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The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

ANNOUNCEMENT OF 2012 FINAL RESULTS

SUMMARY OF RESULTS

The Directors of The Bank of East Asia, Limited (“BEA” or the “Bank”) are pleased to announce the audited results^a of the Bank and its subsidiaries (the “Group”) for the year ended 31st December, 2012. 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 2012 annual accounts.

1. Consolidated Income Statement

	2012	2011		
	HK\$ Mn	Restated HK\$ Mn		Variance %
Interest income	22,635	20,868	+	8.5
Interest expense	(12,911)	(11,605)	+	11.3
Net interest income	<u>9,724</u>	<u>9,263</u>	+	5.0
Fee and commission income	4,159	3,813	+	9.1
Fee and commission expense	(780)	(763)	+	2.2
Net fee and commission income	3,379	3,050	+	10.8
Net trading profits	765	175	+	338.0
Net result from financial instruments designated at fair value through profit or loss	664	(354)		
Net hedging loss	(15)	(5)	+	176.6
Other operating income	592	586	+	1.0
Non-interest income	<u>5,385</u>	<u>3,452</u>	+	56.0
Operating income	15,109	12,715	+	18.8
Operating expenses	(8,725)	(7,992)	+	9.2
Operating profit before impairment losses	<u>6,384</u>	<u>4,723</u>	+	35.2
Impairment losses on loans and advances	(213)	(75)	+	184.5
Write back of/(Charge for) impairment losses on held-to-maturity investments	11	(11)		
Impairment losses on available-for-sale financial assets	(63)	(49)	+	27.6
Impairment losses	<u>(265)</u>	<u>(135)</u>	+	97.2
Operating profit after impairment losses	6,119	4,588	+	33.4
Net profit on sale of available-for-sale financial assets	82	59	+	38.3
Net profit on sale of loans and receivables	35	3	+	974.3
Net profit on sale of subsidiaries/associates	203	122	+	66.1
Net profit on sale of fixed assets	139	140	-	0.3
Valuation gains on properties	451	404	+	11.7
Share of profits less losses of associates	536	435	+	23.1
Profit for the year before taxation	<u>7,565</u>	<u>5,751</u>	+	31.5
Income tax				
Current tax ^b				
- Hong Kong	(568)	(128)	+	342.0
- Outside Hong Kong	(730)	(855)	-	14.5
Deferred tax	<u>(113)</u>	<u>(317)</u>	-	64.4
Profit for the year after taxation	<u>6,154</u>	<u>4,451</u>	+	38.3
Attributable to:				
Owners of the parent	6,056	4,358	+	39.0
Non-controlling interests	98	93	+	4.8
Profit after taxation	<u>6,154</u>	<u>4,451</u>	+	38.3
Per share				
- Basic earnings ^c	HK\$2.72	HK\$1.96	+	38.8
- Diluted earnings ^c	HK\$2.72	HK\$1.96	+	38.8
- Dividends	HK\$1.06	HK\$0.94	+	12.8

2. Consolidated Statement of Comprehensive Income

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
Net profit	<u>6,154</u>	<u>4,451</u>	+	38.3
Other comprehensive income for the year (after taxation and reclassification adjustments):				
Premises:				
- unrealised surplus on revaluation of premises	-	16		
- deferred taxes	1	3	-	75.2
- exchange differences	1	(3)		
Available-for-sale investment revaluation reserve:				
- fair value changes recognised to/(from) equity	1,121	(326)		
- fair value changes reclassified from/(to) income statement:				
- on impairment and amortisation	98	55	+	84.3
- on disposal	(113)	5		
- deferred taxes	(120)	35		
- exchange differences	(1)	-		
Share of changes in equity of associates	4	7	-	42.0
Exchange differences on other reserves	15	82	-	81.2
Exchange differences on translation of:				
- accounts of overseas branches, subsidiaries and associates	379	452	-	16.1
Other comprehensive income	<u>1,385</u>	<u>326</u>	+	325.3
Total comprehensive income	<u>7,539</u>	<u>4,777</u>	+	57.8
Total comprehensive income attributable to:				
Owners of the parent	7,441	4,684	+	58.9
Non-controlling interests	<u>98</u>	<u>93</u>	+	4.8
	<u>7,539</u>	<u>4,777</u>	+	57.8

3. Consolidated Statement of Financial Position

	2012	2011	Variance	
	HK\$ Mn	Restated HK\$ Mn		%
ASSETS				
Cash and balances with banks and other financial institutions	85,512	71,761	+	19.2
Placements with banks and other financial institutions	50,618	58,598	-	13.6
Trade bills	55,740	46,891	+	18.9
Trading assets	7,338	5,600	+	31.0
Financial assets designated at fair value through profit or loss	15,169	16,663	-	9.0
Advances to customers and other accounts	387,273	341,341	+	13.5
Available-for-sale financial assets	64,731	44,910	+	44.1
Held-to-maturity investments	4,320	4,587	-	5.8
Investments in associates	4,677	3,820	+	22.4
Fixed assets	12,552	12,639	-	0.7
- Investment properties	3,100	2,940	+	5.4
- Other property and equipment	9,452	9,699	-	2.5
Goodwill and intangible assets	4,041	4,215	-	4.2
Deferred tax assets	143	377	-	62.2
Total Assets	692,114	611,402	+	13.2
EQUITY AND LIABILITIES				
Deposits and balances of banks and other financial institutions	30,597	15,923	+	92.2
Deposits from customers	498,770	467,354	+	6.7
Trading liabilities	3,827	4,548	-	15.8
Certificates of deposit issued	27,370	11,483	+	138.4
- At fair value through profit or loss	6,095	5,272	+	15.6
- At amortised cost	21,275	6,211	+	242.5
Current taxation	988	473	+	108.8
Debt securities issued	8,657	6,393	+	35.4
- At fair value through profit or loss	698	-		
- At amortised cost	7,959	6,393	+	24.5
Deferred tax liabilities	626	461	+	35.9
Other accounts and provisions	45,377	35,982	+	26.1
Loan capital	14,263	16,741	-	14.8
- At fair value through profit or loss	-	3,178		
- At amortised cost	14,263	13,563	+	5.2
Total Liabilities	630,475	559,358	+	12.7
Share capital	5,568	5,190	+	7.3
Reserves	51,585	42,426	+	21.6
Total equity attributable to owners of the parent	57,153	47,616	+	20.0
Non-controlling interests	4,486	4,428	+	1.3
Total Equity	61,639	52,044	+	18.4
Total Equity and Liabilities	692,114	611,402	+	13.2

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, 2012	5,190	12,037	140	2,390	27	1,032	86	13,744	2,202	10,768	47,616	4,428	52,044
Changes in equity													
Profit for the year	-	-	-	-	-	-	-	-	-	6,056	6,056	98	6,154
Other comprehensive income	-	-	-	379	985	2	-	-	19	-	1,385	-	1,385
Total comprehensive income	-	-	-	379	985	2	-	-	19	6,056	7,441	98	7,539
Shares issued in lieu of dividend	97	1,002	-	-	-	-	-	-	-	-	1,099	-	1,099
Subscription of new shares	279	3,022	-	-	-	-	-	-	-	-	3,301	-	3,301
Shares issued under Staff Share Option Schemes	2	16	-	-	-	-	-	-	-	-	18	-	18
Equity settled share-based transaction	-	-	22	-	-	-	-	-	-	-	22	-	22
Transfer	-	6	(27)	-	-	(58)	48	79	390	(485)	(47)	47	-
Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(2,293)	(2,293)	(68)	(2,361)
Reversal due to disposal of a subsidiary	-	-	-	-	-	-	(4)	-	-	-	(4)	-	(4)
Exchange adjustments	-	-	-	-	-	-	-	-	-	-	-	(19)	(19)
At 31 st December, 2012	5,568	16,083	135	2,769	1,012	976	130	13,823	2,611	14,046	57,153	4,486	61,639
At 1 st January, 2011													
- As previously reported	5,105	9,331	165	1,938	258	1,023	86	15,453	2,043	8,841	44,243	4,400	48,643
- Reclassification from general reserve to share premium	-	2,181	-	-	-	-	-	(2,181)	-	-	-	-	-
- As restated	5,105	11,512	165	1,938	258	1,023	86	13,272	2,043	8,841	44,243	4,400	48,643
Changes in equity													
Profit for the year	-	-	-	-	-	-	-	-	-	4,358	4,358	93	4,451
Other comprehensive income	-	-	-	452	(231)	16	-	-	89	-	326	-	326
Total comprehensive income	-	-	-	452	(231)	16	-	-	89	4,358	4,684	93	4,777
Shares issued in lieu of dividend	77	416	-	-	-	-	-	441	-	-	934	-	934
Shares issued under Staff Share Option Schemes	8	85	-	-	-	-	-	-	-	-	93	-	93
Equity settled share-based transaction	-	-	20	-	-	-	-	-	-	-	20	-	20
Transfer	-	24	(45)	-	-	(7)	-	31	70	(73)	-	-	-
Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(2,358)	(2,358)	(61)	(2,419)
Purchase of interests in businesses from non-controlling interests investors	-	-	-	-	-	-	-	-	-	-	-	2	2
Exchange adjustments	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)
At 31 st December, 2011	5,190	12,037	140	2,390	27	1,032	86	13,744	2,202	10,768	47,616	4,428	52,044

* Other reserves include statutory reserve and other reserves.

5. Consolidated Cash Flow Statement

	2012	2011
	HK\$ Mn	Restated HK\$ Mn
OPERATING ACTIVITIES		
Profit for the year before taxation	7,565	5,751
Adjustments for:		
Charge for impairment losses on loans and advances	213	75
Charge for impairment allowances on held-to-maturity investments, available-for-sale financial assets and associates	52	60
Share of profits less losses of associates	(536)	(435)
Net profit on sale of available-for-sale financial assets	(82)	(59)
Net profit on sale of subsidiaries and associates	(203)	(122)
Net profit on sale of fixed assets	(139)	(140)
Interest expense on loan capital and certificates of deposit	1,534	978
Depreciation on fixed assets	657	636
Dividend income from available-for-sale financial assets	(42)	(89)
Amortisation of intangible assets	33	33
Amortisation of premium/discount on certificates of deposit and loan capital issued	110	60
Revaluation losses on certificates of deposit and loan capital issued	298	711
Valuation gains on investment properties	(454)	(404)
Revaluation loss on bank premises	3	-
Equity-settled share-based payment expenses	22	20
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	9,031	7,075
(Increase)/decrease in operating assets:		
Cash and balances with banks with original maturity beyond three months	(811)	(10,076)
Placements with banks and other financial institutions with original maturity beyond three months	8,715	(25,165)
Trade bills	(8,849)	(28,353)
Trading assets	(1,738)	245
Financial assets designated at fair value through profit or loss	1,494	(471)
Advances to customers	(40,074)	(18,383)
Advances to banks and other financial institutions	47	1,127
Held-to-maturity debt securities	379	1,276
Available-for-sale financial assets	(12,256)	259
Other accounts and accrued interest	(10,578)	(4,364)
Increase/(decrease) in operating liabilities:		
Deposits and balances of banks and other financial institutions	14,715	5,929
Deposits from customers	35,710	47,521
Trading liabilities	(607)	1,447
Other accounts and provisions	9,382	7,296
Exchange adjustments	368	619
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS	4,928	(14,018)
Income tax paid		
Hong Kong profits tax paid	(50)	(69)
Outside Hong Kong profits tax paid	(746)	(817)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	4,132	(14,904)

	2012	2011
	HK\$ Mn	Restated HK\$ Mn
INVESTING ACTIVITIES		
Dividends received from associates	140	117
Dividends received from available-for-sale equity securities	42	89
Purchase of equity securities	(777)	(606)
Proceeds from sale of equity securities	745	988
Purchase of fixed assets	(436)	(577)
Purchase of investment properties	(38)	(8)
Proceeds from disposal of fixed assets	505	519
(Purchase)/disposal of shareholding in associates	(99)	116
Purchase of subsidiaries	(11)	(75)
Proceeds from sale of interest in a subsidiary	584	-
Purchase of interests in business from non-controlling interests investors	-	2
NET CASH GENERATED FROM INVESTING ACTIVITIES	655	565
FINANCING ACTIVITIES		
Ordinary dividends paid	(932)	(1,157)
Distribution to Hybrid Tier 1 issue holders	(331)	(328)
Issue of ordinary share capital	18	93
Subscription of new shares	3,301	-
Issue of certificates of deposit	40,875	19,380
Issue of debt securities	4,910	6,148
Issue of loan capital	5,066	3,867
Redemption of certificates of deposit issued	(25,070)	(13,608)
Redemption of debt securities issued	(2,710)	(4,929)
Redemption of loan capital	(7,920)	(449)
Interest paid on loan capital	(768)	(572)
Interest paid on certificates of deposit issued	(324)	(129)
Interest paid on debt securities issued	(345)	(162)
NET CASH GENERATED FROM FINANCING ACTIVITIES	15,770	8,154
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,557	(6,185)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	79,181	85,366
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	99,738	79,181
Cash flows from operating activities included:		
Interest received	23,083	19,938
Interest paid	12,896	9,718
Dividend received	74	129

Notes:

- (a) The financial information set out in this report does not constitute the Group's statutory accounts for the year ended 31st December, 2012 but there is no material change as compared to those accounts. The statutory accounts for the year ended 31st December, 2012 will be available from the website of The Stock Exchange of Hong Kong Limited.
- (b) The provision for Hong Kong profits tax for 2012 is calculated at 16.5% (2011: 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\$5,725 million (2011: HK\$4,030 million) after the distribution of HK\$331 million (2011: HK\$328 million) to Hybrid Tier 1 issue holders and on the weighted average of 2,105 million (2011: 2,059 million) ordinary shares outstanding during the year.
- (ii) The calculation of diluted earnings per share is based on earnings of HK\$5,725 million (2011: HK\$4,030 million) after the distribution of HK\$331 million (2011: HK\$328 million) to Hybrid Tier 1 issue holders and on 2,106 million (2011: 2,060 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

6. Dividends

	2012 HK\$ Mn	2011 HK\$ Mn	Variance %
Interim dividend declared and paid of HK\$0.43 per share on 2,100 million shares (2011: HK\$0.43 per share on 2,059 million shares)	903	885	+ 2.0
Final dividend paid in respect of the previous financial year on shares issued under the share option schemes subsequent to the end of the reporting period and before the close of the Register of Members of the Bank, of HK\$0.56 per share	-	1	
Second interim dividend in lieu of the final dividend of HK\$0.63 per share on 2,227 million shares (2011: HK\$0.51 per share on 2,076 million shares)	1,403	1,059	+ 32.5
	<u>2,306</u>	<u>1,945</u>	+ 18.6

The second interim dividend in lieu of the final dividend has not been recognised as a liability at the end of the reporting period.

7. Interest Income

	2012 HK\$ Mn	2011 HK\$ Mn	Variance %
Listed securities classified as held-to-maturity or available-for-sale	464	388	+ 19.4
Trading assets			
- listed	18	27	- 32.2
- unlisted	218	73	+ 199.2
Interest rate swaps	1,576	3,327	- 52.6
Financial assets designated at fair value through profit or loss			
- listed	433	473	- 8.3
- unlisted	220	229	- 4.0
Loans, deposits with banks and financial institutions, trade bills, and other unlisted securities that are not at fair value through profit or loss	19,706	16,351	+ 20.5
Total interest income	<u>22,635</u>	<u>20,868</u>	+ 8.5

Included above is interest income accrued on impaired financial assets of HK\$85 million (2011: HK\$62 million) for the year ended 31st December, 2012.

8. Interest Expense

	2012	2011	Variance	
	HK\$ Mn	Restated HK\$ Mn		%
Customer deposits, deposits of banks and other financial institutions and certificates of deposit issued which are stated at amortised cost	9,754	7,225	+	35.0
Debt securities issued	360	209	+	72.0
Subordinated notes carried at amortised cost	730	373	+	95.8
Interest rate swaps	1,877	3,439	-	45.4
Financial instruments designated at fair value through profit or loss	170	341	-	50.2
Other borrowings	20	18	+	12.8
Total interest expense	12,911	11,605	+	11.3

9. Fee and Commission Income

Fee and commission income arises from the following services:

	2012	2011	Variance	
	HK\$ Mn	Restated HK\$ Mn		%
Corporate services	1,041	979	+	6.4
Credit cards	860	793	+	8.4
Loans, overdrafts and guarantees	599	502	+	19.3
Trade finance	400	409	-	2.3
Other retail banking services	369	273	+	35.3
Securities and brokerage	279	385	-	27.5
Trust and other fiduciary activities	152	122	+	24.2
Others	459	350	+	31.5
Total fee and commission income	4,159	3,813	+	9.1

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

	3,396	3,061	+	11.0
Fee income	4,159	3,813	+	9.1
Fee expenses	(763)	(752)	+	1.5

10. Net Trading Profits

	2012	2011	Variance	
	HK\$ Mn	Restated HK\$ Mn		%
(Loss)/Profit on dealing in foreign currencies	(68)	326		
Profit/(Loss) on trading securities	275	(290)		
Net gain on derivatives	526	99	+	429.9
Dividend income from listed trading securities	32	40	-	20.5
Total net trading profits	765	175	+	338.0

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

	2012	2011	Variance
	HK\$ Mn	HK\$ Mn	%
Revaluation gain/(loss) on debts issued	17	(158)	
Net loss on sale of other financial instruments designated at fair value through profit or loss	(113)	(103)	+
Profit/(Loss) on redemption of subordinated notes issued	24	(4)	9.3
Revaluation gain/(loss) on other financial assets designated at fair value through profit or loss	736	(94)	
Dividend income from financial assets designated at fair value through profit or loss	-	5	
Total net result from financial instruments designated at fair value through profit or loss	<u>664</u>	<u>(354)</u>	

12. Net Hedging Loss

	2012	2011	Variance
	HK\$ Mn	HK\$ Mn	%
Fair value hedges			
- Net loss on hedged items attributable to the hedged risk	(229)	(553)	-
- Net gain on hedging instruments	214	548	-
	<u>(15)</u>	<u>(5)</u>	+
			176.6

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the year 2012 (2011: Nil).

13. Other Operating Income

	2012	2011	Variance
	HK\$ Mn	HK\$ Mn	%
Dividend income from available-for-sale financial assets			
- listed	8	36	-
- unlisted	34	53	-
Rental from safe deposit boxes	78	80	-
Net revenue from insurance activities	241	199	+
Rental income on properties	142	129	+
Others	89	89	+
Total other operating income	<u>592</u>	<u>586</u>	+
			1.0

14. Operating Expenses

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
Contributions to defined contribution plan				
- Hong Kong	142	120	+	17.8
- Outside Hong Kong	264	198	+	33.4
Equity-settled share-based payment expenses	22	21	+	5.6
Salaries and other staff costs	4,372	4,045	+	8.1
Total staff costs	<u>4,800</u>	<u>4,384</u>	+	9.5
Premises and equipment expenses excluding depreciation				
- Rental of premises	573	549	+	4.4
- Maintenance, repairs and others	561	549	+	2.1
Total premises and equipment expenses excluding depreciation	<u>1,134</u>	<u>1,098</u>	+	3.2
Depreciation on fixed assets	<u>657</u>	<u>636</u>	+	3.4
Amortisation of intangible assets	<u>33</u>	<u>33</u>	-	2.0
Other operating expenses				
- Stamp duty, overseas and PRC* business taxes, and value added taxes	580	491	+	18.1
- Communications, stationery and printing	325	299	+	8.8
- Advertising expenses	272	252	+	8.1
- Legal and professional fees	252	251	+	0.3
- Business promotions and business travel	176	158	+	11.4
- Card related expenses	160	69	+	132.6
- Insurance expenses	32	35	-	9.9
- Audit fee	15	15	+	0.1
- Administration expenses of corporate services	14	14	+	3.0
- Donations	14	8	+	62.4
- Membership fees	12	12	+	3.1
- Bank charges	12	11	+	9.9
- Bank licence	4	4	-	0.1
- Others	233	222	+	5.1
Total other operating expenses	<u>2,101</u>	<u>1,841</u>	+	14.2
Total operating expenses	<u>8,725</u>	<u>7,992</u>	+	9.2

* PRC denotes the People's Republic of China.

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

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
Net revaluation gain/(loss) transferred from reserves	113	(5)		
(Loss)/Profit arising in current year	<u>(31)</u>	<u>64</u>		
	<u>82</u>	<u>59</u>	+	38.3

16. Net Profit on Sale of Fixed Assets

	2012	2011	Variance
	HK\$ Mn	HK\$ Mn	%
Net profit on sale of investment properties	137	6	+ 2356.9
Net profit on sale of bank premises, furniture, fixtures and equipment	2	134	- 98.8
	<u>139</u>	<u>140</u>	- 0.3

17. Valuation Gains on Properties

	2012	2011	Variance
	HK\$ Mn	HK\$ Mn	%
Investment properties	454	404	+ 12.6
Bank premises	(3)	-	
	<u>451</u>	<u>404</u>	+ 11.7

18. Trading Assets

	2012	2011	Variance
	HK\$ Mn	HK\$ Mn	%
Treasury bills (including Exchange Fund Bills)	9	-	
Debt securities	3,048	1,317	+ 131.3
Equity securities	1,138	1,051	+ 8.3
Investment funds	18	17	+ 4.9
Trading securities	<u>4,213</u>	<u>2,385</u>	+ 76.6
Positive fair values of derivatives	3,125	3,215	- 2.8
	<u>7,338</u>	<u>5,600</u>	+ 31.0
Issued by:			
Central governments and central banks	26	551	- 95.3
Public sector entities	336	10	+ 3260.3
Banks and other financial institutions	681	374	+ 81.9
Corporate entities	3,152	1,433	+ 120.0
Other entities	18	17	+ 4.9
	<u>4,213</u>	<u>2,385</u>	+ 76.6
Analysed by place of listing:			
Debt securities			
- listed in Hong Kong	15	54	- 71.8
- listed outside Hong Kong	342	449	- 24.0
	357	503	- 29.1
- unlisted	2,700	814	+ 231.5
	<u>3,057</u>	<u>1,317</u>	+ 132.1
Equity securities			
- listed in Hong Kong	904	793	+ 14.0
- listed outside Hong Kong	234	258	- 9.4
	<u>1,138</u>	<u>1,051</u>	+ 8.3
Investment funds			
- listed in Hong Kong	8	7	+ 7.6
- listed outside Hong Kong	10	10	+ 2.8
	<u>18</u>	<u>17</u>	+ 4.9
	<u>4,213</u>	<u>2,385</u>	+ 76.6

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

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
Debt securities	14,751	16,330	-	9.7
Equity securities	412	329	+	25.3
Investment funds	6	4	+	25.7
	<u>15,169</u>	<u>16,663</u>	-	9.0
Issued by:				
Central governments and central banks	450	452	-	0.5
Banks and other financial institutions	6,794	8,036	-	15.5
Corporate entities	7,920	8,171	-	3.1
Other entities	5	4	+	25.7
	<u>15,169</u>	<u>16,663</u>	-	9.0
Analysed by place of listing:				
Debt securities				
- listed in Hong Kong	3,330	3,495	-	4.7
- listed outside Hong Kong	6,792	7,437	-	8.7
	10,122	10,932	-	7.4
- unlisted	4,629	5,398	-	14.2
	<u>14,751</u>	<u>16,330</u>	-	9.7
Equity securities				
- listed in Hong Kong	224	194	+	15.1
- listed outside Hong Kong	188	135	+	40.1
	<u>412</u>	<u>329</u>	+	25.3
Investment funds				
- unlisted	6	4	+	25.7
	<u>15,169</u>	<u>16,663</u>	-	9.0

20. Advances to Customers and Other Accounts

(a) Advances to customers and other accounts

	2012	2011 Restated	Variance	
	HK\$ Mn	HK\$ Mn		%
(i) Advances to customers	350,720	315,281	+	11.2
Less: Impairment allowances				
- Individual	(238)	(205)	+	16.3
- Collective	(681)	(763)	-	10.8
	<u>349,801</u>	<u>314,313</u>	+	11.3
(ii) Other accounts				
Advances to banks and other financial institutions	146	193	-	24.5
Less: Impairment allowances – Individual	(4)	(3)	+	16.4
	<u>142</u>	<u>190</u>	-	25.2
Notes and bonds	1	-		
Certificates of deposit held	77	39	+	99.6
Accrued interest	2,688	3,136	-	14.3
Bankers acceptances	24,633	18,381	+	34.0
Other accounts	9,962	5,374	+	85.4
	<u>37,361</u>	<u>26,930</u>	+	38.7
Less: Impairment allowances				
- Individual	(28)	(88)	-	68.0
- Collective	(3)	(4)	-	31.3
	<u>37,330</u>	<u>26,838</u>	+	39.1
	<u><u>387,273</u></u>	<u><u>341,341</u></u>	+	13.5

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.

	2012		2011 (Restated)		Variance	
	Gross advances	% of secured advances	Gross advances	% of secured advances		
	HK\$ Mn	%	HK\$ Mn	%	%	
Loans for use in Hong Kong						
Industrial, commercial and financial						
- Property development	13,460	71.28	10,946	69.03	+	23.0
- Property investment	39,522	90.10	41,747	89.63	-	5.3
- Financial concerns	11,557	86.79	9,430	78.35	+	22.6
- Stockbrokers	804	85.26	422	85.95	+	90.3
- Wholesale and retail trade	10,232	41.50	7,790	33.58	+	31.4
- Manufacturing	6,331	34.07	5,392	42.40	+	17.4
- Transport and transport equipment	5,414	64.01	4,642	76.38	+	16.6
- Recreational activities	215	44.22	272	26.60	-	21.1
- Information technology	1,170	8.28	589	60.57	+	98.6
- Others	7,580	47.25	5,758	44.02	+	31.6
- Sub-total	<u>96,285</u>	<u>72.25</u>	<u>86,988</u>	<u>73.73</u>	+	<u>10.7</u>
Individuals						
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,171	100.00	1,379	100.00	-	15.1
- Loans for the purchase of other residential properties	25,337	99.98	27,246	99.97	-	7.0
- Credit card advances	3,802	0.00	3,649	0.00	+	4.2
- Others	16,297	75.17	14,457	70.71	+	12.7
- Sub-total	<u>46,607</u>	<u>83.15</u>	<u>46,731</u>	<u>83.11</u>	-	<u>0.3</u>
Total loans for use in Hong Kong	142,892	75.80	133,719	77.01	+	6.9
Trade finance	5,156	41.08	5,948	43.44	-	13.3
Loans for use outside Hong Kong *	<u>202,672</u>	<u>70.42</u>	<u>175,614</u>	<u>71.22</u>	+	<u>15.4</u>
Total advances to customers	<u>350,720</u>	<u>72.18</u>	<u>315,281</u>	<u>73.15</u>	+	<u>11.2</u>

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

	2012		2011 (Restated)		Variance	
	Gross advances	% of secured advances	Gross advances	% of secured advances		
	HK\$ Mn	%	HK\$ Mn	%	%	
Property development	27,835	55.35	26,038	50.83	+	6.9
Property investment	29,895	98.45	23,123	92.69	+	29.3
Wholesale and retail trade	26,872	74.89	22,492	81.35	+	19.5
Manufacturing	10,116	46.81	10,712	60.34	-	5.6
Others	57,015	63.41	48,870	68.31	+	16.7
	<u>151,733</u>	<u>69.76</u>	<u>131,235</u>	<u>70.72</u>	+	<u>15.6</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:

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
(i) Property development				
a. Individually impaired loans	166	274	-	39.3
b. Individual impairment allowance	21	39	-	46.0
c. Collective impairment allowance	59	61	-	2.8
d. Provision charged to income statement				
- individual impairment loss	7	11	-	38.1
- collective impairment loss	18	16	+	10.9
e. Written off	8	7	+	24.3
(ii) Property investment				
a. Individually impaired loans	174	388	-	55.2
b. Individual impairment allowance	7	35	-	80.2
c. Collective impairment allowance	177	226	-	21.7
d. Provision charged to income statement				
- individual impairment loss	12	29	-	57.5
- collective impairment loss	56	87	-	35.9
e. Written off	19	18	+	7.6
(iii) Loans for purchase of residential properties				
a. Individually impaired loans	102	238	-	57.1
b. Individual impairment allowance	1	-		
c. Collective impairment allowance	54	56	-	4.0
d. Provision charged to income statement				
- individual impairment loss	5	1	+	278.0
- collective impairment loss	8	20	-	61.2
e. Written off	1	1	-	18.2
(iv) Wholesale and retail trade				
a. Individually impaired loans	264	170	+	55.3
b. Individual impairment allowance	77	73	+	5.1
c. Collective impairment allowance	94	89	+	5.4
d. Provision charged to income statement				
- individual impairment loss	170	63	+	170.3
- collective impairment loss	24	30	-	19.4
e. Written off	120	30	+	303.2

(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.

	2012				
	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	159,038	171	338	84	208
People's Republic of China	151,588	375	453	119	232
Other Asian Countries	19,446	29	43	17	118
Others	20,648	81	304	18	123
Total	350,720	656	1,138	238	681
% of total advances to customers			0.32%		
Market value of security held against impaired advances to customers			2,947		

	2011 (Restated)				
	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	149,309	179	558	66	254
People's Republic of China	129,757	21	216	24	204
Other Asian Countries	15,625	20	33	24	131
Others	20,590	31	668	91	174
Total	315,281	251	1,475	205	763
% of total advances to customers			0.47%		
Market value of security held against impaired advances to customers			3,267		

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.

21. Available-for-Sale Financial Assets

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
Treasury bills (including Exchange Fund Bills)	22,873	14,106	+	62.2
Certificates of deposit held	2,914	3,120	-	6.6
Debt securities	36,546	25,671	+	42.4
Equity securities	2,307	1,910	+	20.7
Investment funds	91	103	-	11.4
	<u>64,731</u>	<u>44,910</u>	+	44.1
Issued by:				
Central governments and central banks	23,087	17,751	+	30.1
Public sector entities	2,198	1,917	+	14.6
Banks and other financial institutions	20,855	14,202	+	46.9
Corporate entities	18,462	10,900	+	69.4
Other entities	129	140	-	8.2
	<u>64,731</u>	<u>44,910</u>	+	44.1
Analysed by place of listing:				
Debt securities				
- listed in Hong Kong	5,450	1,291	+	322.4
- listed outside Hong Kong	12,519	5,482	+	128.4
	<u>17,969</u>	<u>6,773</u>	+	165.4
- unlisted	44,364	36,124	+	22.8
	<u>62,333</u>	<u>42,897</u>	+	45.3
Equity securities				
- listed in Hong Kong	553	470	+	17.6
- listed outside Hong Kong	978	783	+	24.7
	<u>1,531</u>	<u>1,253</u>	+	22.1
- unlisted	776	657	+	18.1
	<u>2,307</u>	<u>1,910</u>	+	20.7
Investment funds				
- listed outside Hong Kong	19	19	+	2.3
- unlisted	72	84	-	14.6
	<u>91</u>	<u>103</u>	-	11.4
	<u>64,731</u>	<u>44,910</u>	+	44.1

22. Held-to-Maturity Investments

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
Treasury bills (including Exchange Fund Bills)	615	445	+	38.3
Certificates of deposit held	1,070	1,165	-	8.1
Debt securities	2,635	2,988	-	11.8
	<u>4,320</u>	<u>4,598</u>	-	6.0
Less: Impairment allowances	-	(11)		
	<u>4,320</u>	<u>4,587</u>	-	5.8
Issued by:				
Central governments and central banks	1,552	1,372	+	13.2
Public sector entities	316	428	-	26.1
Banks and other financial institutions	1,108	2,335	-	52.5
Corporate entities	1,344	452	+	197.1
	<u>4,320</u>	<u>4,587</u>	-	5.8
Analysed by place of listing:				
Debt securities				
Listed in Hong Kong	627	289	+	117.2
Listed outside Hong Kong	1,527	2,192	-	30.3
	<u>2,154</u>	<u>2,481</u>	-	13.2
Unlisted	2,166	2,106	+	2.8
	<u>4,320</u>	<u>4,587</u>	-	5.8
Fair value:				
Listed securities	2,295	2,549	-	10.0
Unlisted securities	2,179	2,109	+	3.3
	<u>4,474</u>	<u>4,658</u>	-	4.0

23. 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 nine 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.

Financial institutions, which includes trade financing activities with correspondent banks in Hong Kong.

Other Hong Kong banking operations, which include insurance business, trust business, securities & futures broking, money lender activities and corporate financial advisory in Hong Kong.

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

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

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

Other businesses include property-related business, supporting units of Hong Kong operations, investment properties, bank premises, the net results of other subsidiaries in Hong Kong except for those subsidiaries which are included in other Hong Kong banking operations.

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, 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	Financial institutions	Others	China operations	Overseas operations	Corporate services				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn				
Net interest income/(expense)	2,095	2,364	(1,271)	342	172	174	4,865	1,042	4	9,787	(43)	(20)	9,724
Non-interest income/(expense)	643	551	756	289	18	510	966	396	1,049	5,178	549	(342)	5,385
Operating income/(expense)	2,738	2,915	(515)	631	190	684	5,831	1,438	1,053	14,965	506	(362)	15,109
Operating expenses	(1,536)	(179)	(122)	(157)	(12)	(484)	(3,594)	(536)	(729)	(7,349)	(1,706)	330	(8,725)
Operating profit/(loss) before impairment losses	1,202	2,736	(637)	474	178	200	2,237	902	324	7,616	(1,200)	(32)	6,384
(Charge for)/Write back of impairment losses on loans and advances and other accounts	(51)	(79)	60	13	-	(4)	(159)	58	(8)	(170)	51	(94)	(213)
(Charge for)/Write back of impairment losses on available-for-sale financial assets and held-to-maturity investments	-	-	(61)	-	-	(1)	-	10	-	(52)	-	-	(52)
Operating profit/(loss) after impairment losses	1,151	2,657	(638)	487	178	195	2,078	970	316	7,394	(1,149)	(126)	6,119
Profit/(Loss) on sale of fixed assets, available-for-sale financial assets and loans and receivables	(7)	3	70	-	-	7	11	-	-	84	172	-	256
Profit on sale of subsidiaries	-	-	-	-	-	-	-	203	(4)	199	4	-	203
Valuation gains on properties	-	-	-	-	-	-	50	38	-	88	429	(66)	451
Share of profits less losses of associates	-	-	-	-	-	9	107	420	-	536	-	-	536
Profit/(Loss) before taxation	1,144	2,660	(568)	487	178	211	2,246	1,631	312	8,301	(544)	(192)	7,565
Depreciation for the year	(71)	(2)	(5)	(3)	(1)	(17)	(354)	(22)	(22)	(497)	(160)	-	(657)
Segment assets	46,544	143,869	121,226	21,989	7,372	13,268	329,605	70,989	2,897	757,759	27,659	(97,981)	687,437
Investments in associates	-	-	-	-	-	59	513	4,105	-	4,677	-	-	4,677
Total assets	46,544	143,869	121,226	21,989	7,372	13,327	330,118	75,094	2,897	762,436	27,659	(97,981)	692,114
Total liabilities	252,630	1,606	55,176	17,427	-	9,837	305,303	60,201	715	702,895	2,514	(74,934)	630,475
Capital expenditure incurred during the year	69	-	2	1	-	24	201	33	28	358	71	-	429

2011 (Restated)

	Hong Kong banking operations									Total reportable segments	Others	Inter-segment elimination	Total
	Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	China operations	Overseas operations	Corporate services				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn				
Net interest income/(expense)	1,762	2,033	(796)	279	111	217	4,812	921	3	9,342	(57)	(22)	9,263
Non-interest income/(expense)	603	429	(704)	276	12	525	830	388	981	3,340	438	(326)	3,452
Operating income/(expense)	2,365	2,462	(1,500)	555	123	742	5,642	1,309	984	12,682	381	(348)	12,715
Operating expenses	(1,321)	(165)	(113)	(153)	(12)	(457)	(3,306)	(589)	(664)	(6,780)	(1,538)	326	(7,992)
Operating profit/(loss) before impairment losses	1,044	2,297	(1,613)	402	111	285	2,336	720	320	5,902	(1,157)	(22)	4,723
(Charge for)/Write back of impairment losses on loans and advance and other accounts	(63)	33	4	15	-	(6)	(161)	51	(7)	(134)	-	59	(75)
Impairment losses on available-for-sale financial assets and held-to-maturity investments	-	-	-	-	-	(43)	-	(11)	-	(54)	(6)	-	(60)
Operating profit/(loss) after impairment losses	981	2,330	(1,609)	417	111	236	2,175	760	313	5,714	(1,163)	37	4,588
Profit/(Loss) on sale of fixed assets, available-for-sale financial assets and loans and receivables	1	-	39	-	-	45	112	4	(2)	199	3	-	202
Profit on sale of associates	-	-	-	-	-	-	-	122	-	122	-	-	122
Valuation gains on properties	-	-	-	-	-	-	48	2	-	50	388	(34)	404
Share of profits less losses of associates	-	-	-	-	-	(3)	38	400	-	435	-	-	435
Profit/(Loss) before taxation	982	2,330	(1,570)	417	111	278	2,373	1,288	311	6,520	(772)	3	5,751
Depreciation for the year	(68)	(1)	(5)	(2)	(1)	(18)	(325)	(28)	(19)	(467)	(171)	2	(636)
Segment assets	47,797	124,066	113,094	19,133	12,345	10,917	278,991	60,684	2,881	669,908	13,676	(76,002)	607,582
Investments in associates	-	-	-	-	-	49	313	3,458	-	3,820	-	-	3,820
Total assets	47,797	124,066	113,094	19,133	12,345	10,966	279,304	64,142	2,881	673,728	13,676	(76,002)	611,402
Total liabilities	245,027	1,026	44,395	17,199	-	8,154	256,521	50,275	762	623,359	2,342	(66,343)	559,358
Capital expenditure incurred during the year	66	8	8	6	1	18	313	2	89	511	124	-	635

24. Off-balance Sheet Exposures

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

	2012	2011	Variance	
	HK\$ Mn	Restated HK\$ Mn		%
Contractual amounts of contingent liabilities and commitments				
- Direct credit substitutes	13,303	10,456	+	27.2
- Transaction-related contingencies	2,364	1,159	+	104.0
- Trade-related contingencies	1,930	2,321	-	16.8
- Commitments that are unconditionally cancellable without prior notice	52,631	41,114	+	28.0
- Other commitments with an original maturity				
- up to 1 year	103,119	76,774	+	34.3
- over 1 year	36,433	16,657	+	118.7
Total	<u>209,780</u>	<u>148,481</u>	+	41.3
Credit risk weighted amounts	<u>71,525</u>	<u>49,965</u>	+	43.2
Fair value				
Assets				
Exchange rate contracts	1,279	1,446	-	11.5
Interest rate contracts	1,502	1,305	+	15.1
Equity contracts	191	337	-	43.3
Others	153	127	+	20.5
	<u>3,125</u>	<u>3,215</u>	-	2.8
Liabilities				
Exchange rate contracts	1,559	2,236	-	30.3
Interest rate contracts	1,924	1,898	+	1.4
Equity contracts	170	292	-	41.8
Others	153	112	+	36.6
	<u>3,806</u>	<u>4,538</u>	-	16.1
Notional amounts of derivatives				
Exchange rate contracts	407,120	366,496	+	11.1
Interest rate contracts	150,152	143,341	+	4.8
Equity contracts	13,673	11,984	+	14.1
Others	3,478	3,091	+	12.5
	<u>574,423</u>	<u>524,912</u>	+	9.4
Credit risk weighted amounts				
Exchange rate contracts	2,878	3,168	-	9.2
Interest rate contracts	1,618	1,256	+	28.8
Equity contracts	574	328	+	75.0
Others	301	108	+	178.7
	<u>5,371</u>	<u>4,860</u>	+	10.5

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.

25. Reserves

	2012	2011	Variance	
	HK\$ Mn	HK\$ Mn		%
Share premium	16,083	12,037	+	33.6
General reserve	13,823	13,744	+	0.6
Revaluation reserve on bank premises	976	1,032	-	5.5
Investment revaluation reserve	1,012	27	+	3641.6
Exchange revaluation reserve	2,769	2,390	+	15.9
Other reserves	2,876	2,428	+	18.5
Retained profits*	14,046	10,768	+	30.4
Total	<u>51,585</u>	<u>42,426</u>	+	21.6
Dividends declared, not provided for	<u>1,403</u>	<u>1,059</u>	+	32.5

* 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, 2012, HK\$4,580 million (2011: HK\$4,065 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.

26. Non-adjusting events after the reporting period

After the end of the reporting period the directors declared a second interim dividend. Further details are disclosed in Note 6.

27. Comparative Figures

The 2011 figures in Note 9 and 10 – Fee and Commission Income and Net Trading Profits have been restated to better reflect upfront income and expense in respect of certain derivatives entered into in relation to structured deposit products.

The 2011 figures in Note 23 – Segment Reporting have been restated as one reportable segment has been added under Hong Kong banking operations in 2012 and certain local entities have been reported separately to the Group's most senior executive management with effect from 2012.

For other restatements, the comparative figure has been restated to conform with current year's presentation.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

A. Capital Adequacy Ratio and Capital Base

(a) Capital adequacy ratio	<u>2012</u>	<u>2011</u>
	%	%
Capital adequacy ratio as at 31 st December	14.3	13.7
Core capital adequacy ratio as at 31 st December	10.7	9.4

Capital adequacy ratios at 31st December, 2012 and 31st December, 2011 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 regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 98(2) of the Banking Ordinance. Subsidiaries not included in consolidation for regulatory purposes are securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Banking (Capital) Rules and the Banking Ordinance. The Bank’s shareholdings in these subsidiaries are deducted from its core capital and supplementary capital as determined in accordance with Part 3 of the Banking (Capital) Rules.

The principal subsidiaries that are not included in consolidation for regulatory purposes are:

Blue Cross (Asia-Pacific) Insurance Limited
BEA Life Limited
East Asia Futures Limited
East Asia Securities Company Limited

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

(b) Group capital base after deductions

	<u>2012</u>	<u>2011</u>
	HK\$ Mn	HK\$ Mn
Core capital		
Paid up ordinary share capital	5,568	5,190
Share premium	16,083	12,037
Reserves	19,545	17,847
Profit or loss account	2,107	2,169
Non-controlling interests	3,544	3,555
Deduct: Goodwill	(1,494)	(1,658)
Net deferred tax assets	(142)	(377)
Other intangible assets	(22)	(26)
	<u>45,189</u>	<u>38,737</u>
Less: Core capital items deductions	<u>(3,358)</u>	<u>(3,319)</u>
Total core capital	<u>41,831</u>	<u>35,418</u>
Eligible supplementary capital		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	970	970
Revaluation reserves for fair value gains on revaluation of holdings of available-for-sale equities and debt securities	278	32
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	331	2
Regulatory reserve for general banking risks	211	163
Collectively assessed impairment allowances	69	93
Surplus provisions	1,869	1,849
Perpetual subordinated debt	-	3,163
Term subordinated debt	13,532	13,146
	<u>17,260</u>	<u>19,418</u>
Less: Supplementary capital items deductions	<u>(3,358)</u>	<u>(3,319)</u>
Total supplementary capital	<u>13,902</u>	<u>16,099</u>
Total capital base	<u><u>55,733</u></u>	<u><u>51,517</u></u>

B. Liquidity Ratio

	<u>2012</u>	<u>2011</u>
	%	%
Average liquidity ratio for the year	46.6	42.8

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.

	2012			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
People's Republic of China	42,804	2,480	67,285	112,569
Asian countries, excluding People's Republic of China	17,941	8,570	23,401	49,912
North America	7,946	316	3,328	11,590
Western Europe	6,754	306	3,608	10,668
	2011			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
People's Republic of China	38,220	2,122	69,168	109,510
Asian countries, excluding People's Republic of China	18,329	5,056	19,734	43,119
North America	7,009	269	3,219	10,497
Western Europe	10,477	-	1,253	11,730

D. Non-bank Mainland Exposures

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

Type of counterparties	2012			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individual impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Mainland entities	184,652	64,253	248,905	98
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	32,777	2,669	35,446	8
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	20,065	2,630	22,695	4
Total	237,494	69,552	307,046	110

	2011 (Restated)			
	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	158,191	60,807	218,998	85
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	28,295	2,742	31,037	1
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	15,866	1,643	17,509	-
Total	<u>202,352</u>	<u>65,192</u>	<u>267,544</u>	<u>86</u>

E. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances

	2012		2011	
	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	255	0.1	92	0.0
- 1 year or less but over 6 months	181	0.0	60	0.0
- Over 1 year	220	0.1	99	0.1
	<u>656</u>	<u>0.2</u>	<u>251</u>	<u>0.1</u>
Rescheduled advances to customers	<u>91</u>	<u>0.0</u>	<u>392</u>	<u>0.1</u>
Total overdue and rescheduled advances	<u>747</u>	<u>0.2</u>	<u>643</u>	<u>0.2</u>
Secured overdue advances	<u>482</u>	<u>0.1</u>	<u>152</u>	<u>0.1</u>
Unsecured overdue advances	<u>173</u>	<u>0.0</u>	<u>99</u>	<u>0.1</u>
Market value of security held against secured overdue advances	<u>2,026</u>		<u>439</u>	
Individual impairment allowance made on loans overdue for more than 3 months	<u>182</u>		<u>84</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:

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

The two main types of “Eligible Collateral” are as follows:

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

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

- (a) Debt Rescheduling / Restructuring
- (b) Enforcement of security
- (c) Legal Action
- (d) Recovery via Debt Collector

(b) Advances to bank

	2012	2011
	HK\$ Mn	HK\$ Mn
Other assets overdue for		
- 6 months or less but over 3 months	6	-
- 1 year or less but over 6 months	-	-
- Over 1 year	-	-
	<u>6</u>	<u>-</u>
Rescheduled assets	-	-
Total other overdue and rescheduled assets	<u>6</u>	<u>-</u>

(c) Other overdue and rescheduled assets

	2012		2011	
	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	-	-	-	8
- 1 year or less but over 6 months	-	-	-	-
- Over 1 year	-	4	-	-
	<u>-</u>	<u>4</u>	<u>-</u>	<u>8</u>
Rescheduled assets	-	-	-	4
Total other overdue and rescheduled assets	<u>-</u>	<u>4</u>	<u>-</u>	<u>12</u>

* Other assets refer to trade bills and receivables.

(d) Repossessed assets

	2012	2011
	HK\$ Mn	HK\$ Mn
Reposessed land and buildings *	10	22
Reposessed vehicles and equipment	-	-
Total reposessed assets	<u>10</u>	<u>22</u>

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

* No balance that was contracted for sale but not yet completed (2011: HK\$4 million).

F. 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.

	2012			
	HK\$ Mn			
	USD	RMB	Others	Total
Spot assets	150,217	632,345	76,590	859,152
Spot liabilities	(156,498)	(606,456)	(77,307)	(840,261)
Forward purchases	113,306	74,073	11,656	199,035
Forward sales	(104,331)	(100,518)	(11,257)	(216,106)
Net options position	(438)	-	5	(433)
Net long/(short) non-structural position	<u>2,256</u>	<u>(556)</u>	<u>(313)</u>	<u>1,387</u>

	2011 (Restated)			
	HK\$ Mn			
	USD	RMB	Others	Total
Spot assets	156,922	528,371	57,111	742,404
Spot liabilities	(133,641)	(525,238)	(68,347)	(727,226)
Forward purchases	85,518	78,521	17,094	181,133
Forward sales	(107,971)	(82,764)	(5,769)	(196,504)
Net options position	31	-	(25)	6
Net long/(short) non-structural position	<u>859</u>	<u>(1,110)</u>	<u>64</u>	<u>(187)</u>

	2012			
	HK\$ Mn			
	USD	RMB	Others	Total
Net structural position	<u>2,488</u>	<u>8,703</u>	<u>764</u>	<u>11,955</u>

	2011			
	HK\$ Mn			
	USD	RMB	Others	Total
Net structural position	<u>2,573</u>	<u>8,631</u>	<u>734</u>	<u>11,938</u>

STATEMENT OF COMPLIANCE

- (1) In preparing the accounts for 2012, the Bank has fully complied with the Banking (Disclosure) Rules.
- (2) 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 Corporate Governance Code (the “CG Code”), issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in October 2011, is the new edition of the Code on Corporate Governance Practices (the “Former Code”), and is applicable to financial reports covering the financial period which ends after 1st April, 2012. During the financial year ended 31st December, 2012, BEA has complied with all the Code Provisions set out in the CG Code during the period from 1st April, 2012 to 31st December, 2012 as well as the Former Code during the financial period from 1st January, 2012 to 31st March, 2012, except for Code Provision A.2.1 as 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 division of responsibilities between the Chairman and the Chief Executive is clearly established and set out in the job mandate of the Chairman & Chief Executive. 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.

PAYMENT OF SECOND INTERIM DIVIDEND (IN LIEU OF FINAL DIVIDEND) FOR 2012

The Board of the Bank has declared a second interim dividend (in lieu of final dividend) for the year ended 31st December, 2012 (“2012 Second Interim Dividend”) of HK\$0.63 per share (2011 second interim dividend (in lieu of final dividend): HK\$0.51 per share), which, together with the 2012 interim dividend of HK\$0.43 per share paid in September 2012, will constitute a total dividend of HK\$1.06 per share (2011: HK\$0.94 per share) for the full year. The 2012 Second Interim Dividend will be paid on or about Tuesday, 9th April, 2013 in cash with an option to receive new, fully paid shares in lieu of cash, to shareholders whose names appear on the Register of Members of the Bank at the close of business on Monday, 18th March, 2013 (“Scrip Dividend Scheme”). Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Monday, 18th March, 2013.

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the New Shares to be issued under the Scrip Dividend Scheme. The dividend warrants and the share certificates for the Scrip Dividend Scheme will be sent to shareholders by ordinary mail on or about Tuesday, 9th April, 2013.

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 2012 Second Interim Dividend, the Register of Members of the Bank will be closed from Friday, 15th March, 2013 to Monday, 18th March, 2013 (both days inclusive). In order to qualify for the 2012 Second Interim 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. Thursday, 14th March, 2013.
- (b) For the purpose of determining shareholders who are entitled to attend and vote at the 2013 Annual General Meeting to be held on 30th April, 2013 ("2013 AGM"), the Register of Members of the Bank will be closed on Monday, 29th April, 2013 and on Tuesday, 30th April, 2013. In order to qualify for attending and voting at the 2013 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, 26th April, 2013.

DEALINGS IN LISTED SECURITIES OF THE BANK

During the year ended 31st December, 2012, the Bank fully redeemed GBP262.263 million face value of the 6.125% step-up perpetual subordinated notes (the "Perpetual Notes") qualifying as supplementary capital. The Perpetual Notes were issued on 20th March, 2007 and were listed on the Singapore Stock Exchange. After full redemption on 21st March, 2012, the Perpetual Notes were delisted on 23rd March, 2012. Moreover, the Bank also fully redeemed US\$600 million face value of the floating rate step-up subordinated notes due 2017 (the "2017 Notes") qualifying as supplementary capital. The 2017 Notes were issued on 21st June, 2007 and were listed on the Singapore Stock Exchange. After full redemption on 22nd June, 2012, the 2017 Notes were delisted on 26th June, 2012. Save for the aforesaid redemption of the Perpetual Notes and 2017 Notes, there was no purchase, sale or redemption by the Bank or any of its subsidiaries, of listed securities of the Bank during the year ended 31st December, 2012.

CHAIRMAN'S STATEMENT

It is my great pleasure to report that The Bank of East Asia Group ("Group") delivered another set of record results for 2012, with strong contributions from across the Group. Profit attributable to owners of the parent reached a new high of HK\$6,056 million, HK\$1,698 million, or 39.0%, greater than the HK\$4,358 million earned in 2011. Basic earnings per share stood at HK\$2.72. Return on average assets and return on average equity were 0.9% and 11.9%, respectively.

The Board of Directors has declared a second interim dividend (in lieu of final dividend) of HK\$0.63 per share for the year ended 31st December, 2012, bringing the dividend for the year to HK\$1.06 per share.

The small, open Hong Kong economy is particularly vulnerable to external events, and local growth slowed as overseas economies struggled in 2012. However, economic conditions stabilised from the end of the third quarter and investment sentiment improved, leading to a strong recovery in financial markets from September. BEA maintained a close focus on creating value for customers and investors, providing best in class financial services and seeking investment opportunities that generate favourable returns.

Much of BEA's growth in recent years is attributable to the success of the Bank in developing new business links between the Mainland, Hong Kong and overseas. To this end, BEA operates highly integrated banking networks in Hong Kong and the Mainland, supported by a balanced presence in regional and international markets. Going forward, the Bank's strategic focus is two-fold: To further build on its advantage in supporting business flows between Hong Kong, the Mainland and overseas; and to provide a wider range of banking services to each individual customer.

Assisted by BEA's extensive network on the Mainland, BEA Hong Kong has capitalised on strong demand from Mainland corporations to increase its cross-border trade finance business significantly. The Bank is now building on these relationships, introducing and selling a wider range of products and services geared to meeting the specific needs of Mainland corporations as they become more active in overseas markets.

BEA anticipates further favourable policy changes in the near term that will create even greater opportunities for cross-border business, particularly in the development zones of Qianhai, Hengqin and Nansha. In future years, business originating in China is expected to continue to drive growth in Hong Kong.

The Bank's wholly owned Mainland subsidiary, The Bank of East Asia (China) Limited ("BEA China"), will maintain its proven business strategies, steadily expanding its branch network and strengthening its e-distribution capabilities, investing in new product development and focusing on the niche areas in which it has a competitive advantage.

The number of outlets operated by BEA China has climbed rapidly, from 28 on the date of its founding in March 2007 to 114 at the end of 2012. During 2012, BEA China conducted an extensive review of the business activities of its Mainland branches and set new priorities for the coming years. Following this review, a rationalisation programme will be implemented in 2013 to drive efficiency, control costs and focus resources where they will generate higher returns.

BEA China will expand its clientele, targeting in particular medium-sized enterprises. As part of this strategy, BEA China has developed a specialised class of products for supply chain financing to assist clients in managing their domestic trade. These products offer convenience and efficiency for clients, while generating new deposits and new income sources for the bank.

The international operations of the Bank reported record profits amid robust growth in both loans and deposits in 2012. Asset quality saw significant improvement, as the impairment loan ratio returned to normal levels. Growing trade-refinance business and good performance by BEA's associate bank in Malaysia were major contributors to the rise in profits from international operations.

The sale of an 80% interest in The Bank of East Asia (U.S.A.) N.A to Industrial and Commercial Bank of China Limited ("ICBC") was completed in July 2012. BEA anticipates that the growing commercial ties between China and the United States ("US") represent a substantial opportunity for the unit under ICBC management. Meanwhile, BEA will continue to develop its wholesale banking businesses in the US through its federal branches in New York and Los Angeles.

Over the past decade, BEA has entered into a number of agreements with strategic partners, and enjoys very good relations with overseas financial institutions. In cooperation with these partners, in 2013 BEA will further expand its cross-border referral business.

The Bank made welcome progress in its efforts to improve cost-to-income performance during the past year. To further enhance operating efficiency, the Bank will step up investments in innovation, particularly in technologies that reduce the cost of providing banking services. In parallel, the Bank will further develop its iPhone/Android applications and hone its marketing initiatives in order to enhance BEA's appeal to the younger generation. The Bank will continue to innovate, applying appropriate technology to further improve the customer experience.

The Bank maintains a sound and efficient capital position to support its business goals and meet changing regulatory requirements. With new capital adequacy rules now being phased in, BEA has implemented an ongoing programme to make more efficient use of capital through pricing and asset allocation. In the coming year, the Bank will increase the proportion of interest-earning assets that require a lower capital charge, and raise the ratio of fee income to total income through the sale of insurance, investment and treasury products.

In December 2012, BEA concluded a share placement with Sumitomo Mitsui Banking Corporation ("SMBC") in the amount of HK\$3,301 million to further enhance the Bank's capital position. This followed the successful issue of subordinated notes by the Bank in March and April 2012 in an aggregate amount of \$800 million Singapore dollars. SMBC and BEA have a long history of cooperation, and both banks welcomed this opportunity to further enhance their strategic relationship.

I take pleasure in thanking our Bank's Board of Directors and the directors of our subsidiaries and associated companies for their unstinting support and invaluable advice during the past year. I would also like to thank the management and staff of BEA for their commitment and outstanding performance, and I look forward to working as a team in the coming year to execute our business strategies and develop new growth opportunities. Our relationships with overseas financial institutions are invaluable, and I thank the directors and managements of these institutions for making our business partnerships such an outstanding success. I also take great pleasure in thanking our shareholders and customers for their long-standing loyalty and confidence in the Bank.

Dr. Lee Shau-kee, who joined the Board in 1987, will retire as a Director of the Bank on 24th April, 2013. He has served the Board with distinction for more than 26 years, making an invaluable contribution to the development of the Bank during that period. On behalf of the Board, I express my heartfelt gratitude to Dr. Lee for his wise counsel and guidance over the past 26 years.

David LI Kwok-po
Chairman & Chief Executive

Hong Kong, 26th February, 2013

REPORT OF THE CHIEF EXECUTIVE AND SENIOR MANAGEMENT

FINANCIAL REVIEW

Financial Performance

For the year 2012, the Group achieved a record high profit attributable to owners of the parent of HK\$6,056 million, HK\$1,698 million or 39.0%, higher than the HK\$4,358 million earned in 2011. Basic earnings per share were HK\$2.72. Return on average assets and return on average equity were 0.9% and 11.9%, respectively.

Despite rising funding costs, the Group's net interest income increased by HK\$461 million, or 5.0%, to HK\$9,724 million as the result of double-digit growth in both the Bank's loan portfolio and trade finance business in 2012.

Non-interest income increased by HK\$1,933 million, or 56.0%. The rise was mainly attributable to the favourable performance of the investment portfolio, resulting in a gain of HK\$1,429 million for the trading activities and financial instruments designated at fair value through profit or loss. The improvement was also driven by stronger net fee and commission income, which rose by HK\$329 million, or 10.8%, to HK\$3,379 million.

Operating expenses rose by 9.2% to HK\$8,725 million. Cost control remains an important objective of the Group, and healthy revenue growth coupled with strict control over costs resulted in a 5.2 percentage point drop in the Group's cost-to-income ratio, to 57.7% in 2012 from 62.9% in 2011. If the Business Tax and surcharges of our China operations were excluded from operating expenses and grouped under taxation, the adjusted cost-to-income ratio would decrease from 59.2% to 54.2%. The Bank continued to maintain a careful balance between cost control and business development.

Operating profit before impairment losses rose to HK\$6,384 million, an increase of HK\$1,661 million, or 35.2%, when compared with 2011.

Impairment losses grew by 97.2% to HK\$265 million, as the Bank made provisions for loans and advances, and available for sale financial assets. Impairment losses remain at a low and controllable level.

Operating profit after impairment losses was HK\$6,119 million, an increase of 33.4%.

BEA completed the disposal of an 80% interest in a banking subsidiary in the United States ("US") during the year, recording a net profit of HK\$203 million. This compares to a profit generated from disposal of three associates of HK\$122 million in 2011.

Valuation gains on properties increased to HK\$451 million, mainly due to the buoyant property markets in Hong Kong and the United Kingdom ("UK"). In addition, due to the strong performance of associates, the Group shared after-tax profits from associates of HK\$536 million, representing growth of 23.1% over 2011.

After accounting for income taxes, profit after taxation rose to HK\$6,154 million, an increase of 38.3% over the HK\$4,451 million recorded in 2011. After deduction of non-controlling interests, profit attributable to owners of the parent rose to HK\$6,056 million, an increase of 39.0%.

Financial Position

Total consolidated assets of the Group stood at HK\$692,114 million at the end of 2012, an increase of 13.2% over the HK\$611,402 million at the end of 2011. Gross advances to customers increased by 11.2% to HK\$350,720 million. Total equity increased to HK\$61,639 million, up 18.4%, due to earnings retained and the issuance of new shares in December 2012, which amounted to HK\$3,301 million.

Total deposits from customers rose by 6.7% to HK\$498,770 million. Demand deposits and current account balances increased by HK\$12,054 million, or 21.2%, compared to the balance at year-end 2011. Savings deposits grew to HK\$86,549 million, while time deposits increased to HK\$343,271 million, an increase of 3.1%, when compared with the year-end positions. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, grew by 9.9% to HK\$526,140 million.

The loan-to-deposit ratio was 66.7% at the end of December 2012, 0.9 percentage points higher than the 65.8% reported at the end of 2011.

RECOGNITION

Ratings

Standard & Poor's

The Bank of East Asia, Limited	
Long-term Counterparty Credit (local and foreign currency)	A
Short-term Counterparty Credit (local and foreign currency)	A-1
Outlook:	Stable
The Bank of East Asia (China) Limited	
Long-term Counterparty Credit (local and foreign currency)	A
Short-term Counterparty Credit (local and foreign currency)	A-1
Outlook:	Stable

Moody's Investor Service

The Bank of East Asia, Limited	
Long-term Bank Deposit (local and foreign currency)	A2
Short-term Bank Deposit (local and foreign currency)	Prime-1
Bank Financial Strength	C-
Outlook:	Stable

Awards

The Bank of East Asia, Limited

- "2012 Best SME's Partner Award" (*for the fifth consecutive year*)
- *The Hong Kong General Chamber of Small & Medium Business*
- "2012 Hong Kong Awards for Industries: Innovation and Creativity Grand Award" (*for the design and development of the i-Teller*)
- *Hong Kong General Chamber of Commerce*
- "The Best World Card Program Launched in 2011 in Hong Kong (BEA SupremeGold World MasterCard) – Winner", "The Highest Growth Rate in 2011 Premium Product Cardholder Spending in Hong Kong – Winner", "The Highest Growth Rate in 2011 Cardholder Spending in Hong Kong – Winner", "The Highest Growth Rate in 2011 Number of Open Cards in Hong Kong – 1st Runner Up", and "The Highest Growth Rate in 2011 Outstandings in Hong Kong – 2nd Runner Up" (*for card issuance*)
- *MasterCard Worldwide*
- "The Highest Market Share in 2011 Cross-border Merchant Purchase Volume in Hong Kong – 2nd Runner Up" and "The Highest Growth Rate in 2011 Merchant Purchase Volume in Hong Kong – 2nd Runner Up" (*for merchant acquiring*)
- *MasterCard Worldwide*
- "Exclusive Visa Acceptance Award"
- *VISA Inc.*

The Bank of East Asia (China) Limited

- “2011 Distinctive Financial Services for Small Enterprises among Financial Institutions in China”
- *China Banking Regulatory Commission*
- “2012 Best Foreign Retail Bank Award”
- *National Business Daily*
- “Best Cross-border Renminbi Business Bank (Foreign-invested) Award”
- *Global Entrepreneur*
- “China Treasury Awards 2012 – Best Foreign Cash Management Bank in China”
- *Treasury China*
- “Golden Award - Most Popular Product Award” for the Bull Bear Series of Investment Financial Products
- *Money Weekly* and VNU Exhibitions
- “UnionPay Award for Business Collaboration”
- *China UnionPay*

Bank of East Asia (Trustees) Limited

- “The Best MPF Scheme Award” in the Prime Awards for Banking and Finance Corporations 2012 programme (*for the second consecutive year*)
- *metroBox Magazine*

Blue Cross (Asia-Pacific) Insurance Limited

- “The 12th Capital Outstanding Enterprise Awards – Medical and General Insurance”
- *CAPITAL magazine*
- “TVB Most Popular TV Commercial Awards 2012 – Info-service”
- *Television Broadcasts Limited*
- “The Most Favourite Travel Insurance Company Award 2012” (*for the eighth consecutive year*)
- *Weekend Weekly Magazine*

Credit Gain Finance Company Limited

- “RoadShow Best Loved Brands Award 2012 – Finance and Credit Service”
- *RoadShow Productions Limited*
- “The Best Brand in Loans Award” in the Prime Awards for Banking and Finance Corporations 2012 programme
- *metroBox Magazine*

Tricor Holdings (Tricor Malaysia)

- “The BrandLaureate – SMEs BestBrands Awards 2012 in Corporate Branding – Best Brands in Services – Corporate Advisory”
- *The Asia Pacific Brands Foundation*

BEA Union Investment Management Limited

- “2012 Best of the Best Performance Awards – Asian Bonds, Hard Currency”*
- *Asia Asset Management*
- “2013 Best Fund in Bond, Asia Pacific”*
- *Lipper Funds Award Hong Kong*

*for the 3-year performance of the BEA Union Investment Asian Bond and Currency Fund

OPERATIONS REVIEW

Europe's debt crisis continued to weigh heavily on the global economy in 2012, as recession in Europe reduced demand for imports. In Hong Kong, exports grew by a mere 2.9%. However, signs of recovery started to appear in the fourth quarter, in response to a further round of quantitative easing by the United States Federal Reserve, and the commitment by the European Central Bank to support the weaker members of the European Union through the Outright Monetary Transactions programme.

Notwithstanding the weak external economic environment, the Hong Kong economy registered modest growth for the year on the back of solid domestic demand. Tourists from the Mainland continued to provide strong support for local consumption. Employment remained resilient, with unemployment hovering within the range of 3.2% to 3.4% in 2012. This resilience was partly attributable to the robust demand for business services from the growing number of Mainland Chinese companies using Hong Kong as a base for business expansion overseas.

Meanwhile, property prices rose through much of the year. Responding to growing concern about affordability of housing, the Hong Kong Government introduced tough measures in October 2012 in an attempt to dissuade speculators. However, given the housing shortage and low interest rate environment, the measures have yet to stem steadily rising prices.

Real GDP is estimated to grow by 1.3% in 2012, while the inflation rate averaged 4.1%.

On the Mainland, weak exports and the ongoing rebalancing of the domestic economy saw real GDP growth fall below 8% in 2012. The Central Government intervened several times during the year to stimulate the economy, introducing expedited approval for infrastructure projects, tax cuts, and a looser monetary policy.

In addition to lowering the benchmark deposit and loan rates twice, in June and July 2012, China took the first step on the road to interest rate liberalisation, with the aim of gradually moving toward market-based pricing of capital. Under the new policy, bank deposit rates can be set up to 10% above their respective benchmark levels, while lending rates can be set as much as 30% below their respective benchmark rates.

Inflationary pressure eased through much of the year, with the Consumer Price Index dropping to 2.5% in December 2012 from 4.1% in December 2011. A benign rate of inflation provides the Central Government with more room to introduce stimulus measures to revive the economy, if required. While property prices in China were relatively stable through much of the year, the Central Government is not expected to relax the current stringent control measures through at least the first half of 2013.

Following the 18th National Congress of the Communist Party of China in November 2012, it is widely expected that the Central Government will turn its attention to the nation's economy and implement necessary structural reforms, especially in the financial sector. GDP growth is likely to rebound from 7.8% in 2012 to 8.2% in 2013.

Business – Hong Kong

At 31st December, 2012, the aggregate value of loans to customers and trade bills of BEA in Hong Kong was 10.0% higher than at the end of 2011. Debt investments increased 27.7% in 2012 over the previous year. Customer deposits grew by 2.9%, year on year.

Corporate and Commercial Banking

The portfolio of corporate loans and trade bills of the Bank's Hong Kong operations recorded solid growth of 12.4% during 2012. Growth has not been at the cost of loan quality, however, and the impaired loan ratio remained at a very low level.

BEA's strong cross-border capabilities and extensive networks in both Hong Kong and Mainland China put it in a unique position to serve customers with business interests in both markets, and to benefit from ongoing favourable policy changes in the Mainland. From this strong platform, BEA has built a loyal base of Mainland customers in Hong Kong, and is serving their onshore and offshore financing needs, including property development project financing, loans against Renminbi ("RMB")-denominated assets, and cross-border trade finance. By leveraging these established relationships, BEA has been successful in providing Mainland clients with a growing range of banking products, including treasury and insurance, and will continue this process in order to drive future growth.

The pace of RMB liberalisation quickened in 2012, opening up new growth opportunities for BEA. The Bank marked a significant milestone in early 2013, becoming one of the first lenders to grant a cross-border RMB loan to a company incorporated in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (“Qianhai”). The deregulation process is set to continue, creating significant long-term potential in offshore RMB business, especially in Qianhai and Hengqin New Area, Zhuhai. BEA is closely monitoring policy changes and remains proactively positioned to take advantage of opportunities as they arise.

Portfolio yield improved over the past year, as low-margin loans were re-priced and replaced. The Bank also increased holdings of high quality corporate notes and bonds, and stayed actively involved in the syndicated loan market, focusing on higher-yield club deal facilities for mid-cap corporate clients.

Domestic corporate customers remain central to BEA’s business, particularly the small and medium-sized enterprises (“SMEs”) that form the backbone of Hong Kong’s economy. BEA successfully expanded its SME lending business in 2012, with 18% growth in the equipment financing portfolio and a 25% increase in loans extended under the “Business Ready Cash” unsecured loan scheme. The Bank introduced a Trade Finance Programme for premier customers, and is launching a Contractor Receivable Finance Programme to take advantage of the growing number of substantial infrastructure projects in the region. BEA was also an active participant in the Hong Kong Mortgage Corporation’s enhanced SME Financing Guarantee Scheme under the special concessionary measures launched at the end of May 2012.

Retail Banking

In 2012, BEA continued to build on its excellent reputation among retail customers, actively growing its account base, enhancing the range and standard of services, modernising marketing and delivery channels, while rationalising its branch network.

Throughout the year, BEA expanded its customer base across the market spectrum, with a particular focus on the affluent retail segment. The 10th anniversary of SupremeGold was celebrated with the launch of a series of marketing campaigns to reward the Bank’s loyal customers and to attract new accounts, emphasising the warm and caring service provided by BEA staff. At the same time, BEA is laying the seeds for future prosperity by extending its reach among younger clients through targeted credit card promotions, a strong university campus branch presence, and a popular new Facebook Fan Page.

BEA continued to develop its e-banking channels in 2012, improving the ease and convenience of services whilst simultaneously reducing transaction costs. The BEA mobile banking app enjoyed strong take-up during the year, with total downloads and total mobile banking users almost doubling. To complement this, BEA enhanced its Cyberbanking service, expanded its ATM network – now the second largest among JETCO members – and introduced more innovative, award-winning i-Tellers at key locations, offering extended hours and personalised customer service.

The ongoing migration of services to e-banking frees up BEA’s retail branch network – consisting of 88 branches, 62 SupremeGold Centres, and 7 i-Financial Centres at the end of 2012 – to focus on absorbing deposits and selling banking products. During the year, the Bank launched a number of initiatives to this end, capturing new business from small local enterprises, attracting low-cost deposits, acquiring new wealth management customers, and cross-selling products such as insurance and investment services, credit cards, mortgages, and consumer loans. By encouraging more clients to open payroll accounts, the Bank registered growth in its current and savings account balance, developing a stable and low-cost deposit base.

BEA introduced a number of competitive mass residential mortgage plans during the year, and took advantage of the pick up in the non-residential property market to expand its higher-yield non-residential mortgage business. During 2012, BEA maintained an average ranking of fifth place in new residential mortgage loan registrations in Hong Kong.

Insurance and MPF Services

BEA’s wholly-owned life insurance arm, BEA Life Limited, achieved a solid 23% gain in new premium income during 2012. Short-term savings plans and RMB-denominated products, introduced to meet the growing demand for short-maturity products with guaranteed return, were particularly popular with customers.

Blue Cross (Asia-Pacific) Insurance Limited, BEA's wholly-owned general insurance arm and a leading player in medical and travel insurance, built on its strong position and notched up a 15% increase in premium income during the year. At the end of 2012, the number of medical insurance customers reached more than 179,000, while the number of travel insurance customers stood at 755,000, representing growth of 16% and 7% year on year, respectively.

In general insurance, sales and service are being actively migrated to electronic channels, and premium income generated through e-channels rose by 25% during the year. Utilisation is expected to expand further in 2013 as new mobile services are introduced to provide greater convenience for customers.

The MPF Employee Choice Arrangement was launched in November 2012. To meet market demand, the Bank's wholly-owned MPF service provider, Bank of East Asia (Trustees) Limited, has added new funds, reduced management fees, and introduced a new low-fee Master Trust Scheme. Total membership under the BEA MPF schemes rose to 539,000 at the end of 2012 and assets under management grew to more than HK\$15.2 billion, a rise of 20%, year on year.

Wealth Management

BEA's wealth management business grew strongly in 2012. This trend is expected to continue, with much of the new business originating from Mainland customers, who now account for 25% of total private banking accounts.

Responding to investor sentiment and the low interest rate environment, Private Banking focused on selling bond-related and income-oriented products. Thematic investments are of growing interest to clients, and in 2012 the Bank launched its first private equity fund, the BEA Blue Sky Real Estate Fund L.P., which invests in real estate projects in the Greater China region. Private Banking revenue for 2012 rose by a solid 17%, while assets under management at the end of 2012 were more than 20% higher than one year earlier.

BEA's mutual fund business registered revenue growth of more than 75% over 2012. Product offerings were shaped to match the economic outlook and customer demand, with an emphasis on selected securities that provide stable income and upside potential, as well as RMB-denominated funds. Meanwhile, as of the end of November 2012, BEA clients may use the BEA mobile app to gain access to the latest market information and fund performance from their smartphone or tablet.

The Bank has also been successful in leveraging its private banking and corporate banking client bases to cross-sell trustee and fiduciary services. In 2012, BEA achieved growth of 11% in the total number of private and corporate trust clients, and 19% in total assets under trustee administration.

Brokerage Operations

With uncertainties arising from changes in the political leadership of the world's major economies and the continued impact of the European sovereign debt crisis, the local market remained sluggish for most of 2012. Only after the Mainland economy showed signs of picking up toward the end of 2012 did investor interest return and propel the market to close the year at a 52-week high. Nonetheless, the Stock Exchange of Hong Kong still recorded a drop of over 20% in average daily turnover in 2012. Hence, the Bank's commission income derived from securities and futures broking business declined when compared with 2011 while interest income from staggings plunged due to a decrease in initial public offerings ("IPOs") as well as poor market sentiment for IPOs.

Despite the sluggish market, BEA continued to invest in IT systems to enhance the products and services it offers to its customers. In 2012, the Bank successfully launched broking services for trading in London gold and global futures, and enhanced its electronic trading platform. New trading options, including trading in stock options and overseas equities, will be gradually rolled out in 2013.

Business – Greater China ex-Hong Kong

Mainland China Operations

The Bank of East Asia (China) Limited ("BEA China"), BEA's locally-incorporated subsidiary bank on the Mainland, faced a challenging year in 2012. The unstable economic environment in the US and Europe weakened China's export sector. On the domestic front, slowing economic growth dampened overall investor sentiment.

Given the unfavourable domestic economic environment, the Central Government injected liquidity into the financial system in 2012 through reverse repurchase agreements, which led to a significant drop in inter-bank borrowing rates and draft rediscount rates. Furthermore, the People's Bank of China liberalised RMB interest rates by lowering the minimum lending rates (including mortgage lending rates) and increasing the maximum deposit rates. These factors had an adverse impact on BEA China's overall net interest margin, which declined to 2.15% in 2012 from 2.5% in 2011.

Nevertheless, despite the challenging environment, BEA China successfully increased its weighted average loan yield from 6.24% in 2011 to 7.02% in 2012. Total loans and deposits also grew 14.34% and 11.41%, year on year, respectively. The loan-to-deposit ratio was maintained within the range of 68% and 73%, which was in compliance with the statutory limit of 75% set by the China Banking Regulatory Commission.

BEA China adopted a focused strategy in 2012 to expand its corporate client base, targeting medium-sized enterprises and seeking opportunities to command higher interest margins. It also continued promoting cross-border financing facilities, assisting its clients in expanding their operations to overseas markets. In 2013, BEA China will launch a new class of domestic trade financing products under a supply chain business model to further broaden its product range.

In treasury sales, BEA China managed to increase its rate of sales penetration among existing customers from a negligible level in 2011 to 7.7% in 2012. BEA China aims to increase this ratio to 10% in 2013 by enhancing product variety and strengthening marketing efforts.

BEA China's retail customer base has been expanding since 2007. At the end of 2012, retail deposits accounted for approximately 20% of total deposits, providing a stable funding source to fuel business growth. Retail loans increased by 14.6%, year on year. Fee income from personal banking and wealth management rose 35% in 2012 over the previous year.

The difficult business environment on the Mainland led to a money chain rupture in some regions and industries during 2012, which threatened the sustainability of a number of enterprises. Following the rupture, some cash-starved Chinese entrepreneurs were forced to turn to other channels for financing, including trust loans / trust products and entrusted loans. Despite the unfavourable situation, BEA China's impaired loan ratio remained at a relatively low level, thanks to its proven credit risk management model, rising from just 0.10% in 2011 to 0.27% in 2012. During the year, BEA China also effectively managed its exposure to local government financing vehicles ("LGFV"), which was another area of concern of the Central Government. BEA China's outstanding LGFV exposure was substantially reduced in 2012 and repayment records have been satisfactory.

A strong network of strategically located branches and sub-branches has been crucial to BEA China's sustained growth on the Mainland over the past years. BEA China opened 2 new branches in 2012, in Kunming and Ningbo, as well as 8 new sub-branches including 4 "cross-location" sub-branches in Shunde, Zhanjiang, Shantou, and Foshan in Guangdong Province. With 33 outlets in Guangdong Province, BEA China is well positioned to capture a greater market share of the ever-growing base of affluent customers in southern China.

At the end of 2012, BEA China operated 25 branches, 88 sub-branches, and 9 24-hour self-service banking centres – one of the most extensive networks of any foreign bank operating on the Mainland. Looking ahead, BEA China will continue to expand its network in line with business demand.

In May 2012, BEA China issued RMB senior unsecured bonds in an aggregate principal amount of RMB1 billion to institutional investors and private banking customers in Hong Kong. BEA China used the proceeds raised from the bond issue to support business expansion, enhance its asset and liability structure, and improve overall liquidity management.

Macau and Taiwan Operations

In the face of intense competition for deposits, BEA's operations in Macau ("Macau Branch") focused on delivering a broader range of retail products including the introduction of SupremeGold account services to better serve the affluent customer segment. Macau Branch registered a 26.79% rise in profit for 2012. Looking ahead, BEA will continue to expand its retail product range and increase promotion of its retail services in Macau.

In Taiwan, BEA's branches in Taipei and Kaohsiung (collectively, the "Taiwan Branches") launched custodian services for securities and other investment products in March 2012. In addition, the Taiwan Branches actively promoted cross-border RMB trade settlement services via the Taiwan Offshore Banking Unit. The Taiwan Branches reported a rise of 76.90% in profit, year on year, for 2012.

With the announcement of details on the liberalisation of the RMB business in Taiwan, the Taiwan Branches will strive to provide a wider range of RMB banking services to local enterprises and individuals. In the coming year, the Taiwan Branches will take advantage of the liberalisation measures and leverage the strength of the Group's Greater China network to capture more cross-strait business opportunities.

Business – International

BEA's international operations enjoyed a record-setting year in 2012, in terms of profit, loans, and deposits.

Buoyed by domestic consumer demand and underpinned by government spending on infrastructure projects, BEA's Singapore Branch enjoyed another year of notable growth in business volume and profitability. The Branch also benefited from Singapore's growing trade and investment flows with China, as it recorded a significant rise in its RMB trade financing and ancillary businesses.

Looking ahead, the Singapore Branch will continue to exploit the Group's extensive resources in Southeast Asia and China to capture more business opportunities. This will be achieved by leveraging the Bank's customer relationships in the two regions, emphasising a service-oriented approach, and forging closer co-operation with BEA China. The Singapore Branch will also strengthen collaboration with BEA's associates in Malaysia and Indonesia.

Despite Europe's weak economic fundamentals, BEA's operations in the UK registered satisfactory growth in its mortgage business in 2012. This growth was largely due to sustained demand for prime property in central London from Hong Kong and other Asian investors. In 2013, BEA will expand its presence in the UK market by opening a branch in Manchester.

BEA's US operations enjoyed another year of solid performance as the US economic recovery broadened. Both New York and Los Angeles branches achieved good profitability, thanks to an enlarged loan portfolio and lower funding costs due to abundant liquidity in the market.

In July 2012, the Bank completed the disposal of 80% of its stake in The Bank of East Asia (U.S.A.) N.A. to the Industrial and Commercial Bank of China. Following the completion of the transaction, BEA began focusing on its wholesale and corporate banking businesses in the US.

Other Subsidiaries

Credit Gain Finance Company Limited

Despite the challenges of a highly competitive sub-prime loan market in Hong Kong, Credit Gain Finance Company Limited ("Credit Gain") successfully achieved double-digit growth in its total loan portfolio in 2012, year on year. The Company's strong growth can largely be attributed to its diversified sales and marketing channels and enhanced product mix. Looking ahead, Credit Gain will focus on enhancing the value of its services and building its brand in the personal loan market. Beyond Hong Kong, the Company aims to capitalise on the great potential of the Mainland market, and open its first Mainland office, in Shenzhen, in the first half of 2013.

Tricor Holdings Limited

Tricor Holdings Limited ("Tricor") reported 7% growth in annual fee revenue, exceeding the HK\$1 billion mark for the first time and making an important contribution to the BEA Group's fee and commission income. While rising staff costs and increasing overhead expenses remained challenges during the year, every effort was made to improve efficiency.

Facing strong demand for its corporate compliance and company secretarial services, Tricor Hong Kong enjoyed significant growth in its corporate service income. While there were fewer IPOs in Hong Kong's capital market in 2012 than in 2011, Tricor Hong Kong successfully secured the share registration work of 55% of all newly-listed companies in Hong Kong in the year under review.

Tricor's overseas offices continued to be an important contributor to the Company's total revenue. In particular, Tricor Malaysia reported substantial growth in both gross revenue and profit for the year. In May 2012, Tricor Services Europe extended its service in the UK by acquiring Woodside Corporate Services Limited, a fund administration business based in London. In addition to corporate services, Tricor Services Europe now provides fund administration services and acts as receiving agent under government-approved schemes in the UK through its subsidiary.

Tricor now operates in 28 cities and employs over 1,600 people around the world.

BEA Union Investment Management Limited

BEA Union Investment Management Limited ("BEA Union") registered a 25% rise in assets under management in 2012. This growth was due in large part to the company's success in both the retail and institutional sectors. In May 2012, a new unit trust, the BEA Union Investment Asia Pacific Multi Income Fund, was introduced to investors seeking higher dividend payouts from investment in a variety of asset classes.

Our People

As of 31st December, 2012, the BEA Group employed 12,441 people:

	As of 31 st December, 2012	As of 31 st December, 2011
Hong Kong	5,692	5,709
Greater China ex-Hong Kong	5,608	5,277
Overseas	1,141	1,252
Total	12,441	12,238

Hong Kong's unemployment rate remained low throughout 2012, leading to intense competition for talent. Operating in this challenging environment, BEA focused on providing attractive remuneration and benefits, opportunities for continuing career growth, and a healthy, supportive work environment. To attract and retain high calibre talents, BEA regularly benchmarks itself against best market practices for remuneration and benefits. The Bank also ensures that its human resources policies and practices are in line with the market.

BEA recognises the importance of ongoing professional development. In 2012, the Bank launched its e-Learning platform, "Learning@BEA", which enables staff members to enrol in a wide range of online, work-related training programmes. To address specific needs of individual staff members, the Bank's Training and Development Department also worked closely with various departments to create tailor-made training programmes.

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 on 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 to cover those risks.

The risk management mechanisms are built around a centralised framework and include the 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 the formulation of policies, risk assessment, setting up of procedures and control limits, and ongoing monitoring before the same are reported via the Risk Management Committee to the Board of Directors, to ensure compliance with the Bank's policies, and the legal and regulatory requirements in Hong Kong, China, and overseas.

In particular, the Risk Management Committee regularly reviews the Bank's risk appetite statement, risk management policies, and risk control limits and submits them to the Board of Directors for approval. 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.

Certificates of Deposits and Debt Securities Issued and Loan Capital

In 2012, BEA issued floating rate certificates of deposits and debt securities with a face value of HK\$545 million, US\$338.3 million, and TWD551.76 million, respectively; fixed rate certificates of deposits and debt securities with a face value of HK\$754 million, US\$1,214.2 million, RMB9,698.2 million, GBP418 million, and SGD50 million, respectively; and zero coupon certificates of deposits with a face value of HK\$1,171 million, US\$1,687.8 million, RMB705 million, and SGD27 million, respectively. The Bank redeemed a quantity of certificates of deposits and debt securities amounting to HK\$28,203 million equivalent upon maturity.

At the end of December 2012, the face value of the outstanding certificates of deposits and debt securities issued was HK\$36,070 million equivalent, with a carrying amount equal to HK\$36,027 million.

Maturity Profile of Certificates of Deposits and Debt Securities Issued

As at 31st December, 2012

(All expressed in millions of dollars)

	Total Face Value	Year of Maturity				
		2013	2014	2015	2016	2017
Floating Rate						
HKD	725	260		385	80	
USD	388	140	142	106		
TWD	552	552				
Fixed Rate (Note)						
HKD	2,188	310	600	531	613	134
USD	959	929	10		20	
RMB	11,883	10,613	50	1,220		
GBP	150	150				
SGD	15	15				
Zero Coupon						
USD	647	547	50	50		
RMB	505	250				255
SGD	27	27				
Total Certificates of Deposits and Debt Securities issued in HKD equivalent						
	36,070	28,902	2,228	3,641	848	451

Note:

Associated interest rate swaps have been entered for managing interest rate risk along with long-term Certificates of Deposits and debt securities if deemed necessary

In 2012, BEA issued loan capital with a face value of SGD800 million. The Bank redeemed a quantity of loan capital amounting to HK\$7,886 million equivalent.

At the end of December 2012, the face value of the outstanding loan capital issued was HK\$13,600 million equivalent, with a carrying amount equal to HK\$14,263 million.

Maturity Profile of Loan Capital

As at 31st December, 2012

(All expressed in millions of dollars)

<u>Currency</u>	<u>Total Face Value</u>	<u>Year of Maturity</u>	
		<u>2020</u>	<u>2022</u>
USD (Note 1)	1,100	600	500
SGD (Note 2)	800		800
Total Loan Capital issued In HKD equivalent	13,600	4,651	8,949

Notes:

1. US\$500 million loan capital matured in 2022 would be callable on 4th May, 2017
2. Callable on 13th September, 2017

David LI Kwok-po

Chairman & Chief Executive

Hong Kong, 26th February, 2013

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

* Non-executive Directors

** Independent Non-executive Directors