12,121</u>	+ 12.4

Included above is interest income accrued on impaired financial assets of HK\$74 million (2009: HK\$79 million) for the year ended 31st December, 2010.

8. Interest Expense

	<u>2010</u> HK\$ Mn	<u>2009</u> HK\$ Mn	<u>Variance</u> %
Customer deposits, deposits of banks and other financial institutions and certificates of deposit issued which are stated at amortised cost	3,074	3,650	- 15.8
Debt securities issued	140	61	+ 128.3
Subordinated notes carried at amortised cost	174	68	+ 154.6
Interest rate swaps	2,185	1,015	+ 115.3
Financial instruments designated at fair value through profit or loss	500	566	- 11.7
Other borrowings	10	14	- 24.7
Total interest expense	<u>6,083</u>	<u>5,374</u>	+ 13.2

9. Fee and Commission Income

Fee and commission income arises from the following services:

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Corporate services	856	806	+ 6.2
Credit cards	674	554	+ 21.6
Loans, overdrafts and guarantees	463	322	+ 43.5
Securities and brokerage	456	320	+ 42.6
Derivatives transactions	289	122	+ 137.3
Trade finance	252	141	+ 78.8
Other retail banking services	237	193	+ 22.6
Trust and other fiduciary activities	100	79	+ 25.9
Others	322	262	+ 23.2
Total fee and commission income	3,649	2,799	+ 30.3

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 held for trading nor designated at fair value through profit or loss

	2,808	2,214	+ 26.8
Fee income	3,370	2,680	+ 25.8
Fee expenses	(562)	(466)	+ 20.6

10. Net Trading (Losses)/Profits

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Profit on dealing in foreign currencies	311	140	+ 121.4
Profit on trading securities	133	616	- 78.4
Net (loss)/gain on derivatives	(620)	153	- 503.8
Loss on other dealing activities	(1)	-	+ 768.3
Dividend income from listed trading securities	31	32	- 3.1
Total net trading (losses)/profits	(146)	941	- 115.6

11. Net Result from Financial Instruments Designated at Fair Value through Profit or Loss

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Revaluation loss on debts issued	(140)	(1,236)	- 88.7
Net loss on sale of other financial assets designated at fair value through profit or loss	(35)	(42)	- 14.9
Profit on redemption of US\$550M subordinated notes issued	8	-	-
Revaluation gain on other financial assets designated at fair value through profit or loss	430	1,011	- 57.5
Total net result from financial instruments designated at fair value through profit or loss	263	(267)	+ 198.1

12. Other Operating Income

	2010	2009	Variance	
	HK\$ Mn	HK\$ Mn		%
Dividend income from available-for-sale financial assets				
- listed	35	21	+	66.7
- unlisted	31	25	+	27.7
Rental from safe deposit boxes	78	82	-	5.1
Net revenue from insurance activities	221	180	+	22.8
Rental income on properties	92	92	-	0.6
Others	72	105	-	31.5
Total other operating income	<u>529</u>	<u>505</u>	+	4.8

13. Operating Expenses

	2010	2009	Variance	
	HK\$ Mn	HK\$ Mn		%
Contributions to defined contribution plan	248	193	+	28.2
Equity-settled share-based payment expenses	29	71	-	58.4
Salaries and other staff costs	3,338	2,905	+	14.9
Total staff costs	<u>3,615</u>	<u>3,169</u>	+	14.1
Premises and equipment expenses excluding depreciation				
- Rental of premises	492	458	+	7.4
- Maintenance, repairs and others	488	447	+	9.2
Total premises and equipment expenses excluding depreciation	<u>980</u>	<u>905</u>	+	8.3
Depreciation on fixed assets	<u>581</u>	<u>512</u>	+	13.4
Amortisation of intangible assets	<u>34</u>	<u>13</u>	+	168.1
Other operating expenses				
- Stamp duty, overseas and PRC* business taxes, and value added taxes	346	304	+	13.9
- Advertising expenses	311	179	+	74.0
- Communications, stationery and printing	286	272	+	5.0
- Legal and professional fees	219	190	+	15.0
- Business promotions and business travel	148	114	+	29.3
- Card related expenses	113	91	+	25.0
- Insurance expenses	43	46	-	6.6
- Audit fee	11	9	+	27.2
- Membership fees	10	8	+	24.5
- Administration expenses of corporate services	9	8	+	3.8
- Donations	8	13	-	37.3
- Bank charges	7	6	+	14.9
- Bank licence	4	4	-	2.6
- Others	179	286	-	37.4
Total other operating expenses	<u>1,694</u>	<u>1,530</u>	+	10.7
Total operating expenses	<u>6,904</u>	<u>6,129</u>	+	12.6

* PRC denotes the People's Republic of China.

14. Net Profit on Sale of Available-for-Sale Financial Assets

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Net revaluation gain transferred from reserves	200	29	+ 589.7
Profit arising in current year	34	73	- 53.4
	<u>234</u>	<u>102</u>	+ 129.4

15. Trading Assets

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Treasury bills (including Exchange Fund Bills)	-	34	- 100.0
Debt securities	2,411	3,090	- 22.0
Equity securities	1,502	1,429	+ 5.1
Investment funds	194	201	- 3.5
Trading securities	4,107	4,754	- 13.6
Positive fair values of derivatives	1,738	968	+ 79.5
	<u>5,845</u>	<u>5,722</u>	+ 2.2
Issued by:			
Central governments and central banks	596	1,857	- 67.9
Public sector entities	22	299	- 92.7
Banks and other financial institutions	1,066	1,093	- 2.5
Corporate entities	2,229	1,492	+ 49.4
Other entities	194	13	+ 1,423.4
	<u>4,107</u>	<u>4,754</u>	- 13.6
Analysed by place of listing:			
Listed in Hong Kong	1,484	1,484	+ 0.0
Listed outside Hong Kong	1,071	574	+ 86.6
	<u>2,555</u>	<u>2,058</u>	+ 24.2
Unlisted	1,552	2,696	- 42.4
	<u>4,107</u>	<u>4,754</u>	- 13.6

16. Financial Assets Designated at Fair Value through Profit or Loss

	2010	2009	Variance	
	HK\$ Mn	HK\$ Mn		%
Debt securities	15,989	10,043	+	59.2
Equity securities	203	349	-	42.0
	<u>16,192</u>	<u>10,392</u>	+	55.8
Issued by:				
Central governments and central banks	531	235	+	125.6
Public sector entities	175	177	-	0.9
Banks and other financial institutions	8,032	4,338	+	85.1
Corporate entities	7,454	5,642	+	32.1
	<u>16,192</u>	<u>10,392</u>	+	55.8
Analysed by place of listing:				
Listed in Hong Kong	3,695	2,946	+	25.4
Listed outside Hong Kong	7,171	4,003	+	79.1
	<u>10,866</u>	<u>6,949</u>	+	56.4
Unlisted	5,326	3,443	+	54.7
	<u>16,192</u>	<u>10,392</u>	+	55.8

17. Advances to Customers and Other Accounts

(a) Advances to customers and other accounts

	2010	2009	Variance	
	HK\$ Mn	HK\$ Mn		%
(i) Advances to customers	297,044	247,654	+	19.9
Less: Impairment allowances				
- Individual	(282)	(534)	-	47.2
- Collective	(819)	(811)	+	1.0
	<u>295,943</u>	<u>246,309</u>	+	20.2
(ii) Other accounts				
Advances to banks and other financial institutions	1,320	678	+	94.6
Notes and bonds	-	65	-	99.3
Certificates of deposit held	39	39	-	0.2
Accrued interest	2,206	1,313	+	68.0
Bankers acceptances	14,583	7,976	+	82.8
Other accounts	5,990	5,463	+	9.7
	<u>24,138</u>	<u>15,534</u>	+	55.4
Less: Impairment allowances				
- Individual	(38)	(31)	+	24.5
- Collective	(3)	(9)	-	69.9
	<u>24,097</u>	<u>15,494</u>	+	55.5
	<u>320,040</u>	<u>261,803</u>	+	22.2

(b) 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 Hong Kong Monetary Authority.

	2010		2009		Variance
	Gross advances HK\$ Mn	% of secured advances %	Gross advances HK\$ Mn	% of secured advances %	
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property development	10,245	60.04	8,790	60.42	+ 16.5
- Property investment	40,697	92.44	33,532	93.71	+ 21.3
- Financial concerns	6,169	75.47	3,759	79.47	+ 64.0
- Stockbrokers	453	84.53	690	14.41	- 34.2
- Wholesale and retail trade	4,710	40.62	3,102	66.50	+ 51.8
- Manufacturing	4,876	50.28	2,094	56.10	+ 132.8
- Transport and transport equipment	4,461	77.56	3,808	79.08	+ 17.2
- Recreational activities	88	16.47	100	44.95	- 11.7
- Information technology	566	57.15	328	1.54	+ 72.7
- Others	4,885	55.71	5,058	61.27	- 5.0
- Sub-total	<u>77,150</u>	<u>77.37</u>	<u>61,261</u>	<u>80.34</u>	<u>+ 25.7</u>
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,611	100.00	1,532	100.00	+ 5.1
- Loans for the purchase of other residential properties	30,130	99.99	25,199	99.87	+ 19.6
- Credit card advances	3,087	0.00	2,675	0.00	+ 15.4
- Others	13,570	73.38	12,739	77.90	+ 7.3
- Sub-total	<u>48,398</u>	<u>86.15</u>	<u>42,145</u>	<u>86.89</u>	<u>+ 15.1</u>
Total loans for use in Hong Kong	125,548	80.76	103,406	83.01	+ 21.4
Trade finance	9,554	46.03	2,546	53.75	+ 275.2
Loans for use outside Hong Kong *	<u>161,942</u>	<u>72.16</u>	<u>141,702</u>	<u>75.76</u>	<u>+ 14.3</u>
Total advances to customers	<u>297,044</u>	<u>74.95</u>	<u>247,654</u>	<u>78.56</u>	<u>+ 19.9</u>

* Loans for use outside Hong Kong include the following loans for use in the PRC.

	2010		2009		Variance
	Gross advances HK\$ Mn	% of secured advances %	Gross advances HK\$ Mn	% of secured advances %	
Property development	24,732	52.19	13,762	71.12	+ 79.7
Property investment	22,722	89.55	24,153	86.36	- 5.9
Wholesale and retail trade	17,835	88.23	19,612	95.16	- 9.1
Manufacturing	9,731	51.77	7,322	48.94	+ 32.9
Others	47,628	73.16	39,016	69.86	+ 22.1
	<u>122,648</u>	<u>72.46</u>	<u>103,865</u>	<u>77.16</u>	<u>+ 18.1</u>

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:

	2010	2009	Variance	
	HK\$ Mn	HK\$ Mn		%
(i) Property development				
a. Individually impaired loans	528	805	-	34.4
b. Individual impairment allowance	58	50	+	15.1
c. Collective impairment allowance	64	83	-	22.2
d. Provision charged to income statement				
- individual impairment loss	169	324	-	47.7
- collective impairment loss	22	61	-	64.6
e. Written off	114	272	-	58.1
(ii) Property investment				
a. Individually impaired loans	441	309	+	42.6
b. Individual impairment allowance	67	29	+	131.0
c. Collective impairment allowance	266	212	+	25.1
d. Provision charged to income statement				
- individual impairment loss	87	60	+	44.7
- collective impairment loss	82	119	-	31.4
e. Written off	27	52	-	47.9
(iii) Loans for purchase of residential properties				
a. Individually impaired loans	102	135	-	24.9
b. Individual impairment allowance	-	-	-	100.0
c. Collective impairment allowance	46	32	+	45.7
d. Provision charged to income statement				
- individual impairment loss	3	1	+	177.9
- collective impairment loss	24	23	+	1.4
e. Written off	3	1	+	276.8
(iv) Wholesale and retail trade				
a. Individually impaired loans	117	310	-	62.2
b. Individual impairment allowance	43	162	-	73.5
c. Collective impairment allowance	76	58	+	31.6
d. Provision charged to income statement				
- individual impairment loss	35	185	-	81.2
- collective impairment loss	22	21	+	3.9
e. Written off	96	131	-	26.3

(c) 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 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.

	2010				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	145,109	183	337	77	284
People's Republic of China	118,898	53	222	27	145
Other Asian Countries	12,061	55	101	62	149
Others	20,976	105	932	116	241
Total	297,044	396	1,592	282	819

% of total advances to customers

0.54%

Market value of security held against impaired advances to customers

3,223

	2009				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	121,538	217	407	103	299
People's Republic of China	93,084	177	373	34	86
Other Asian Countries	10,103	213	382	247	178
Others	22,929	284	1,286	150	248
Total	247,654	891	2,448	534	811

% of total advances to customers

0.99%

Market value of security held against impaired advances to customers

4,839

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.

There were no impaired advances to banks and other financial institutions as at 31st December, 2010 and 31st December, 2009, nor were there any individual impairment allowances made for them on these two dates.

18. Available-for-Sale Financial Assets

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Treasury bills (including Exchange Fund Bills)	6,744	5,425	+ 24.3
Certificates of deposit held	2,152	972	+ 121.5
Debt securities	29,271	22,599	+ 29.5
Equity securities	2,290	1,810	+ 26.5
Investment funds	322	77	- 316.0
	<u>40,779</u>	<u>30,883</u>	+ 32.0
Issued by:			
Central governments and central banks	11,882	12,787	- 7.1
Public sector entities	3,726	236	+ 1,480.9
Banks and other financial institutions	14,861	14,199	+ 4.7
Corporate entities	10,016	3,584	+ 179.5
Other entities	294	77	+ 279.9
	<u>40,779</u>	<u>30,883</u>	+ 32.0
Analysed by place of listing:			
Listed in Hong Kong	2,249	1,957	+ 14.9
Listed outside Hong Kong	6,545	5,512	+ 18.7
	8,794	7,469	+ 17.7
Unlisted	31,985	23,414	+ 36.6
	<u>40,779</u>	<u>30,883</u>	+ 32.0

19. Held-to-Maturity Investments

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Treasury bills (including Exchange Fund Bills)	64	189	- 66.3
Certificates of deposit held	1,288	2,245	- 42.6
Debt securities	4,362	4,843	- 9.9
	5,714	7,277	- 21.5
Less: Impairment allowances	-	(38)	- 100.0
	<u>5,714</u>	<u>7,239</u>	- 21.1
Issued by:			
Central governments and central banks	1,506	1,510	- 0.3
Public sector entities	455	621	- 26.8
Banks and other financial institutions	2,897	4,328	- 33.1
Corporate entities	856	780	+ 9.7
	<u>5,714</u>	<u>7,239</u>	- 21.1
Analysed by place of listing:			
Listed in Hong Kong	948	952	- 0.4
Listed outside Hong Kong	2,548	2,984	- 14.6
	3,496	3,936	- 11.2
Unlisted	2,218	3,303	- 32.9
	<u>5,714</u>	<u>7,239</u>	- 21.1
Fair value:			
Listed securities	3,614	3,998	- 9.6
Unlisted securities	2,237	3,320	- 32.6
	<u>5,851</u>	<u>7,318</u>	- 20.0

20. Segment Reporting

The Group manages its businesses by divisions, which are organized 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 most senior management for the purposes of resource allocation and performance assessment, the Group has presented the following seven reportable segments. No operating segments have been aggregated to form the following reportable segments.

Personal banking, which includes branch operations, personal internet banking, consumer finance, property loans and credit card business in Hong Kong.

Corporate banking, which includes corporate lending and loan syndication, asset based lending, commercial lending and securities lending in Hong Kong.

Treasury markets, which include treasury operations and securities dealing in Hong Kong.

Wealth management, which includes private banking business and related assets in Hong Kong.

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

Overseas operations include the back office unit for overseas operations in Hong Kong, overseas branches and subsidiaries, except those subsidiaries carrying out corporate services and associates operated in overseas.

Corporate services include company secretarial services, share registration and business services, and offshore corporate and trust services.

Other businesses include insurance business, property-related business, supporting units of Hong Kong operations, investment properties, bank premises, the net results of associates and other subsidiaries in Hong Kong.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets except for properties, intangible assets and financial assets with the exception of interests in associates, deferred tax assets and other corporate assets. 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. Segment revenue and expenses do not include the Group's share of revenue and expenses arising from the activities of the Group's associates. Other than reporting inter-segment income, assistance provided by one segment to another, including sharing of assets, is not measured.

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter segment lending), interest expense, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

	Hong Kong banking operations							Total reportable segments HK\$ Mn	Others HK\$ Mn	Inter-segment elimination HK\$ Mn	Total HK\$ Mn
	Personal banking	Corporate banking	Treasury markets	Wealth management	China operations	Overseas operations	Corporate services				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn				
Net interest income/(expense)	2,011	1,129	276	192	3,462	743	2	7,815	(272)	-	7,543
Non-interest income/(expense)	529	270	19	259	535	241	864	2,717	1,116	(250)	3,583
Operating income/(expense)	2,540	1,399	295	451	3,997	984	866	10,532	844	(250)	11,126
Operating expenses	(1,343)	(138)	(108)	(125)	(2,566)	(516)	(566)	(5,362)	(1,792)	250	(6,904)
Operating profit/(loss) before impairment losses	1,197	1,261	187	326	1,431	468	300	5,170	(948)	-	4,222
Impairment losses on loans and advances and other accounts	(25)	(53)	-	(6)	(12)	(184)	(4)	(284)	(1)	-	(285)
Impairment losses on available-for-sale financial assets and associates	-	-	-	-	-	-	-	-	(23)	-	(23)
Write back of impairment losses on bank premises	-	-	-	-	-	-	-	-	2	-	2
Operating profit/(loss) after impairment losses	1,172	1,208	187	320	1,419	284	296	4,886	(970)	-	3,916
Profit/(Loss) on sale of fixed assets, available-for-sale financial assets, held-to-maturity investments, loans and receivables and subsidiaries/associates	(5)	(1)	145	-	8	1	9	157	310	-	467
Valuation gains on investment properties	-	-	-	-	2	2	-	4	422	-	426
Share of profits less losses of associates	-	-	-	-	-	-	-	-	341	-	341
Profit/(Loss) before taxation	1,167	1,207	332	320	1,429	287	305	5,047	103	-	5,150
Depreciation for the year	(67)	(1)	(4)	(2)	(268)	(30)	(17)	(389)	(192)	-	(581)
Segment assets	50,433	107,211	125,742	13,168	220,414	45,971	2,765	565,704	27,764	(62,848)	530,620
Investments in associates	-	-	-	-	-	-	-	-	3,573	-	3,573
Total assets	50,433	107,211	125,742	13,168	220,414	45,971	2,765	565,704	31,337	(62,848)	534,193
Total liabilities	243,264	4,761	30,315	15,827	201,609	37,427	726	533,929	9,255	(57,634)	485,550
Capital expenditure incurred during the year	68	2	6	4	553	29	29	691	256	-	947

2009 (restated) *

	Hong Kong banking operations							Total reportable segments HK\$ Mn	Others HK\$ Mn	Inter-segment elimination HK\$ Mn	Total HK\$ Mn
	Personal banking	Corporate banking	Treasury markets	Wealth management	China operations	Overseas operations	Corporate services				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn				
Net interest income/(expense)	1,972	764	428	147	2,974	740	1	7,026	(279)	-	6,747
Non-interest income/(expense)	463	646	(208)	195	452	354	816	2,718	955	(232)	3,441
Operating income	2,435	1,410	220	342	3,426	1,094	817	9,744	676	(232)	10,188
Operating expenses	(1,341)	(114)	(129)	(107)	(1,975)	(529)	(512)	(4,707)	(1,654)	232	(6,129)
Operating profit/(loss) before impairment losses	1,094	1,296	91	235	1,451	565	305	5,037	(978)	-	4,059
(Charge for)/Write back of impairment losses on loans and advances and other accounts	(70)	(46)	(3)	(12)	21	(977)	(6)	(1,093)	(12)	-	(1,105)
Impairment losses on available-for-sale financial assets and held-to-maturity investments	-	-	(9)	-	-	-	-	(9)	(14)	-	(23)
Impairment losses on bank premises	-	-	-	-	-	-	-	-	(13)	-	(13)
Operating profit/(loss) after impairment losses	1,024	1,250	79	223	1,472	(412)	299	3,935	(1,017)	-	2,918
Profit/(Loss) on sale of fixed assets, available-for-sale financial assets, held-to-maturity investments, loans and receivables and subsidiaries/associates	(3)	-	16	-	22	1	-	36	72	-	108
Valuation gains/(losses) on investment properties	-	-	-	-	7	(3)	-	4	202	-	206
Share of profits less losses of associates	-	-	-	-	-	-	-	-	264	-	264
Profit/(Loss) before taxation	1,021	1,250	95	223	1,501	(414)	299	3,975	(479)	-	3,496
Depreciation for the year	(70)	(1)	(3)	(2)	(186)	(29)	(17)	(308)	(204)	-	(512)
Segment assets	44,005	66,998	132,107	7,359	155,555	49,268	3,540	458,832	19,970	(47,335)	431,467
Investments in associates	-	-	-	-	-	-	-	-	2,615	-	2,615
Total assets	44,005	66,998	132,107	7,359	155,555	49,268	3,540	458,832	22,585	(47,335)	434,082
Total liabilities	208,366	582	24,824	14,719	138,536	40,873	1,645	429,545	6,604	(41,802)	394,347
Capital expenditure incurred during the year	54	-	4	1	3,182	624	32	3,897	66	-	3,963

* The figures of 2009 have been restated due to the change in the presentation of information for reporting to the Group's most senior executive management for the purposes of resource allocation and performance assessment with effect from 2010. Changes in grouping were made to certain subsidiaries incorporated outside Hong Kong and certain supporting units operating in Hong Kong, which were formerly grouped based on geographic location of the legal entity or operation. In 2010, they were regrouped according to the cluster of cash generating units to which they relate.

21. Off-balance Sheet Exposures

The following is a summary of each significant class of off-balance sheet exposures:

	2010 HK\$ Mn	2009 HK\$ Mn	Variance %
Contractual amounts of contingent liabilities and commitments			
- Direct credit substitutes	8,915	7,341	+
- Transaction-related contingencies	1,309	1,293	+
- Trade-related contingencies	1,907	1,331	+
- Commitments that are unconditionally cancellable without prior notice	37,453	41,555	-
- Other commitments with an original maturity			
- up to 1 year	48,604	21,606	+
- over 1 year	19,690	14,112	+
Total	<u>117,878</u>	<u>87,238</u>	+
Credit risk weighted amounts	<u>40,584</u>	<u>27,305</u>	+
Fair value			
Assets			
Exchange rate contracts	748	317	+
Interest rate contracts	854	587	+
Options purchased/written			
- exchange rate contracts	71	9	+
- equity contracts	65	55	+
	<u>1,738</u>	<u>968</u>	+
Liabilities			
Exchange rate contracts	1,302	139	+
Interest rate contracts	1,695	1,279	+
Options purchased/written			
- exchange rate contracts	71	9	+
- equity contracts	32	22	+
	<u>3,100</u>	<u>1,449</u>	+
Notional amounts of derivatives			
Exchange rate contracts	167,181	43,809	+
Interest rate contracts	131,065	70,757	+
Equity contracts	4,415	3,051	+
Others	233	-	-
	<u>302,894</u>	<u>117,617</u>	+
Credit risk weighted amounts			
Exchange rate contracts	1,912	567	+
Interest rate contracts	678	350	+
Equity contracts	219	90	+
Debt security & other commodity	15	6	+
	<u>2,824</u>	<u>1,013</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.

22. Currency Concentrations

The net positions or net structural positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies.

	2010			Total
	HK\$ Mn			
	USD	CNY	Others	
Spot assets	94,806	192,680	50,424	337,910
Spot liabilities	(84,212)	(172,452)	(53,480)	(310,144)
Forward purchases	136,496	94,932	12,559	243,987
Forward sales	(156,605)	(96,540)	(8,196)	(261,341)
Net options position	154	-	(10)	144
Net long/(short) non-structural position	<u>(9,361)</u>	<u>18,620</u>	<u>1,297</u>	<u>10,556</u>

	2009			Total
	HK\$ Mn			
	USD	CNY	Others	
Spot assets	82,024	121,752	55,280	259,056
Spot liabilities	(79,661)	(116,345)	(55,086)	(251,092)
Forward purchases	59,917	27,419	11,016	98,352
Forward sales	(57,946)	(27,850)	(8,726)	(94,522)
Net options position	(45)	-	34	(11)
Net long non-structural position	<u>4,289</u>	<u>4,976</u>	<u>2,518</u>	<u>11,783</u>

	2010			Total
	HK\$ Mn			
	USD	CNY	Others	
Net structural position	<u>2,467</u>	<u>6,855</u>	<u>727</u>	<u>10,049</u>

	2009			Total
	HK\$ Mn			
	USD	CNY	Others	
Net structural position	<u>2,432</u>	<u>6,605</u>	<u>1,012</u>	<u>10,049</u>

23. Reserves

	2010	2009	Variance	
	HK\$ Mn	Restated HK\$ Mn		%
Share premium	9,331	4,526	+	106.2
General reserve	15,453	14,866	+	3.9
Revaluation reserve on bank premises	1,023	982	+	4.2
Investment revaluation reserve	258	286	-	9.9
Exchange revaluation reserve	1,938	1,169	+	65.6
Other reserves	2,294	1,774	+	29.0
Retained profits*	8,841	7,151	+	23.7
Total	39,138	30,754	+	27.2
Proposed dividends, not provided for	1,144	968	+	18.1

* A regulatory reserve is maintained to satisfy the provisions of the Hong Kong 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 Hong Kong Monetary Authority. As at 31st December, 2010, HK\$2,306 million (2009: HK\$1,857 million) was included in the retained profits in this respect which was distributable to equity holders of the Group subject to consultation with the Hong Kong Monetary Authority.

24. Non-adjusting post balance sheet events

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in Note 6.

On 21st January, 2011 the Bank and East Asia Holding Company, Inc. ("EAHC") a wholly-owned subsidiary of the Bank, entered into a share sale agreement (the "Share Sale Agreement") with Industrial and Commercial Bank of China Limited ("ICBC") in respect the sale of 80% of the issued and outstanding common shares of The Bank of East Asia (U.S.A.) National Association ("BEA USA") by EAHC to ICBC for a total consideration of approximately US\$140 million (equivalent to approximately HK\$1,086 million) (the "Disposal"). The consideration for the Disposal will be adjusted after the completion of the Disposal to reflect any increase or decrease in 80% of the net tangible book value of BEA USA between 30th September, 2010 and the closing date of the Disposal.

Completion of the Disposal is subject to satisfaction or waiver of certain conditions precedent, including receipt of necessary bank regulatory approvals in the U.S. and China (including Hong Kong), and the execution and delivery by the parties of a transition service agreement and a shareholders agreement (the "Shareholders Agreement") by the date that is fourteen months from the date of the Share Sale Agreement (the "Drop Dead Date"). If by the Drop Dead Date, the conditions precedent to the completion of the Disposal are not satisfied or waived, the parties may mutually agree to extend the Drop Dead Date to a later date.

Upon the completion of the Disposal, BEA USA will cease to be a subsidiary of the Bank and will be held as to 20% by the Bank through EAHC and 80% by ICBC. A Shareholders Agreement will be entered into between the parties to regulate their respective rights and obligations. Under the Shareholders Agreement, at any time from the date that is eighteen months after the completion of the Disposal to the tenth anniversary of the date of completion of the Disposal, the Bank through EAHC will have a put option to sell to ICBC the remaining 20% of the shares of common stock of BEA USA.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

A. Capital Adequacy Ratio and Capital Base

(a) Capital adequacy ratio	<u>2010</u>	<u>2009</u>
	%	%
Capital adequacy ratio as at 31 st December	13.2	13.3
Core capital adequacy ratio as at 31 st December	9.8	9.4

Capital ratios at 31st December, 2010 and 31st December, 2009 were compiled in accordance with the Banking (Capital) Rules (“the Capital Rules”) issued by the Hong Kong Monetary Authority under Section 98A of the Hong Kong Banking Ordinance for the implementation of the “Basel II” capital accord, which became effective on 1st January, 2007. 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 calculation of capital ratios under the Capital Rules follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are “regulated financial entities” (e.g. insurance and securities companies) as defined by the Capital Rules. Accordingly, the investment costs of these unconsolidated regulated financial entities are deducted from the capital base.

(b) Group capital base after deductions

	2010	2009
	HK\$ Mn	HK\$ Mn
Core capital		
Paid up ordinary share capital	5,105	4,623
Share premium	9,331	4,526
Reserves	19,810	17,647
Profit and loss account	1,380	1,553
Non-controlling interests	3,557	3,826
Deduct: Goodwill	(1,658)	(1,624)
Net deferred tax assets	(399)	(317)
Other intangible assets	(27)	(27)
	<u>37,099</u>	<u>30,207</u>
Less: Core capital items deductions	<u>(3,593)</u>	<u>(3,672)</u>
Total core capital	<u>33,506</u>	<u>26,535</u>
Eligible supplementary capital		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	970	916
Revaluation reserves for fair value gains on revaluation of holdings of available-for-sale equities and debt securities	65	63
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	197	424
Regulatory reserve for general banking risks	54	134
Collectively assessed impairment allowances	129	153
Surplus provisions	921	435
Perpetual subordinated debt	3,606	3,743
Term subordinated debt	9,280	8,910
	<u>15,222</u>	<u>14,778</u>
Less: Supplementary capital items deductions	<u>(3,593)</u>	<u>(3,672)</u>
Total supplementary capital	<u>11,629</u>	<u>11,106</u>
Total capital base	<u><u>45,135</u></u>	<u><u>37,641</u></u>

B. Liquidity Ratio

	2010	2009
	%	%
Average liquidity ratio for the year	44.9	43.3

The average liquidity ratio for the year is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

C. Cross-border Claims

The information on cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. 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. Only regions constituting 10% or more of the aggregate cross-border claims are disclosed.

	2010			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
People's Republic of China	17,270	2,153	56,083	75,506
Asian countries, excluding People's Republic of China	23,537	3,047	16,128	42,712
North America	8,035	210	11,273	19,518
Western Europe	29,620	-	4,802	34,422

	2009			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
People's Republic of China	9,717	1,683	37,795	49,195
Asian countries, excluding People's Republic of China	17,241	2,464	12,917	32,622
North America	9,147	382	12,927	22,456
Western Europe	50,624	-	1,490	52,114

D. Non-bank Mainland Exposures

The total direct non-bank Mainland exposures and the individual impairment allowances are as follows:

	2010			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individual impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<u>Type of counterparties</u>				
Mainland entities	136,500	41,863	178,363	31
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	36,223	2,631	38,854	5
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	12,660	102	12,762	-
Total	185,383	44,596	229,979	36

	2009			Individual impairment allowance HK\$ Mn
	On-balance sheet exposure HK\$ Mn	Off-balance sheet exposure HK\$ Mn	Total HK\$ Mn	
<u>Type of counterparties</u>				
Mainland entities	97,002	22,570	119,572	36
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	15,085	2,302	17,387	10
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	7,540	12	7,552	-
Total	<u>119,627</u>	<u>24,884</u>	<u>144,511</u>	<u>46</u>

E. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances

	2010		2009	
	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	98	0.0	96	0.1
- 1 year or less but over 6 months	139	0.0	515	0.2
- Over 1 year	159	0.1	280	0.1
	396	0.1	891	0.4
Rescheduled advances to customers	443	0.2	234	0.1
Total overdue and rescheduled advances	<u>839</u>	<u>0.3</u>	<u>1,125</u>	<u>0.5</u>
Secured overdue advances	<u>220</u>	<u>0.1</u>	<u>561</u>	<u>0.2</u>
Unsecured overdue advances	<u>176</u>	<u>0.1</u>	<u>330</u>	<u>0.2</u>
Market value of security held against secured overdue advances	<u>561</u>		<u>2,168</u>	
Individual impairment allowance made on loans overdue for more than 3 months	<u>148</u>		<u>309</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

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 31st December, 2010 and 31st December, 2009; nor were there any rescheduled advances to banks and other financial institutions on these two dates.

(b) Other overdue and rescheduled assets

	2010		2009	
	Accrued interest	Other assets*	Accrued interest	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for				
- 6 months or less but over 3 months	-	-	-	-
- 1 year or less but over 6 months	-	-	-	-
- Over 1 year	-	5	-	1
	-	5	-	1
Rescheduled assets	-	-	-	-
Total other overdue and rescheduled assets	-	5	-	1

* Other assets refer to trade bills and receivables.

(c) Repossessed assets

	2010	2009
	HK\$ Mn	HK\$ Mn
Repossessed land and buildings *	6	48
Repossessed vehicles and equipment	-	-
Total repossessed assets	6	48

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

* The balance included HK\$2 million (2009: HK\$5 million) relating to properties that were contracted for sale but not yet completed.

STATEMENT OF COMPLIANCE

- (1) In preparing the accounts for 2010, the Bank has fully complied with the Banking (Disclosure) Rules.
- (2) Being the largest independent local bank in Hong Kong, the Bank is committed to maintaining the highest corporate governance standards. The Board considers such commitment essential in balancing the interests of shareholders, customers and employees; and in upholding accountability and transparency.

The Bank has complied with all the Code Provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting year ended 31st December, 2010, except for a deviation from Code Provision A.2.1 of the Code which is explained below:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. the Hon. Sir David LI Kwok-po is the Chairman & Chief Executive of the Bank. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Bank. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting operations of the Bank. There is a strong independent element in the composition of the Board. Out of the 17 Board members, 9 are Independent Non-executive Directors. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Bank to make and implement decisions promptly and efficiently. The Board believes that Sir David's appointment to the posts of Chairman and Chief Executive is beneficial to the business prospects and management of the Bank.

FINAL DIVIDEND

At the forthcoming Annual General Meeting to be held on Tuesday, 19th April, 2011 ("2011 AGM"), the Directors will propose a final dividend of HK\$0.56 per share (2009: HK\$0.48 per share) for the year ended 31st December, 2010, which, together with the interim dividend of HK\$0.38 per share paid in September 2010, will constitute a total dividend of HK\$0.94 per share (2009: HK\$0.76 per share) for the full year. The final dividend will be paid on 20th April, 2011 in cash, with an option to receive new, fully paid shares in lieu of cash ("Scrip Dividend Scheme"). Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Wednesday, 30th March, 2011.

Shareholders whose names appear on the Register of Members of the Bank at the close of business on Wednesday, 30th March, 2011, will be entitled to the proposed final dividend.

The Scrip Dividend Scheme is conditional upon the passing of the relevant resolution at the 2011 AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited 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 Wednesday, 20th April, 2011.

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 proposed final dividend, the Register of Members of the Bank will be closed on Tuesday, 29th March, 2011 and Wednesday, 30th March, 2011. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with Tricor Standard Limited (Address: 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong) by 4:00 p.m. Monday, 28th March, 2011.

- (b) For the purpose of determining shareholders who are entitled to attend and vote at the 2011 AGM, the Register of Members of the Bank will be closed on Monday, 18th April, 2011 and Tuesday, 19th April, 2011. In order to qualify for attending and voting at the 2011 AGM, all transfer documents should be lodged for registration with Tricor Standard Limited (Address: 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong) by 4:00 p.m. Friday, 15th April, 2011.

DEALINGS IN LISTED SECURITIES OF THE BANK

On 22nd July, 2010, the Bank repurchased US\$74.69 million face value of the 5.625% subordinated notes qualifying as tier 2 capital, which was issued on 13th December, 2005 by the Bank (the "2015 Notes"). On 14th December, 2010, the Bank redeemed all the remaining 2015 Notes with face value of US\$475.31 million. The 2015 Notes were delisted from The Stock Exchange of Hong Kong Limited on 21st December, 2010. Save for the repurchase and redemption of the 2015 Notes, there was no purchase, sale or redemption by the Bank or any or its subsidiaries, of listed securities of the Bank during the year ended 31st December, 2010.

CHAIRMAN'S STATEMENT

I am very pleased to report that The Bank of East Asia Group ("BEA Group") delivered a record-setting performance in 2010. The Bank earned a record profit after tax of HK\$4,303 million, HK\$1,626 million, or 60.8%, higher than the HK\$2,677 million earned in 2009. Basic earnings per share reached HK\$1.92. Return on average assets and return on average equity were 0.9% and 10.1%, respectively.

The Directors have proposed a final dividend of HK\$0.56 per share. Together with the interim dividend of HK\$0.38 per share paid in September 2010, the proposed dividend for the full year is HK\$0.94 per share. This is 23.7% more than the total dividend of HK\$0.76 per share for the year 2009.

The new profit record demonstrates the strength of the BEA Group's recovery following the financial crisis and marks a return to the record-setting pace that we delivered prior to 2008. The Bank also achieved new heights in total assets, total loans outstanding and total deposits.

Our record-setting performance has been built on our success in combining the twin strengths of our established Hong Kong base and our growing Mainland franchise. The Bank of East Asia (China) Limited, ("BEA China"), our wholly-owned subsidiary bank on the Mainland, is now a major source of business referrals for the rest of the Group, especially in the area of corporate lending, trade finance and wealth management. Ever-closer economic integration between Hong Kong and the Mainland will continue to be a source of new business opportunities for the BEA Group, as we are well-positioned to capture the growing demand from Mainland Chinese clients.

Both our lending and fee-based businesses registered strong growth in 2010. Net interest income rose by 11.8% to HK\$7,543 million, while net fee and commission income rose by 30.1% to HK\$2,942 million. Our Hong Kong lending business was particularly strong, with loans and advances increasing by 32.7% year on year. Good performance was recorded across the board, from personal finance to small and medium enterprise lending to corporate and syndicated loans. The rise in net fee and commission income was mainly due to increases in trade finance business, sale of treasury products and securities and brokerage turnover.

We held net interest margin stable – despite record-low market interest rates – by carefully managing our loan and debt portfolios to produce higher yields. Impaired loan ratio fell to 0.5% for the Group, as global economies stabilised and the prudent measures we employed to safeguard against bad and doubtful loans bore fruit.

During the past year, BEA China focused on attracting stable and low-cost deposits while steadily expanding its loan book in order to build a sustainable business for the long term. Total advances to customers and deposits increased by 10.9% and 40.4% respectively, year on year, resulting in a loan-to-deposit ratio of 77.9% as of the end of 2010. We are confident that we will achieve a loan to deposit ratio of below 75% by the end of 2011, the deadline set by the China Banking Regulatory Commission.

We continued to expand our Mainland network aggressively in 2010. BEA China opened two full branches, in Suzhou and Zhengzhou, and 16 sub-branches. In December, the parent bank, the Bank of East Asia ("BEA"), inaugurated the BEA Group's first rural bank, in Fuping County, Weinan City, Shaanxi Province. At the end of 2010, the Group operated a total of 94 outlets in 28 cities on the Mainland, one of the largest Mainland franchises held by any foreign bank.

Following the completion of our disposal of a 70% interest in The Bank of East Asia (Canada) in January 2010, on 23rd January, 2011, we further announced that we had entered into a share sale and purchase agreement with Industrial and Commercial Bank of China ("ICBC") regarding our wholly owned subsidiary in the United States, The Bank of East Asia (U.S.A.) N.A. ("BEA USA"). Under the latest agreement, BEA will sell an 80% stake in BEA USA to ICBC, conditional upon obtaining approval from the relevant regulatory authorities.

We believe that the above transactions are consistent with our strategy to concentrate our resources on developing our Greater China business, where we see the most potential. By retaining our two federal branches in New York and Los Angeles, as well as our minority interests in Industrial and Commercial Bank of China (Canada) and BEA USA, we will continue to participate in the wholesale market in the United States and benefit from the upside from our minority investments.

The solid performance of the Hong Kong and Mainland economies in 2010 has once again highlighted the value inherent in the Bank's long-term commitment to these markets. With the further liberalisation of the Renminbi and the growing diversity of Renminbi related products and services, the BEA Group is in a unique position to serve the growing needs of our customers through our extensive network

and experience in Hong Kong and on the Mainland. We will continue to develop our unique advantage in this area in 2011 and beyond, and look forward to improving our services year after year.

I take the pleasure in thanking my Board of Directors at BEA and the directors of our subsidiaries and associate companies for their strong governance and invaluable advice during the past year, and for their guidance in establishing our strategic direction. I would also like to thank the management team and staff at BEA for their hard work, dedication and proficiency, as any success we achieve comes as a result of their ability and their effort. Lastly, I would like to thank our shareholders and customers for their long-standing loyalty and support.

Dr. William Mong Man-wai, a Director of this Bank since 1995, passed away on 21st July, 2010. The late Dr. Mong served the Board with distinction for more than 15 years, and the Directors, Management and staff of BEA are deeply saddened at his passing. He had been a great asset to the Board and to the Bank Group, and his wise counsel, guidance and valuable contributions will be sorely missed.

David LI Kwok-po
Chairman & Chief Executive

Hong Kong, 15th February, 2011

REPORT OF THE CHIEF EXECUTIVE AND SENIOR MANAGEMENT

FINANCIAL REVIEW

Financial Performance

For the year 2010, the Group achieved a record high profit after tax of HK\$4,303 million, representing an increase of HK\$1,626 million or 60.8%, compared to the HK\$2,677 million earned in 2009. Basic earnings per share were HK\$1.92. Return on average assets and return on average equity were 0.9% and 10.1%, respectively.

As a result of strong growth in the loan and debt portfolios in 2010, the Group's net interest income increased by HK\$796 million, or 11.8%, to HK\$7,543 million. Net fee and commission income increased by HK\$680 million, or 30.1%, to HK\$2,942 million, while total non-interest income increased by HK\$142 million, or 4.1%.

Operating expenses were 12.6% higher than the previous year, as the Group continued to invest in support of future growth. The cost-to-income ratio rose slightly to 62.0% in 2010.

Operating profit before impairment losses was HK\$4,222 million, an increase of HK\$163 million, or 4.0%, as compared with 2009.

The charge for impairment losses on loans and advances decreased by HK\$820 million, or 74.2%, to HK\$285 million, reflecting the improving credit quality amid the stronger economic environment, as well as the Bank's effort to manage credit risk. Total impairment losses decreased by HK\$835 million, or 73.1%.

Operating profit after impairment losses was HK\$3,916 million, an increase of 34.2%, or HK\$998 million.

In January 2010, BEA completed the disposal of a 70% interest in a banking subsidiary in Canada and recorded a net profit of HK\$230 million.

Net profit on disposal of available-for-sale financial assets increased to HK\$234 million. Valuation gain on investment properties amounted to HK\$426 million as a result of the buoyant property market. Due to the strong performance of associates, the Group shared after-tax profits from associates of HK\$341 million.

After accounting for income taxes, profit after taxation rose sharply to HK\$4,303 million, 60.8% higher than the HK\$2,677 million recorded the previous year. Profit attributable to owners of the parent rose to HK\$4,224 million, an increase of 62.2%.

Financial Position

Total consolidated assets of the Group stood at HK\$534,193 million at the end of 2010, an increase of 23.1% over the HK\$434,082 million at the end of 2009. Gross advances to customers increased by 19.9% to HK\$297,044 million. Total equity increased to HK\$48,643 million, up 22.4%.

Total deposits grew by 23.2% to HK\$425,419 million, while total deposits from customers rose by 22.6% to HK\$419,833 million. Demand deposits and current account balances increased by HK\$13,319 million, or 28.7%, compared to the balance at year-end 2009. Savings deposits increased to HK\$82,366 million, an increase of 0.8%, while time deposits increased to HK\$277,768 million, an increase of 29.5% when compared with the previous year-end position.

After taking into account all certificates of deposit issued, the loan-to-deposit ratio was 69.8% at the end of December 2010, 1.9 percentage points lower than the 71.7% reported at the end of 2009.

During 2010, BEA issued HKD and USD fixed rate certificates of deposit with a face value of HK\$1,096 million and US\$94.4 million respectively; HKD and USD floating rate certificates of deposit with a face value of HK\$50 million and US\$60 million respectively; and HKD and USD zero coupon certificates of deposit with a face value of HK\$1,520 million and US\$32.25 million respectively. The Bank redeemed a quantity of certificates of deposit amounting to HK\$1,408 million equivalent upon maturity.

At the end of December 2010, the face value of the outstanding certificates of deposit issued was HK\$5,705 million, with a carrying amount equal to HK\$5,586 million.

Maturity Profile of Certificates of Deposit Issued

As at 31st December, 2010

(All expressed in millions of dollars)

	Currency	Total Face Value	Year of Maturity					
			2011	2012	2013	2014	2015	
Floating Rate								
Certificates of Deposit								
Issued in 2009	HKD	150	150					
Issued in 2010	HKD	50	50					
Issued in 2008	USD	30	30					
Issued in 2010	USD	60		20	40			
Fixed Rate Certificates								
of Deposit (Note)								
Issued in 2010	HKD	1,096	130	535			431	
Issued in 2008	USD	15	15					
Issued in 2010	USD	94	94					
Zero Coupon								
Certificates of Deposit								
Issued in 2010	HKD	1,520	1,520					
Issued in 2007	USD	140			40	50	50	
Issued in 2010	USD	32	32					
Total Certificates of Deposit issued in HKD equivalent			5,705	3,184	690	622	389	820

Note:

Associated interest rate swaps have been entered for long term Fixed Rate Certificates of Deposit

During 2010, BEA issued USD loan capital with a face value of US\$600 million and redeemed a quantity of loan capital amounting to US\$550 million which was issued in 2005.

At the end of December 2010, the face value of the outstanding loan capital issued was HK\$12,937 million equivalent, with a carrying amount equal to HK\$12,693 million.

Maturity Profile of Loan Capital

As at 31st December, 2010

(All expressed in millions of dollars)

		<u>Currency</u>	<u>Total Face Value</u>	<u>Year of Maturity</u>		
				<u>2017</u>	<u>2020</u>	<u>Perpetual</u>
Issued in 2007	<i>Note 1</i>	GBP	300			300
Issued in 2007	<i>Note 2</i>	USD	600	600		
Issued in 2010		USD	600		600	
Total Loan Capital issued in HKD equivalent			<u>12,937</u>	<u>4,664</u>	<u>4,664</u>	<u>3,609</u>

Notes:

1. Callable on 21st March, 2012 and on each interest payment date thereafter

2. Callable on 22nd June, 2012

Risk Management

The Bank has established comprehensive risk management procedures in line with the requirements set out by the Hong Kong Monetary Authority to identify, measure, monitor, control and report the various types of risk that the Bank faces, including credit risk, market risk, liquidity risk and operational risk, and, where appropriate, to allocate capital against those risks. All risk management policies have been approved by the Board of Directors, and risk management mechanisms have been established at different levels throughout the Group. This is supplemented by active management involvement, effective internal controls and comprehensive audits.

The risk management mechanisms are built around a centralised framework and incorporate Risk Management Committee, specialised risk management committees, namely: Credit Committee; Asset and Liability Management Committee; and Operational Risk Management Committee, and the Risk Management Division. These mechanisms capture the different risk-related management activities on a Group basis, including formulation of policies, risk assessment, setting up of procedures and control limits, ongoing monitoring for observance, etc., before the same are reported via the Risk Management Committee to the Board of Directors so as to ensure compliance with Bank policies, and legal and regulatory requirements in Hong Kong, China and overseas.

OPERATIONS REVIEW

The Hong Kong economy rebounded quickly in 2010 on the back of healthy consumer demand and strong export growth. A low interest rate environment prevailed as advanced economies worldwide maintained accommodative monetary policies, stimulating the already heated Hong Kong asset market. Residential property prices surged by 20.1% in 2010. The total value of outstanding Hong Kong dollar loans had grown 17.6% in 2010. Capitalising on this strong recovery, BEA recorded solid growth in both advances and deposits for the year ended 31st December, 2010.

Driven by strong exports, Mainland China's economic growth accelerated to 10.3% in 2010. As exports rebounded and global financial market stabilised, the Renminbi ("RMB") has appreciated gradually from June 2010 onwards. Meanwhile, rising property prices and the re-emergence of inflation prompted the People's Bank of China ("PBOC") to tighten credit conditions by raising the deposit reserve ratio and interest rates.

Despite these tightening measures, The Bank of East Asia (China) Limited ("BEA China") – BEA's wholly-owned subsidiary bank on the Mainland – successfully maintained steady and balanced growth in both loans and deposits in 2010.

Leveraging business opportunities arising from the Mainland government's relaxation of cross-boundary RMB transactions, the BEA Group launched a series of new RMB banking services, including cross-boundary trade finance, deposits and loans, exchange and remittances to accommodate the diverse needs of its customers.

Recognition

In 2010, BEA and other Group members received numerous awards for product and service excellence. These included:

- “2010 Best SME’s Partner Award” organised by The Hong Kong Chamber of Small and Medium Business Limited (BEA has won this award for three consecutive years);
- Visa’s “Innovation Achievement Award” and “Silver Award” for the Largest Merchant Sales Volume Growth;
- MasterCard’s “Best Premium Card Programme Launched in 2009 Award” for BEA World MasterCard; and
- *East Week* magazine’s “Greater China Super Brands Award 2010” and “Banking: Hong Kong-China Best Connected Service Award” (as part of the Hong Kong Services Awards 2010).

Meanwhile, BEA China won the following awards:

- “Best Private Banking Brand among Foreign Banks in China” by the *21st Century Business Herald* in its 2009 Golden-Shell Award of Finance programme;
- “Most Promising Product/Service Brand” by the Internet Society of China at the 2010 China Internet Conference;
- “2010 Most Honourable Foreign Bank in China” by *Money Weekly*; and
- “Most Trustworthy Financial Management Services Brand Nominated by Internet Users in 2010” by SOHU.com during the SOHU 2010 Financial Management Network Festival.

Other subsidiaries that received recognition for their outstanding performance in 2010 include:

- Bank of East Asia (Trustees) Limited (“BEA Trustees”) – “CAPITAL Merit of MPF Achievement Award” as part of the CAPITAL Merits of Achievements in Banking and Finance 2010 award programme and
- Blue Cross (Asia-Pacific) Insurance Limited (“Blue Cross”) – “The Most Favorite Travel Insurance Company Award 2010”, from *Weekend Weekly* magazine (for the sixth consecutive year) and “Pro Choice Award 2010 – Medical & General Insurance”, from *CAPITAL WEEKLY* magazine (for the second consecutive year).

Business – Hong Kong

As of 31st December, 2010, BEA’s total advances to customers increased by 32.7% while customer deposits grew by 15.7% compared to the figures reported at the end of 2009.

Corporate and Commercial Banking

BEA’s corporate and commercial loan business continued to expand in the second half of 2010, and the loan balance finished the year up 36% compared to the end of 2009. This strong loan growth was delivered while maintaining both pricing and stringent control over credit risk. The impairment loss on the Bank’s corporate and commercial loan portfolio fell compared to the previous year, and was at a very low level by the end of 2010.

Strong demand by Mainland enterprises for offshore financing was a key factor driving loan and trade finance growth. Business channelled via BEA China accounted for 24% of the Bank’s corporate and commercial loan and trade finance portfolio at the end of 2010. This demand also facilitated sale of the Bank’s treasury products, contributing to fee income.

Demand from corporate customers for syndication facilities to meet project financing and general funding requirements also saw a strong rise. This further strengthened the Bank’s already active presence in this market, with the Bank’s syndicated loan portfolio surging by 57% year on year.

BEA’s customised credit packages designed for the specific needs of small and medium-sized enterprise (“SME”) clients continued to be well-received in the market. BEA’s equipment loan and vehicle loan portfolios both achieved healthy growth of about 18% in 2010. The Business Ready Cash programme also proved highly successful during the year, with the loan portfolio balance nearly doubling year on year on the back of strong demand from SMEs for clean loans.

BEA was also an active participant in the Special Loan Guarantee Scheme (“SpGS”). Backed by the Hong Kong Government, this programme proved very popular among SME customers. Following the expiry of the SpGS at the end of 2010, BEA will continue to assist SME customers by supporting the new SME Financing Guarantee Scheme, which was launched by the Hong Kong Mortgage Corporation on 1st January, 2011.

Riding on the vibrant local stock market in 2010, BEA continued to participate actively in the staggling loan business and acted as a receiving bank for 15 initial public offering projects during the year.

In January 2010, BEA rolled out its re-designed Corporate Cyberbanking website, introducing a wide range of new features and value-added services for customers. These included a Transaction Centre Calendar, which provides a convenient summary of all completed and scheduled transactions by date, and makes it simple to schedule future payments and transfers.

Retail Banking

The Branch Rationalisation Programme remains a priority of the Personal Banking Division, and during 2010 the Bank opened five new SupremeGold Centres located at Whampoa Garden, Cheung Sha Wan Plaza, East Point City, Kowloon City, and Olympian City branches, and closed four branches and one SupremeGold Centre. To enhance its presence in the Tsim Sha Tsui district, Jordan Branch was relocated to the iSQUARE shopping complex and renamed iSQUARE Branch. As of the end of December 2010, BEA operated a total of 86 branches and 55 SupremeGold Centres in Hong Kong. To increase customer access to its services, BEA launched the i-Financial Centre, a new banking channel with extended service hours. The Bank opened its first three Centres on 6th January, 2011. Located at prominent locations in Hong Kong, these centres provide both manned and automated banking services, as well as a video link to an offsite representative. BEA plans to open more i-Financial Centres in the year ahead.

To acquire new retail banking customers and attract new Hong Kong dollar and RMB funds, BEA launched a number of marketing programmes in 2010 for integrated account and time deposit customers. The response to these programmes was overwhelming; the Bank achieved double-digit growth in both total deposits and the number of new integrated accounts opened in 2010.

To enable customers to benefit from its strength in Hong Kong and the Mainland, BEA implemented a variety of flexible marketing initiatives. For example, customers of Hong Kong-based SupremeGold Accounts were also allowed to enjoy banking services, SupremeGold Centre facilities, fee waivers, and preferential exchange rates on the Mainland, and vice versa for Mainland-based SupremeGold customers.

BEA met the growing demand for easy access to RMB cash in Hong Kong by introducing RMB cash withdrawal services at selected BEA ATM locations. Starting from October 2010, customers were also able to conveniently set up and enquire about RMB standing instructions including money exchange and remittances to the Mainland via Cyberbanking’s internet channel.

SupremeGold customers in Hong Kong were also invited to a number of exclusive events throughout the year. Investment seminars gave customers an opportunity to learn from industry experts and representatives from world-class fund houses. To further strengthen its customer relationships, the Bank also hosted a wine-tasting event for SupremeGold customers.

Despite intensifying competition in the mortgage market, BEA achieved strong growth in its mortgage business in 2010. During the year, BEA’s residential mortgage loan portfolio expanded by 14.7%. As a result of its strong performance, the Bank remained among the top five banks in Hong Kong in terms of new mortgage loan originations.

BEA’s “\$1 Protection Plus” mortgage plan, which bundled mortgage loans with the Bank’s insurance products and a “U Care” health check-up plan, was well received by customers following its launch in July 2010. The Bank also participated in the Mortgage Fair at Lok Fu Shopping Centre for property available under the Surplus Home Ownership Scheme Flat Phase 6 in August 2010, and the HKMC’s Premium Loan Guarantee Scheme in September.

Credit card receivables recorded a double-digit rise, as promotions to encourage card spending and frequent usage proved highly effective. A wide range of promotional programmes, particularly in regard to dining and entertainment, were conducted. These included year-round offers at restaurants and cinemas, dining promotions at renowned restaurant chains, and exclusive priority booking service

for pop concerts. The Bank's merchant business achieved growth of more than 20% in sales volume year on year, which was well above the market average.

Improved economic conditions and consumer confidence enabled BEA to adopt a more aggressive marketing strategy to broaden its customer base and expand its market share in the consumer lending business. Competitive pricing and attractive rewards helped the Bank boost response rates. In particular, BEA's 2010 Tax Loan programme received overwhelming response from customers, and outperformed comparable programmes in the market. The Bank's consumer lending business recorded a 40% rise in the total loan balance compared to the previous year.

To extend its reach into the market, BEA rolled out a number of innovative products and services, including an application for the growing iPhone user base in August 2010. In addition to providing customers with convenient access to banking and financial services, the application offers useful features such as a BEA branch and ATM locator and information on the latest BEA Credit Card offers. In November 2010, the mobile application was further extended to the Android platform.

Through the introduction of value-added services and enhancements, BEA recorded steady growth in the number of registered Cyberbanking users in 2010. The Bank will continue to focus on increasing adoption rates and usage, as well as on directing banking activity to electronic channels to improve service efficiency.

BEA's retail banking marketing activities in 2010 included the implementation of targeted e-marketing campaigns to help build brand awareness and encourage greater usage. These included an online game and a game for iPhone users, which were both well received by the market and enabled the Bank to project a more youth-oriented image.

Insurance and MPF Services

In 2010, BEA Life Limited ("BEA Life") registered double-digit growth, year on year, in new premium income for its life insurance business. Capitalising on the strong consumer appetite for short-term savings products with guaranteed returns, BEA Life launched the second series of its 2-Year Fast Savings Insurance plan and a new RMB-denominated life insurance plan, SmartSaver RMB Insurance, in February and July 2010, respectively. To meet continued demand, the Bank re-introduced SmartSaver RMB Insurance for a second time in September 2010. Offered for limited sales periods, both plans were the most popular life insurance products sold at BEA branches in 2010, accounting for approximately 70% of the total new premium income during the year.

Blue Cross recorded a 10% rise in premium income, year on year, supported by healthy growth in medical insurance business, which jumped by 15% compared to the end of 2009.

A pioneer in the medical and travel insurance industries, Blue Cross provides a wide array of innovative general insurance products to meet the diverse needs of its clients. In November 2010, the Company introduced Hong Kong's first short-term medical insurance plan, the Job Changer Medical Insurance plan. This 6-month medical insurance plan offers comprehensive in-patient coverage against illness and accident for individuals who are between jobs, or employed but under probation without medical coverage.

In December 2010, Blue Cross extended travel insurance coverage to include all levels of Outbound Travel Alerts issued by the Security Bureau of the Hong Kong SAR Government. The Company also introduced the Trauma Counselling Benefit to its travel insurance plan. This coverage offers psychological counselling to assist recovery from a serious accident or incident during a journey.

BEA Trustees enjoyed a highly successful year, with more than 74,000 new members joining the BEA MPF schemes managed by the Company. In 2010, the total number of members under the BEA MPF Schemes grew to more than 480,000, with total assets under management exceeding HK\$13 billion.

The BEA (MPF) Industry Scheme had a market share of more than 60% in terms of total assets among industry schemes in Hong Kong as of 30th September, 2010. In November 2010, the Mandatory Provident Fund Schemes Authority granted BEA Trustees approval to administer the BEA (MPF) Industry Scheme for a further ten years with effect from 1st December, 2010.

BEA Trustees launched two new constituent funds under each of its BEA (MPF) Master Trust Scheme and BEA (MPF) Industry Scheme in January 2010, bringing the total number of funds it offers to 18. These new funds will enhance BEA's competitive position in the market by offering MPF members a wider selection of funds.

BEA Trustees launched a Dual Rewards Promotional Programme in the fourth quarter of 2010, encouraging new and existing MPF customers to transfer accrued benefits from other MPF accounts they held with previous employers and other MPF service providers to the BEA (MPF) Master Trust Scheme. By consolidating MPF contributions under one account in BEA's MPF scheme, customers can manage their accrued benefits more effectively. A total of HK\$17 million assets were transferred into the Company's MPF scheme up to 31st December, 2010.

Investment Services

Anticipating greater demand for RMB-denominated investment products following the liberalisation of RMB-related financial services in Hong Kong, BEA enhanced its investment product universe in 2010 by offering a variety of products that aimed to provide higher returns than could be anticipated through RMB appreciation alone.

The stronger macro-economic conditions in the second half of 2010 resulted in an improved climate for investment services, and structured products recorded growth of over 30% in terms of fee income year on year. BEA moved quickly to capture demand for RMB-denominated products, and introduced its first offshore structured RMB investment product, the RMB-denominated linked deposit series, in July 2010. Since then, the Bank has launched a total of nine series of RMB Capital-Protected deposits. In addition, BEA introduced a RMB Non-Capital Guaranteed interest and exchange rate linked deposit in late October, further broadening its product range. BEA also actively participated as a placing bank in all retail RMB bond offerings issued in Hong Kong during 2010.

The Bank's strong position in investment services was recognised with BEA being the first bank in Hong Kong to receive approval from the regulator to offer Equity Linked Deposit products under the newly issued "Code of Unlisted Structured Investment Product".

The mutual fund business revived in 2010 as investors sought out investments that would benefit from the economic recovery in the low deposit-interest-rate environment. As a result, BEA's mutual funds sales nearly doubled in 2010, with a 40% increase in terms of fund assets under custody.

The Bank also served as one of the sales channels for products launched by BEA Union Investment Management Limited ("BEA Union Investment"), including the BEA Union Investment China A-Share Equity Fund. This Fund was launched in April 2010, targeted at Private Banking customers, and became available to a larger segment of BEA's customer base in November 2010.

Private Banking and Trust & Fiduciary Services

In response to customers' concerns about market uncertainty and their preference for more conservative investment products, BEA's Private Banking Department adopted a cautious stance in 2010 and offered a range of products that featured simpler structures and carried lower risk. The overall objectives remained risk management and asset diversification, the latter being of particular interest to Mainland clients holding assets and/or seeking residency status in Hong Kong. By following appropriate strategies, Private Banking exceeded expectations in 2010, with assets under management growing by 22%, year on year.

Growing affluence on the Mainland contributed to Private Banking's significant growth. Business generated by eligible Mainland customers has grown rapidly and accounted for roughly 20% of BEA's Private Banking business, and is expected to further increase. Riding on the Bank's extensive network on the Mainland, Private Banking continued to focus on delivering greater value services to clients, taking advantage of cross-boundary opportunities.

Private Banking invested in its risk management and internal control systems, to improve efficiency and further enhance services to customers. Staff education was also a priority, to ensure that staff members kept abreast of market developments and regulatory requirements.

To effectively meet the trust and estate planning needs of the Bank's high net worth clients in Hong Kong and on the Mainland, the Trusts & Fiduciary Services Department was restructured and placed under the Wealth Management Division in July 2010. This reorganisation will enable BEA's high net worth customers to directly benefit from the expertise and solutions provided by the Trusts & Fiduciary Services team.

Broking Operations

The broking operations of the Bank performed satisfactorily in 2010. The Bank achieved an increase of more than 40% in brokerage income derived from customer trades in the secondary market, which was one of the major contributors to the increase in fee and commission income. The number of accounts also increased on the back of the success of various promotional campaigns held throughout 2010 in Hong Kong and Macau.

To strengthen its foothold amidst a very competitive environment in Hong Kong, BEA will increase its investment in hardware and software to further improve the efficiency and security of its trading platform and channels. Among the planned improvements are a new call centre for taking stock trading orders, and the enhancement of the online trading platforms of East Asia Futures Limited and Tung Shing Securities (Brokers) Limited.

In January 2011, BEA became the first independent local bank in Hong Kong to issue derivative warrants on equities listed on the Stock Exchange of Hong Kong. Going forward, the Bank expects its broking operations to benefit from an increase in trading from the relevant hedging activities.

Business – Greater China ex-Hong Kong

Mainland China Operations

Despite the tighter monetary policies adopted by the Central Government in 2010, BEA China was successful in achieving steady and balanced business growth for the year.

To prepare for meeting the China Banking Regulatory Commission's 75% loan-to-deposit ratio requirement by the end of 2011, BEA China focussed on attracting deposits while steadily growing its loan base. Total advances to customers and deposits increased by 10.9% and 40.4%, respectively, year on year, resulting in a loan-to-deposit ratio of 77.9% as of the end of 2010. With a low impaired loan ratio of 0.07% at the end of 2010, BEA China's loan quality remains healthy.

BEA China's branch network expanded at an accelerated pace in 2010. In addition to two full-service branches in Suzhou and Zhengzhou, BEA China opened 16 sub-branches including 4 "cross-location" sub-branches in Foshan, Zhongshan, Huizhou, and Zhaoqing in Guangdong Province.

BEA China also increased its automated services by opening two additional 24-hour self-service banking centres in Beijing and Xi'an. As of the end of 2010, BEA China operated 21 branches, 68 sub-branches, 10 24-hour self-service banking centres, and over 400 Automatic Teller Machines ("ATMs"). Collectively, BEA and BEA China operated one of the most extensive networks of any foreign bank on the Mainland, with 94 outlets in 28 cities nationwide.

2010 was also a year of important milestones for BEA China. In January, BEA China became the first locally incorporated foreign bank to set up its own data centre on the Mainland. In May, the subsidiary bank inaugurated its new headquarters building, BEA Finance Tower, in the heart of Shanghai's Lujiazui Financial District in Pudong.

In support of the Central Government's initiative to improve the financial infrastructure of the rural sector, BEA opened its first rural bank, Shaanxi Fuping BEA Rural Bank Corporation, in December 2010. Through the provision of flexible lending and deposit-taking services, the rural bank will help meet the financial needs of rural households and agricultural enterprises while it also enables BEA to capitalise on business opportunities in the Mainland's fast-growing rural market.

In September 2010, Founder BEA Trust Company, Limited ("Founder BEA Trust") commenced business on the Mainland. Headquartered in Wuhan and 19.99% owned by BEA, Founder BEA Trust provides professional investment and financial services to corporate and retail customers, particularly those in high technology and other fast-growing industries such as information technology, new energy, and biomedicine, as well as for infrastructure and local construction projects.

In December 2010, BEA China obtained approval from the PBOC to issue RMB financial bonds worth up to RMB5 billion in China's interbank bond market. The issue of these bonds is beneficial to BEA China's long-term development, as they will enhance BEA China's liability composition, and improve its overall liquidity risk management. BEA China initially plans to issue RMB bonds worth RMB2 billion on the Mainland in 2011.

Taiwan and Macau Operations

In Taiwan, BEA operates branches in Taipei and Kaohsiung and provides a full range of wealth management services through its wholly-owned subsidiary, BEA Wealth Management Services (Taiwan) Limited.

To meet the needs of its burgeoning customer base in Macau, BEA opened its fifth outlet, Areia Preta Sub-branch, in October 2010. BEA currently operates one full-service branch and four sub-branches in Macau.

Business – International

In 2010, BEA's international operations returned to profit, thanks in large part to the Bank's strong performance in Southeast Asia and the United Kingdom. Operations in Singapore, Malaysia, and the UK all reported record after-tax profit for the year.

BEA's operations in Singapore and Malaysia achieved a notable rebound in after-tax profit in 2010, underpinned by a double-digit surge in non-interest income and a significant drop in impairment losses. Leveraging the increasing trade and investment flow between Singapore and China, the Singapore Branch began offering RMB trade finance and deposit services to its corporate and retail clients, and successfully built a foundation for future growth. Fuelled by Southeast Asia's robust economic growth, BEA's investments in Malaysia and Indonesia, namely AFFIN Holdings Berhad and PT Bank Resona Perdania, continued to deliver healthy results.

BEA's London Branch recorded the highest profit since its establishment in 1990, achieving strong growth in both residential and commercial mortgages during the year under review. These results were attributable to increasing interest among Hong Kong and other Asian investors in UK properties. In the current low interest rate environment and in view of the relatively weak exchange rate of the pound sterling, corporate and individual investors from Hong Kong, the Mainland and other Asian markets are expected to continue looking for investments in the British property market. Based on this favourable trend, BEA is confident that the growth momentum of its London Branch's mortgage business will remain robust in the year ahead.

Despite the challenging environment, BEA's operations in the United States achieved satisfactory results, with approximately 10% growth in loans and deposits, and operating profits increasing at a steady pace. The Bank also successfully managed its impaired assets during the year.

Other Subsidiaries

Blue Care Group

Blue Care Group ("Blue Care"), a joint collaboration between BEA and The University of Hong Kong, continued to expand its network of medical clinics through which it provides top-quality medical check-up and consultation services to the community. Due to greater market exposure and emerging business opportunities, Blue Care recorded solid growth in medical services fee income year on year.

Credit Gain Finance Company Limited

During the year under review, Credit Gain Finance Company ("Credit Gain") opened four new branches, increasing its network to 18. Integrated marketing campaigns and flexible business strategies enabled Credit Gain to grow its total loan portfolio by 44% and its customer base by 12% year on year.

Credit Gain has been very successful in carving out a niche in Hong Kong's mature and highly competitive personal loan market by developing innovative products and marketing campaigns. The Company will continue to focus on increasing its market share and building its brand in the sub-prime loan market.

Tricor Holdings Limited

A leading provider of business, corporate, and investor services in the Asia Pacific region, Tricor Holdings Limited ("Tricor") reported record-high revenue of HK\$866 million for 2010. However, this was partly offset by fee pressure from multinational enterprise clients. Furthermore, hefty increases in rental costs in Hong Kong slightly diluted Tricor's net profit for the year. With the Asia Pacific economy

rapidly recovering, there has been a strong demand for experienced accountants, company secretaries, and other corporate service professionals since late 2010. Retention and recruitment of quality professionals will thus be a challenge for Tricor in 2011.

To extend its reach and diversify its service offering, Tricor completed a number of major business agreements in 2010. In July, Tricor Malaysia and Sure-Reach Records Management Sdn Bhd set up a joint venture called Sure-Reach Tricor Records Management Sdn Bhd to provide professional record management and information management services in Malaysia. In December 2010, Tricor Aldbridge LLP acquired ATC Solutions Limited, a London-based accounting and corporate services firm. The acquisition significantly enhances Tricor Aldbridge's existing service offering in the UK.

During the second half of 2010, Tricor also entered into a joint venture agreement with Praesidium LLP, a professional services firm in Dubai, to set up a corporate service practice. The joint venture company commenced full operation in Dubai in January 2011. Including the new Dubai office, Tricor provides corporate services in 22 cities worldwide and employs over 1,450 employees.

BEA Union Investment Management Limited

BEA Union Investment recorded a 20.6% increase in assets under management, year on year. The Company continued to offer diversified solutions in the areas of equity, fixed income, and multi-asset investment for retail and institutional investors.

In 2010, the Company successfully rolled out the BEA Union Investment China A-Share Equity Fund for retail investors, professional investors, and institutional clients.

BEA Union Investment also diversified its retail distribution channels in Hong Kong by partnering with a leading insurance company and an independent financial adviser. In addition, the Company expanded its institutional client base by securing a mandate from a top-tier financial institution in Greater China.

In recognition of its strong business development, investment performance, and operation management, the Company won the "The Best Fund Manager" award in *CAPITAL* magazine's Best of the Best for Executives programme in 2010.

Operations Support

Loan Management System

In the fourth quarter of 2010, BEA successfully introduced a new software system for the management of its Bank-wide loan operations. With the launch of this system, BEA is now able to further enhance its operational efficiency.

Property Redevelopment

Redevelopment of the site formerly occupied by the 13-storey United Chinese Bank Building is progressing well. Strategically located at 31-37 Des Voeux Road Central adjacent to the MTR's Central and Airport Express stations, the old building is currently being demolished, and the new foundation works will commence in the second quarter of 2011.

Comprising 27 storeys of office space and a ground floor branch, the new building will be completed in the first quarter of 2013. In view of the site's prime location and the scarcity of office space in the vicinity, both the capital and rental value of the property are expected to increase after redevelopment.

Our People

As of 31st December, 2010, the BEA Group was supported by 11,412 employees:

Hong Kong	5,497
Greater China ex-Hong Kong	4,778
Overseas	1,137
	<hr/>
Total	11,412

Improving economic conditions in 2010 presented challenges to the Bank in securing and retaining high calibre professionals. To attract quality candidates and motivate existing employees, the Bank regularly reviewed its human resources policies and compensation benefits during the year to ensure that its employment terms and benefits were competitive in the marketplace.

In response to the recent promulgation by the Hong Kong Monetary Authority in its Supervisory Policy Manual, "Guideline on a Sound Remuneration System" (the "Guideline") issued in March 2010, BEA conducted a thorough review of its existing remuneration system and took prompt action to achieve compliance with the Guideline. The Bank will continue to ensure full compliance with regulatory requirements while offering competitive terms to its staff members on one hand, and controlling costs to enhance the Bank's overall performance on the other.

Throughout the year, the Bank stepped up its long-term investment in human resources. This included the implementation of training programmes that were designed to help managers further develop their skill sets to more effectively perform their job functions.

In anticipation of future staffing needs, the Bank continued to recruit university graduates to join its management trainee programme, which provides trainees with classroom training and hands-on experience through job rotation among the Bank's business and operations units. BEA also rolled out a retail management trainee programme to fortify its frontline operations. In addition, business student interns from The Hong Kong Polytechnic University ("PolyU") were stationed at designated branches in Hong Kong as part of PolyU's Work Integrated Education Programme.

Corporate Branding

In May 2010, BEA launched a new branding campaign based on the brand platform, "Extending Your Reach" via a variety of communication channels. The campaign message ties together BEA's traditional values and strong identity, projecting a customer-centric, progressive image. As part of the Bank's effort to communicate this message, a new Chinese-language brand slogan entitled "同根·共創" was developed. This new slogan reflects the shared heritage between BEA and its customers, as well as the Bank's commitment to helping customers grow and prosper.

David LI Kwok-po

Chairman & Chief Executive

Hong Kong, 15th February, 2011

As at the date of this announcement, the Executive Director of the Bank is: Dr. the Hon. Sir David LI Kwok-po (Chairman & Chief Executive); Non-executive Directors of the Bank are: Professor Arthur LI Kwok-cheung (Deputy Chairman), Mr. Aubrey LI Kwok-sing, Tan Sri Dr. KHOO Kay-peng, Mr. Richard LI Tzar-kai, Mr. Eric LI Fook-chuen, Mr. Stephen Charles LI Kwok-sze and Dr. Isidro FAINÉ CASAS; and Independent Non-executive Directors are: Dr. Allan WONG Chi-yun (Deputy Chairman), Mr. WONG Chung-hin, Dr. LEE Shau-kee, Mr. Winston LO Yau-lai, Mr. Thomas KWOK Ping-kwong, Mr. Kenneth LO Chin-ming, Mr. William DOO Wai-hoi, Mr. KUOK Khoon-ean and Mr. Valiant CHEUNG Kin-piu.