BEA 東亞銀行

The Bank of East Asia, Limited
東亞銀行有限公司

(Incorporated in Hong Kong with limited liability in 1918)
(Stock Code: 23)

ANNOUNCEMENT OF 2019 FINAL RESULTS

SUMMARY OF RESULTS

The Board of Directors of the Bank is pleased to announce the audited results (Note 1(a)) of the Group for the year ended 31st December, 2019. 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 2019 annual accounts.

Consolidated Income Statement

	Notes	2019 HK$ Mn	2018 HK$ Mn
Interest income	*4*	28,509	25,598
Interest income calculated using the effective interest method		28,077	25,058
Other interest income		432	540
Interest expense	*5*	(14,009)	(12,639)
Net interest income		14,500	12,959
Fee and commission income	*6*	3,887	3,813
Fee and commission expense		(946)	(1,160)
Net fee and commission income		2,941	2,653
Net trading profit	*7*	807	994
Net result from other financial instruments at FVTPL	*8*	213	(286)
Net hedging profit	*9*	12	43
Net insurance profit	*10(a)*	826	295
Other operating income	*11*	385	414
Non-interest income		5,184	4,113
Operating income		19,684	17,072
Operating expenses	*12*	(9,891)	(8,563)
Operating profit before impairment losses		9,793	8,509
Impairment losses on financial instruments	*13*	(7,253)	(1,188)
Impairment losses on intangible assets	*14*	-	(5)
Impairment losses on associate		-	(397)
Impairment losses		(7,253)	(1,590)
Operating profit after impairment losses		2,540	6,919
Net loss on sale of investments measured at amortised cost		(1)	-
Net profit on sale of financial assets measured at FVOCI	*15*	72	62
Net profit on sale of assets held for sale	*16*	18	56
Net (loss)/profit on disposal of subsidiaries/associates		(7)	1
Net loss on disposal of fixed assets	*17*	(13)	(9)
Valuation (losses)/gains on investment properties		(33)	465
Share of profits less losses of associates and joint ventures		622	566
Profit for the year before taxation		3,198	8,060
Income tax	*18*	138	(1,506)
Profit for the year		3,336	6,554

Consolidated Income Statement (Continued)

	Notes	2019 HK$ Mn	2018 HK$ Mn
Attributable to:			
Owners of the parent		3,260	6,509
Non-controlling interests		76	45
Profit for the year		3,336	6,554
Earnings per share			
Basic	*1(b)*	HK$0.89	HK$2.07
Diluted	*1(b)*	HK$0.89	HK$2.07
Dividends per share		HK$0.46	HK$1.18

Consolidated Statement of Comprehensive Income

	Notes	2019 HK$ Mn	2018 HK$ Mn
Net profit		3,336	6,554
Other comprehensive income for the year:			
Items that will not be reclassified to income statement:			
Premises:			
- unrealised surplus on revaluation of premises		99	8
- deferred taxes		2	(13)
Fair value reserve (equity instruments):			
- net change in fair value		382	296
- deferred taxes		(1)	(5)
Liability credit reserve:			
- net change in fair value attributable to Group's own credit risk		(4)	3
Items that may be reclassified subsequently to income statement:			
Fair value reserve (debt instruments):			
- net change in fair value		1,709	(932)
- amount transferred to income statement on disposal	*15*	(285)	(52)
- on amortisation		(7)	(4)
- deferred taxes		(131)	69
Hedging reserve (cash flow hedges):			
- effective portion of changes in fair value of hedging instruments		(5)	(1)
- fair value change transferred (to)/ from income statement		(9)	5
Share of changes in equity of associates and joint ventures		102	(42)
Exchange differences arising from translation of accounts/disposal of overseas branches, subsidiaries, associates and joint ventures		(222)	(1,908)
Other comprehensive income		1,630	(2,576)
Total comprehensive income		4,966	3,978
Total comprehensive income attributable to:			
Owners of the parent		4,909	3,928
Non-controlling interests		57	50
		4,966	3,978

Consolidated Statement of Financial Position

	Notes	2019 HK$ Mn	2018 HK$ Mn
ASSETS			
Cash and balances with banks and other financial institutions		51,525	48,106
Placements with and advances to banks and other financial institutions		62,280	60,373
Trade bills		12,081	14,646
Trading assets	*19*	1,273	3,483
Derivative assets	*24*	5,693	10,211
Loans and advances to customers	*20*	505,336	498,284
Investment securities	*21*	163,514	144,729
Investments in associates and joint ventures		9,970	9,129
Fixed assets		14,328	13,165
- Investment properties		5,333	5,249
- Other properties and equipment		7,907	7,916
- Right-of-use assets		1,088	-
Goodwill and intangible assets		1,926	1,940
Deferred tax assets		1,563	481
Other assets	*22*	35,709	34,904
Total Assets		865,198	839,451
EQUITY AND LIABILITIES			
Deposits and balances of banks and other financial institutions		27,915	27,490
- Designated at fair value through profit or loss		3,182	1,335
- At amortised cost		24,733	26,155
Deposits from customers		573,527	574,114
Derivative liabilities	*24*	7,654	9,496
Certificates of deposit issued		74,059	58,490
- Designated at fair value through profit or loss		27,401	9,462
- At amortised cost		46,658	49,028
Current taxation		2,103	1,437
Debt securities issued		3,181	564
- Designated at fair value through profit or loss		-	407
- At amortised cost		3,181	157
Deferred tax liabilities		584	483
Other liabilities		56,299	51,444
Loan capital – at amortised cost		10,238	12,358
Total Liabilities		755,560	735,876
Share capital	*1(c)*	41,379	39,925
Reserves	*25*	53,928	51,901
Total equity attributable to owners of the parent		95,307	91,826
Additional equity instruments		13,963	8,894
Non-controlling interests		368	2,855
Total Equity		109,638	103,575
Total Equity and Liabilities		865,198	839,451

Consolidated Statement of Changes in Equity

	Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Capital reserve – staff share options issued	Fair value reserve	Hedging reserve	Liability credit reserve	Other reserves[3]	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
At 1st January, 2019	39,925	14,054	1,752	933	(1,426)	158	664	15	(3)	4,963	30,791	91,826	8,894	2,855	103,575
Changes in equity															
Profit for the year	-	-	-	-	-	-	-	-	-	-	3,260	3,260	-	76	3,336
Other comprehensive income	-	-	101	-	(203)	-	1,667	(14)	(4)	102	-	1,649	-	(19)	1,630
Total comprehensive income	-	-	101	-	(203)	-	1,667	(14)	(4)	102	3,260	4,909	-	57	4,966
Issue of additional equity instruments[1]	-	-	-	-	-	-	-	-	-	-	-	-	5,069	-	5,069
Shares issued in lieu of dividend *(Note 1(c))*	1,454	-	-	-	-	-	-	-	-	-	-	1,454	-	-	1,454
Equity settled share-based transaction	-	-	-	-	-	23	-	-	-	-	-	23	-	-	23
Transfer	-	(403)	(5)	157	-	(18)	-	-	-	282	(13)	-	-	-	-
Distribution/Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	-	(2,905)	(2,905)	-	(52)	(2,957)
Change of ownership in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Redemption of Hybrid Tier 1 capital instruments [2]	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,495)	(2,495)
At 31st December, 2019	41,379	13,651	1,848	1,090	(1,629)	163	2,331	1	(7)	5,347	31,133	95,307	13,963	368	109,638
At 1st January, 2018	37,527	14,060	1,757	230	487	135	1,454	11	-	4,931	28,890	89,482	8,894	2,838	101,214
Impact of adopting HKFRS 9 at 1st January, 2018	-	-	-	-	-	-	(162)	-	(6)	-	(32)	(200)	-	-	(200)
Restated balance at 1st January, 2018	37,527	14,060	1,757	230	487	135	1,292	11	(6)	4,931	28,858	89,282	8,894	2,838	101,014
Changes in equity															
Profit for the year	-	-	-	-	-	-	-	-	-	-	6,509	6,509	-	45	6,554
Other comprehensive income	-	-	(5)	-	(1,913)	-	(628)	4	3	(42)	-	(2,581)	-	5	(2,576)
Total comprehensive income	-	-	(5)	-	(1,913)	-	(628)	4	3	(42)	6,509	3,928	-	50	3,978
Shares issued in lieu of dividend *(Note 1(c))*	2,313	-	-	-	-	-	-	-	-	-	-	2,313	-	-	2,313
Shares issued under Staff Share Option Schemes *(Note 1(c))*	73	-	-	-	-	-	-	-	-	-	-	73	-	-	73
Equity settled share-based transaction	-	-	-	-	-	35	-	-	-	-	-	35	-	-	35
Transfer	12	(6)	-	703	-	(12)	-	-	-	74	(771)	-	-	-	-
Distribution/Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	-	(3,805)	(3,805)	-	(53)	(3,858)
Change of ownership in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	55	55
Decrease in non-controlling interests arising from capital reduction of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(35)	(35)
At 31st December, 2018	39,925	14,054	1,752	933	(1,426)	158	664	15	(3)	4,963	30,791	91,826	8,894	2,855	103,575

1. *During the year, the Bank issued HK$5,083 million (USD650 million) undated non-cumulative subordinated Additional Tier 1 capital securities ("AT1"). Direct issuance costs of HK$14 million are accounted for as a deduction from the equity instruments.*

2. *During the year, the Bank redeemed the remaining HK$2,495 million (USD318 million) Hybrid Tier 1 capital instruments which were classified as non-controlling interests in the consolidated financial statements.*

3. *Other reserves include statutory reserve and other reserves.*

Consolidated Cash Flow Statement

	Notes	2019 HK$ Mn	2018 Restated HK$ Mn
OPERATING ACTIVITIES			
Profit for the year before taxation		3,198	8,060
Adjustments for:			
Charge for impairment losses on financial instruments		7,253	1,188
Charge for impairment losses on intangible assets		-	5
Charge for impairment losses on associate		-	397
Share of profits less losses of associates and joint ventures		(622)	(566)
Net loss on sale of investments measured at amortised cost		1	-
Net profit on sale of financial assets measured at FVOCI		(72)	(62)
Net loss/(profit) on disposal of subsidiaries and associates		7	(1)
Net profit on sale of assets held for sale		(18)	(56)
Net loss on disposal of fixed assets		13	9
Interest expense on debt securities and loan capital issued		784	631
Interest expense on lease liabilities		41	-
Depreciation on bank premises, furniture, fixtures and equipment	*12*	530	473
Depreciation on right-of-use assets	*12*	397	-
Dividend income from equity securities measured at FVOCI	*11*	(12)	(23)
Amortisation of intangible assets	*12*	14	14
Amortisation of premium/discount on debt securities and loan capital issued		15	18
Revaluation losses/(gains) on debt securities and loan capital issued		157	(102)
Valuation losses/(gains) on investment properties		33	(465)
Equity settled share-based payment expenses	*12*	23	35
		11,742	9,555
(Increase)/decrease in operating assets:			
Cash and balances with banks with original maturity beyond three months		4,786	8,361
Placements with and advances to banks and other financial institutions with original maturity beyond three months		(12,438)	(2,888)
Trade bills		2,569	(710)
Trading assets		2,096	2,933
Financial assets designated at fair value through profit or loss		1,184	1,495
Derivative assets		4,518	1,124
Loans and advances to customers		(14,302)	(28,705)
Debt investment securities measured at amortised cost		794	(1,336)
Debt investment securities measured at FVOCI		(11,277)	(12,661)
Debt investment securities mandatorily measured at FVTPL		2,070	(1,953)
Other assets		(1,918)	(1,725)
Increase/(decrease) in operating liabilities:			
Deposits and balances of banks and other financial institutions		425	509
Deposits from customers		(587)	2,430
Certificate of deposit issued		15,569	22,013
Trading liabilities		-	(11)
Derivative liabilities		(1,842)	(2,581)
Other liabilities		4,057	5,955
Exchange adjustments		484	2,023
NET CASH INFLOW FROM OPERATIONS		7,930	3,828
Income tax paid			
Hong Kong profits tax paid		(24)	(625)
Outside Hong Kong profits tax paid		(335)	(568)
NET CASH GENERATED FROM OPERATING ACTIVITIES		7,571	2,635

	Notes	2019 HK$ Mn	2018 Restated HK$ Mn
INVESTING ACTIVITIES			
Dividends received from associates and joint ventures		1	49
Dividends received from non-trading equity securities		12	23
Purchase of non-trading equity securities		(4,259)	(2,428)
Proceeds from sale of non-trading equity securities		5,622	2,550
Purchase of fixed assets		(1,010)	(657)
Purchase of investment properties		-	(7)
Proceeds from disposal of other properties and equipment		17	28
Proceeds from sale of assets held for sale		1,016	137
Proceeds from disposal of associate		-	11
Additional investments in associates		(151)	(304)
Decrease in non-controlling interests arising from capital reduction of a subsidiary		-	(35)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		1,248	(633)
FINANCING ACTIVITIES			
Ordinary dividends paid		(823)	(832)
Distribution to Hybrid/Additional Tier 1 issue holders	*2(c)*	(680)	(713)
Issue of ordinary share capital	*1(c)*	-	73
Issue of additional equity instruments		5,083	-
Issue of debt securities		3,024	114
Issue of loan capital		1,675	-
Payment of lease liabilities		(391)	-
Redemption of Hybrid Tier 1 issued		(2,495)	-
Redemption of debt securities issued		(408)	(565)
Redemption of loan capital		(3,913)	-
Interest paid on debt securities issued		(15)	(16)
Interest paid on loan capital		(653)	(617)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		404	(2,556)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,223	(554)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		86,020	89,980
Effect of foreign exchange rate changes		(605)	(3,406)
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		94,638	86,020

Cash flows from operating activities included:			
Interest received		28,941	24,710
Interest paid		13,703	12,547
Dividend received		48	73

Notes to the Financial Statements

1. (a) The financial information relating to the years ended 31st December, 2019 and 2018 included in this announcement of 2019 final results do not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31st December, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2019 in due course.

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

(b) (i) The calculation of basic earnings per share is based on the consolidated profit for the year attributable to owners of the parent of HK$2,580 million (2018: HK$5,796 million) after the distribution of HK$680 million (2018: HK$713 million) to Hybrid/Additional Tier 1 issue holders, and on the weighted average of 2,885 million (2018: 2,805 million) ordinary shares outstanding during the year.

(ii) The calculation of diluted earnings per share is based on the consolidated profit for the year attributable to owners of the parent of HK$2,580 million (2018: HK$5,796 million) after the distribution of HK$680 million (2018: HK$713 million) to Hybrid/Additional Tier 1 issue holders, and on 2,885 million (2018: 2,805 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

(c) Share capital

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

	2019		2018	
	No. of shares Mn	HK$ Mn	No. of shares Mn	HK$ Mn
Ordinary shares, issued and fully paid:				
At 1st January	2,846	39,925	2,765	37,527
Shares issued under Staff Share Option Schemes	-	-	3	73
Transfer of the fair value of options from capital reserve – share options issued	-	-	-	12
Shares issued in lieu of dividend	61	1,454	78	2,313
At 31st December	2,907	41,379	2,846	39,925

2. Distribution/Dividends

(a) Dividends attributable to the year

	2019	2018
	HK$ Mn	HK$ Mn
Interim dividend declared and paid of HK$0.11 per share on 2,897 million shares (2018: HK$0.51 per share on 2,808 million shares)	319	1,432
Second interim 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$0.32 per share (2018: HK$0.60 per share)	-	1
Second interim dividend of HK$0.35 per share on 2,906 million shares (2018: HK$0.32 per share on 2,846 million shares)	1,017	910
Special dividend of HK$0.35 per share on 2,846 million shares	-	996
	1,336	3,339

The total dividend attributable to the year is HK$0.46 per share (2018: HK$1.18 per share). The second interim dividend has not been recognised as a liability at the end of the reporting period.

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

	2019	2018
	HK$ Mn	HK$ Mn
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK$0.32 per share on 2,846 million shares (2018: HK$0.60 per share on 2,765 million shares)	910	1,659
Special dividend of HK$0.35 per share on 2,846 million shares	996	-
	1,906	1,659

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

	2019	2018
	HK$ Mn	HK$ Mn
Interest paid or payable on the Hybrid Tier 1 capital instruments	179	212
Amount paid on the Additional Tier 1 capital instruments	501	501
	680	713

3. Changes in Accounting Policies

The Group has initially adopted HKFRS 16 Leases from 1st January, 2019. A number of other new standards are effective 1st January, 2019 but they do not have a material effect on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HKFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

(b) As a lessee

The Group leases many assets, including properties and equipments.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases that have a lease term of 12 months or less ("short-term leases"), and leases of underlying assets with an approximate value of HK$0.04 million or less ("low-value assets"). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presented right-of-use assets in 'fixed assets', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Right-of-use assets		
	Bank premises	Furniture, fixtures and equipment	Total
	HK$ Mn	HK$ Mn	HK$ Mn
Balance at 1st January	1,099	9	1,108
Balance at 31st December	1,069	19	1,088

The Group presented lease liabilities in 'other liabilities' in the statement of financial position.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1st January, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains an option to extend or terminate the lease.

(c) As a lessor

The Group leases out its investment properties as the lessor of operating leases.

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(d) Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, with adjustment of prepaid and accrued lease payments. The impact on transition is summarised below.

	Carrying amount at 31st December, 2018	Capitalisation of operating lease contracts	Carrying amount at 1st January, 2019
	HK$ Mn	HK$ Mn	HK$ Mn
Fixed assets			
- Right-of-use assets	-	1,108	1,108
Other assets			
- Other accounts	9,294	(20)	9,274
Total Assets	839,451	1,088	840,539
Other liabilities			
- Lease liabilities	-	1,094	1,094
- Other accounts	26,300	(6)	26,294
Total Liabilities	735,876	1,088	736,964

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1st January, 2019. The weighted-average incremental borrowing rate applied is 3.65%.

	1st January, 2019
	HK$ Mn
Operating lease commitment at 31st December, 2018	1,085
Less: Commitments relating to leases not yet commenced	(85)
Less: Commitments relating to leases exempt from capitalisation:	
- Leases with less than 12 months of lease term at transition	(58)
- Leases of low-value assets	(2)
Add: Extension options or termination options reasonably certain to be exercised	321
	1,261
Less: Total future interest expenses	(167)
Lease liabilities recognised at 1st January, 2019	1,094

4. Interest Income

	2019	2018
	HK$ Mn	HK$ Mn
Loans, deposits with banks and financial institutions, and trade bills	23,975	21,472
Investment securities		
- measured at amortised cost or FVOCI	4,113	3,609
- designated at FVTPL	107	109
- mandatory at FVTPL	245	269
Trading assets	69	139
	28,509	25,598

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

The above included HK$28,077 million (2018: HK$25,058 million) interest income, before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

5. Interest Expense

	2019	2018
	HK$ Mn	HK$ Mn
Customer deposits, deposits of banks and other financial institutions		
– at amortised cost	11,485	10,725
– designated at FVTPL	65	22
Certificates of deposit and debt securities issued		
– at amortised cost	1,254	955
– designated at FVTPL	447	275
Subordinated notes carried at amortised cost	704	634
Lease liabilities	41	-
Other borrowings	13	28
	14,009	12,639

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

The above included HK$13,457 million (2018: HK$12,336 million) interest expense, before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

6. Fee and Commission Income

Fee and commission income is disaggregated by services:

	2019 HK$ Mn	2018 HK$ Mn
Credit cards	1,221	1,125
Loans, overdrafts and guarantees	752	746
Other retail banking services	374	343
Trust and other fiduciary activities	338	310
Trade finance	325	342
Securities and brokerage	198	279
Investment products	114	122
Sale of third party insurance policies	90	44
Financial consultancy	26	66
Others	449	436
Total fee and commission income	3,887	3,813
of which:		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not measured at FVTPL	2,956	2,678
Fee income	3,887	3,813
Fee expenses	(931)	(1,135)

7. Net Trading Profit

	2019 HK$ Mn	2018 HK$ Mn
Profit on dealing in foreign currencies and funding swaps	399	624
Profit/(Loss) on trading securities	184	(44)
Net gain on derivatives	194	365
Loss on other dealing activities	(6)	(1)
Dividend income from trading equity securities	36	50
	807	994

8. Net Result from Other Financial Instruments at FVTPL

	2019 HK$ Mn	2018 HK$ Mn
Net loss from financial instruments designated at FVTPL	(28)	(45)
Net gain/(loss) from financial instruments mandatorily measured at FVTPL (other than those included in net trading profit)	241	(241)
	213	(286)

9. Net Hedging Profit

	2019	2018
	HK$ Mn	HK$ Mn
Fair value hedges		
- Net gain on hedged items attributable to the hedged risk	1,594	224
- Net loss on hedging instruments	(1,582)	(181)
	12	43

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the years 2019 and 2018.

10. Net Insurance Profit

		2019	2018
		HK$ Mn	HK$ Mn
(a) Net insurance profit			
Net interest income		650	530
Net trading (loss)/profit		(101)	10
Net gain/(loss) from financial instruments mandatory at FVTPL		588	(372)
Net insurance premium	(b)	6,058	4,890
Other operating income		1	-
		7,196	5,058
Net insurance claims and expenses	(c)	(6,608)	(4,781)
		588	277
Operating expenses		(3)	(2)
Impairment loss on financial instruments		(23)	(7)
Net profit on sale of debt investment securities measured at FVOCI		264	27
		826	295
(b) Net insurance premium			
Gross insurance premium income *(Note)*		6,123	4,954
Reinsurers' share of gross insurance premium income		(65)	(64)
		6,058	4,890
(c) Net insurance claims and expenses			
Claims, benefits and surrenders paid		2,915	2,869
Movement in provisions		3,554	1,796
		6,469	4,665
Reinsurers' share of claim, benefits and surrenders paid		(322)	(376)
Reinsurers' share of movement in provisions		306	327
		(16)	(49)
		6,453	4,616
Net insurance commission expenses		155	165
		6,608	4,781

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

11. Other Operating Income

	2019	2018
	HK$ Mn	HK$ Mn
Dividend income from equity securities measured at FVOCI	12	23
Rental from safe deposit boxes	119	110
Rental income on properties	175	178
Others	79	103
	385	414

12. Operating Expenses

	2019	2018
	HK$ Mn	HK$ Mn
Contributions to defined contribution plan*		
- Hong Kong	175	147
- Outside Hong Kong	227	239
Equity settled share-based payment expenses	23	35
Salaries and other staff costs	4,799	4,654
Total staff costs	5,224	5,075
Premises and equipment expenses excluding depreciation		
- Rental	-	517
- Expenses relating to short-term leases	69	-
- Expenses relating to low value assets	1	-
- Variable lease payments not included in the measurement of lease liabilities	4	-
- Maintenance, repairs and others	548	588
Total premises and equipment expenses excluding depreciation	622	1,105
Depreciation on		
- Bank premises, furniture, fixtures and equipment	530	473
- Right-of-use assets	397	-
	927	473
Amortisation of intangible assets	14	14
Other operating expenses		
- Internet platform charges	913	183
- Legal and professional fees	492	410
- Communications, stationery and printing	268	268
- Advertising expenses	255	251
- Card related expenses	174	127
- Stamp duty, withholding taxes and value added taxes	117	118
- Insurance expenses	114	82
- Business promotions and business travel	105	127
- Audit fee	19	18
- Others	647	312
Total other operating expenses	3,104	1,896
Total operating expenses**	9,891	8,563

* *Forfeited contributions totalling HK$19 million (2018: HK$23 million) were utilised to reduce the Group's contribution during the year. There were no forfeited contributions available for reducing future contributions at the year end (2018: Nil).*

** *Included in operating expenses are direct operating expenses of HK$5 million (2018: HK$8 million) in respect of investment properties which generated rental income during the year.*

13. Impairment Losses on Financial Instruments

	2019 HK$ Mn	2018 HK$ Mn
Loans and advances to customers	7,250	1,159
Others	3	29
	7,253	1,188

14. Impairment Losses on Intangible Assets

	2019 HK$ Mn	2018 HK$ Mn
Impairment losses on intangible assets	-	5

15. Net Profit on Sale of Financial Assets Measured at FVOCI

	2019 HK$ Mn	2018 HK$ Mn
Net profit on sale of debt securities		
- Net revaluation gain transferred from reserves	285	52
- (Loss)/Profit arising in current year	(213)	10
	72	62

16. Net Profit on Sale of Assets Held for Sale

	2019 HK$ Mn	2018 HK$ Mn
Net profit on sale of properties	108	56
Net loss on sale of disposal groups	(90)	-
	18	56

17. Net Loss on Disposal of Fixed Assets

	2019 HK$ Mn	2018 HK$ Mn
Net loss on disposal of bank premises, furniture, fixtures and equipment	(13)	(9)

18. Income Tax

Taxation in the consolidated income statement represents:

	2019	2018
	HK$ Mn	HK$ Mn
Current tax – Hong Kong		
Tax for the year	1,024	829
(Over)/Under-provision in respect of prior years	(145)	48
	879	877
Current tax – outside Hong Kong		
Tax for the year	284	618
Over-provision in respect of prior years	(138)	(4)
	146	614
Deferred tax		
Origination and reversal of temporary differences	(1,163)	15
	(138)	1,506

The provision for Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year.

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

19. Trading Assets

	2019	2018
	HK$ Mn	HK$ Mn
Treasury bills (including Exchange Fund Bills)	34	270
Debt securities	56	1,861
Equity securities	1,183	1,352
	1,273	3,483

20. Loans and Advances to Customers

(a) Loans and advances to customers

	2019	2018
	HK$ Mn	HK$ Mn
Loans and advances to customers at amortised cost	509,105	500,631
Less: Impairment allowances	(3,769)	(2,347)
- Stage 1	(501)	(431)
- Stage 2	(516)	(855)
- Stage 3	(2,752)	(1,061)
	505,336	498,284

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

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

	2019		2018	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK$ Mn	%	HK$ Mn	%
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	25,242	59.07	26,427	59.34
- Property investment	49,772	89.75	40,218	90.48
- Financial concerns	15,322	63.71	14,944	69.20
- Stockbrokers	1,694	70.22	1,928	67.61
- Wholesale and retail trade	7,156	53.63	6,839	53.30
- Manufacturing	3,510	50.49	1,903	51.42
- Transport and transport equipment	4,736	64.85	5,111	64.32
- Recreational activities	99	71.92	35	91.59
- Information technology	655	2.19	668	3.38
- Others	26,228	73.02	20,196	72.96
- Sub-total	134,414	73.24	118,269	73.07
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,124	100.00	1,048	100.00
- Loans for the purchase of other residential properties	61,111	100.00	55,292	100.00
- Credit card advances	4,696	0.00	4,496	0.00
- Others	45,968	88.85	39,909	88.91
- Sub-total	112,899	91.30	100,745	91.14
Total loans for use in Hong Kong	247,313	81.49	219,014	81.38
Trade finance	3,686	53.24	3,733	56.18
Loans for use outside Hong Kong*	258,106	41.29	277,884	46.84
Total advances to customers	509,105	60.90	500,631	62.02

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

	2019		2018 (Restated)	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK$ Mn	%	HK$ Mn	%
Loans for use in PRC				
Industrial, commercial and financial				
- Property development	41,117	34.72	45,304	49.98
- Property investment	16,957	90.50	24,020	95.23
- Financial concerns	32,658	3.43	30,924	5.70
- Wholesale and retail trade	7,771	46.21	9,057	55.60
- Manufacturing	5,556	13.30	6,673	26.08
- Transport and transport equipment	2,315	73.20	2,911	82.36
- Recreational activities	560	2.89	1,074	78.64
- Information technology	1,326	0.90	3,685	0.60
- Others	16,341	27.53	19,063	33.89
- Sub-total	124,601	33.14	142,711	44.69
Individuals				
- Loans for the purchase of other residential properties	13,360	99.97	13,879	99.97
- Credit card advances	8,631	0.00	9,405	0.00
- Others	17,838	1.48	17,093	2.19
- Sub-total	39,829	34.20	40,377	35.29
Total loans for use in PRC	164,430	33.40	183,088	42.62

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:

	2019	2018
	HK$ Mn	HK$ Mn
(i) Property development		
a. Individually impaired loans	1,329	749
b. Specific provisions	257	-
c. Collective provisions	139	249
d. New provision charged to income statement	1,745	188
e. Written off	2,058	50
(ii) Property investment		
a. Individually impaired loans	1,076	150
b. Specific provisions	301	94
c. Collective provisions	289	314
d. New provision charged to income statement	1,327	310
e. Written off	1,657	264
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	264	278
b. Specific provisions	19	8
c. Collective provisions	71	201
d. New provision charged to income statement	68	158
e. Written off	6	8
(iv) Financial concerns		
a. Individually impaired loans	48	-
b. Specific provisions	-	-
c. Collective provisions	101	103
d. New provision charged to income statement	58	41
e. Written off	-	-

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

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

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 23 which is prepared in a manner consistent with the way in which information is reported internally to the Group's Senior Management. The specific provisions represent lifetime expected credit loss provisions for credit impaired exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired exposures.

	2019				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Hong Kong	252,488	391	716	176	396
Mainland China	186,380	1,603	4,997	2,508	533
Other Asian Countries and Regions	30,255	110	156	68	62
Others	39,982	-	320	-	26
Total	509,105	2,104	6,189	2,752	1,017
% of total advances to customers			1.22%		
Market value of collateral held against impaired advances to customers			4,958		

	2018				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Hong Kong	225,656	367	559	224	260
Mainland China	203,377	2,405	2,515	776	871
Other Asian Countries and Regions	27,634	121	396	61	117
Others	43,964	-	21	-	38
Total	500,631	2,893	3,491	1,061	1,286
% of total advances to customers			0.70%		
Market value of collateral held against impaired advances to customers			2,414		

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

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

21. Investment Securities

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

	2018				
	Mandatorily measured at FVTPL	Designated at FVTPL	Measured at FVOCI	Measured at amortised cost	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Treasury bills (including Exchange Fund Bills)	-	-	26,594	1,915	28,509
Certificates of deposits held	-	-	1,191	1,109	2,300
Debt securities	10,663	1,630	81,574	15,997	109,864
Equity securities	2,513	-	688	-	3,201
Investment funds	855	-	-	-	855
	14,031	1,630	110,047	19,021	144,729

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

Equity securities designated at FVOCI

	2019		2018	
	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Equity investments held for long-term strategic purposes	1,055	12	688	23

As at 31 December 2019, equity securities designated at FVOCI amounting to HK$1,055 million (2018: HK$688 million) were held for long term strategic purpose, of which HK$853 million (2018: HK$481 million) was attributable to the fair value of the Bank's investment in China UnionPay Co., Ltd. None of these strategic investments was disposed of during 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

22. Other Assets

	2019	2018
	HK$ Mn	HK$ Mn
Accrued interest	3,034	3,466
Customer liabilities under acceptances	21,513	21,747
Other accounts*	11,318	9,294
Less: Impairment allowances	(195)	(291)
- Stage 1	(44)	(27)
- Stage 2	(7)	(6)
- Stage 3	(144)	(258)
	35,670	34,216
Assets held for sale *(Note 28)*	39	688
	35,709	34,904

** Include nil contract assets (2018: nil) from contracts with customers under HKFRS 15.*

23. Segment Reporting

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

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

Corporate banking includes corporate lending and loan syndication, asset based lending, commercial lending, securities lending and trade financing activities with correspondent banks and corporates in Hong Kong.

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

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

Other Hong Kong operations mainly include insurance business, trust business, securities & futures broking, corporate financial advisory, other subsidiaries in Hong Kong and supporting units of Hong Kong operations.

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

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

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

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

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

	2019									
	Hong Kong operations									
	Personal banking	Corporate banking	Treasury markets	Wealth management	Others	Total	Mainland China operations	Overseas operations	Inter-segment elimination	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Net interest income	3,531	2,313	219	407	1,581	8,051	4,958	1,466	25	14,500
Non-interest income/ (expense)	1,053	474	339	370	1,979	4,215	1,088	296	(415)	5,184
Operating income	4,584	2,787	558	777	3,560	12,266	6,046	1,762	(390)	19,684
Operating expenses	(1,722)	(322)	(155)	(222)	(2,835)	(5,256)	(4,328)	(697)	390	(9,891)
Operating profit before impairment losses	2,862	2,465	403	555	725	7,010	1,718	1,065	-	9,793
(Charge for)/Write back of impairment losses on financial instruments	(200)	(117)	5	(3)	(3)	(318)	(6,994)	59	-	(7,253)
Operating profit/(loss) after impairment losses	2,662	2,348	408	552	722	6,692	(5,276)	1,124	-	2,540
Profit/(Loss) on sale of fixed assets, financial assets measured at FVOCI and investments measured at amortised cost	(8)	(1)	(3)	-	25	13	46	(1)	-	58
Profit/(Loss) on sale of assets held for sale	-	-	-	-	105	105	(72)	(15)	-	18
Loss on disposal of subsidiaries/associates	-	-	-	-	-	-	-	(7)	-	(7)
Valuation losses on investment properties	-	-	-	-	(33)	(33)	-	-	-	(33)
Share of profits less losses of associates and joint ventures	-	-	-	-	12	12	123	487	-	622
Profit/(loss) before taxation	2,654	2,347	405	552	831	6,789	(5,179)	1,588	-	3,198
Depreciation for the year	(314)	(4)	(5)	(3)	(233)	(559)	(302)	(66)	-	(927)
Segment assets	117,815	160,856	199,827	28,342	40,863	547,703	241,082	113,978	(47,574)	855,189
Investments in associates and joint ventures	-	-	-	-	79	79	3,741	6,150	-	9,970
Other assets – Assets held for sale	-	-	-	-	5	5	34	-	-	39
Total assets	117,815	160,856	199,827	28,342	40,947	547,787	244,857	120,128	(47,574)	865,198
Segment liabilities	336,944	27,574	68,813	22,709	26,654	482,694	213,666	105,872	(46,672)	755,560
Other liabilities – Liabilities held for sale	-	-	-	-	-	-	-	-	-	-
Total liabilities	336,944	27,574	68,813	22,709	26,654	482,694	213,666	105,872	(46,672)	755,560
Capital expenditure incurred during the year	392	5	12	3	246	658	310	42	-	1,010

	2018 (Restated) Note									
	Hong Kong operations									
	Personal banking	Corporate Banking	Treasury Markets	Wealth management	Others	Total	Mainland China operations	Overseas operations	Inter-segment elimination	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Net interest income	3,258	2,225	368	439	1,236	7,526	3,835	1,593	5	12,959
Non-interest income/ (expense)	856	475	(42)	349	1,390	3,028	1,149	281	(345)	4,113
Operating income	4,114	2,700	326	788	2,626	10,554	4,984	1,874	(340)	17,072
Operating expenses	(1,586)	(240)	(149)	(209)	(2,585)	(4,769)	(3,452)	(682)	340	(8,563)
Operating profit before impairment losses	2,528	2,460	177	579	41	5,785	1,532	1,192	-	8,509
(Charge for)/Write back of impairment losses on financial instruments	(149)	(131)	(42)	7	3	(312)	(1,042)	166	-	(1,188)
Impairment losses on intangible assets	-	-	-	-	-	-	(5)	-	-	(5)
Impairment losses on associates	-	-	-	-	-	-	-	(397)	-	(397)
Operating profit after impairment losses	2,379	2,329	135	586	44	5,473	485	961	-	6,919
Profit/(Loss) on sale of fixed assets, financial assets measured at FVOCI	(8)	-	51	-	5	48	4	1	-	53
Profit/(Loss) on sale of assets held for sale	-	-	-	-	48	48	(2)	10	-	56
Profit/(Loss) on disposal of subsidiaries/associates	-	-	-	-	-	-	2	(1)	-	1
Valuation gains on investment properties	-	-	-	-	465	465	-	-	-	465
Share of profits less losses of associates and joint ventures	-	-	-	-	(1)	(1)	118	449	-	566
Profit before taxation	2,371	2,329	186	586	561	6,033	607	1,420	-	8,060
Depreciation for the year	(66)	(1)	(5)	(2)	(165)	(239)	(204)	(30)	-	(473)
Segment assets	103,770	156,348	177,169	24,170	38,202	499,659	269,739	108,272	(48,036)	829,634
Investments in associates and joint ventures	-	-	-	-	52	52	3,637	5,440	-	9,129
Other assets – Assets held for sale	-	-	-	-	276	276	49	363	-	688
Total assets	103,770	156,348	177,169	24,170	38,530	499,987	273,425	114,075	(48,036)	839,451
Segment liabilities	323,333	14,136	59,743	23,378	20,402	440,992	240,872	101,181	(47,176)	735,869
Other liabilities – Liabilities held for sale	-	-	-	-	7	7	-	-	-	7
Total liabilities	323,333	14,136	59,743	23,378	20,409	440,999	240,872	101,181	(47,176)	735,876
Capital expenditure incurred during the year	157	-	8	-	355	520	125	19	-	664

Note: Due to the change of ownership of some customer deposits and the revision of internal fund transfer pricing methodology, some internal charges and segment grouping, certain 2018 comparative figures have been restated to conform to current year's presentation.

24. Off-balance Sheet Exposures

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

	2019	2018
	HK$ Mn	HK$ Mn
Contractual amounts of contingent liabilities		
Direct credit substitutes	11,705	14,629
Transaction-related contingencies	1,051	883
Trade-related contingencies	2,157	2,997
	14,913	18,509
Contractual amounts of commitments		
Commitments that are unconditionally cancellable without prior notice	148,791	141,668
Other commitments with an original maturity		
- up to 1 year	10,038	9,332
- over 1 year	26,772	26,710
	185,601	177,710
Total	200,514	196,219
Credit risk weighted amounts	23,193	23,531
Fair value of derivatives		
Assets		
Exchange rate contracts	2,887	6,783
Interest rate contracts	2,037	2,919
Equity contracts	767	507
Others	2	2
	5,693	10,211
Liabilities		
Exchange rate contracts	3,375	6,191
Interest rate contracts	3,442	2,816
Equity contracts	827	472
Others	10	17
	7,654	9,496
Notional amounts of derivatives		
Exchange rate contracts	449,156	723,848
Interest rate contracts	371,674	411,325
Equity contracts	12,214	11,880
Others	89	266
	833,133	1,147,319
Credit risk weighted amounts*		
Exchange rate contracts	1,743	2,843
Interest rate contracts	290	414
Equity contracts	58	122
Others	-	363
	2,091	3,742

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

* *The Bank adopted the Foundation Internal Ratings Based approach according to Capital Rules for calculating the credit risk weighted amount as at 31st December, 2019 and 31st December, 2018.*

25. Reserves

	2019	2018
	HK$ Mn	HK$ Mn
General reserve	13,651	14,054
Revaluation reserve on bank premises	1,848	1,752
Capital reserve	1,090	933
Exchange revaluation reserve	(1,629)	(1,426)
Capital reserve – staff share options issued	163	158
Fair value reserve	2,331	664
Hedging reserve	1	15
Liability credit reserve	(7)	(3)
Other reserves	5,347	4,963
Retained profits*	31,133	30,791
	53,928	51,901
Dividends declared, not provided for	1,017	1,906

* *A regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 31st December, 2019, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK$5,162 million (2018: HK$5,112 million).*

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 2.

On 6th January, 2020, the Bank has entered into a sale and purchase agreement and other documentation (collectively, the "Transaction Documents") with, amongst others, Kookmin Bank Co., Ltd. (“Kookmin Bank”) in relation to, inter alia, BEA's sale of shares representing 21% of the registered share capital of PRASAC Microfinance Institution Limited (“PRASAC”), to Kookmin Bank (the “Disposal”). Completion of the Disposal is conditional on, amongst other conditions, approvals from the Financial Services Commission of South Korea and the National Bank of Cambodia.

The Disposal will take place in two phases:

Phase 1: Each of the existing shareholders (including BEA) will sell 70% of its respective stake in PRASAC to Kookmin Bank on and subject to the terms of the Transaction Documents.

Phase 2: Each of the existing shareholders (including BEA) has a put option to sell, and Kookmin Bank has a call option to buy, the remaining 30% of each existing shareholder's (including BEA's) respective stake in PRASAC, exercisable on and subject to the terms of the Transaction Documents after the finalisation of the audited accounts of PRASAC for the financial year ending 31st December, 2021.

The novel coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. In particular, the Bank has temporarily closed 20 of its branches from 1st February, 2020, in an effort to limit the spread of novel coronavirus, as well as protect both its customers and staff members' health and safety.

The Group regularly performs stress tests on the principal risks, where appropriate, to assess the potential impact of stressed business conditions (including hypothetical situations such as a significant economic downturn in Mainland China and Hong Kong) on the Group's capital adequacy and liquidity. The test results based on the Group's latest financial position showed that both capital and liquidity levels are sufficient to absorb the impact of the stress. Whenever necessary, prompt actions will be undertaken to mitigate potential impacts. The Group will keep its contingency measures and risk management under review as the situation evolves. While the circumstances of the outbreak is evolving rapidly, an estimate of its financial impact to the Group at the current stage may not be appropriate as it will be subject to material change.

27. Comparative Figures

Certain 2018 comparative figures have been restated to conform to current year's presentation. Please refer to consolidated cash flow statement, Note 20(b) and Note 23 for the effect of restatement.

28. Assets Held for Sale

On 29th November, 2017, the Bank and its wholly-owned subsidiary, Credit Gain Finance Company Limited entered into an equity transfer agreement with China Financial Services Holdings Limited for the sale and purchase of all equity interests in Shenzhen Credit Gain Finance Company Limited ("Shenzhen Credit Gain"), Chongqing Liangjiang New Area Credit Gain Finance Company ("Chongqing Credit Gain") and Chongqing Dongrong Business Consultancy Company Limited ("Chongqing Dongrong"). The disposal of Shenzhen Credit Gain was completed on 12th April, 2019 and the disposals of Chongqing Credit Gain and Chongqing Dongrong were also completed on 18th October, 2019. Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong's assets and liabilities as at 31st December, 2018 are presented separately as assets held for sale and liabilities held for sale respectively in the consolidated financial statements.

On 29th October, 2018, the Bank entered into a sale and purchase agreement with The Bank of Yokohama, Ltd. ("BOY") for the sale of 30% of the issued shares of P.T. Bank Resona Perdania ("BRP"), held via a special purpose vehicle, East Asia Indonesian Holdings Limited, to BOY (the "Disposal"). The investment in BRP is classified and presented as assets held for sale in the consolidated financial statements as at 31st December, 2018. All the conditions precedent to completion of the Disposal have been satisfied and the Disposal was completed on 24th July, 2019.

The assets and liabilities of the disposal groups held for sale are summarised below:

	2019	2018
	HK$ Mn	HK$ Mn
ASSETS		
Cash and balances with banks and other financial institutions	-	6
Loans and advances to customers	-	228
Gross loans and advances to customers	-	230
Less: Impairment allowances		
- Stage 1	-	(1)
- Stage 2	-	-
- Stage 3	-	(1)
Fixed assets	-	8
- Investment properties	-	-
- Other properties and equipment	-	8
Deferred tax assets	-	18
Other assets	-	8
Assets held for sale	-	268
LIABILITIES		
Other liabilities	-	7
Liabilities held for sale	-	7

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

	2019	2018
	HK$ Mn	HK$ Mn
Assets held for sale *(Note 22)*		
Disposal groups held for sale	-	268
Other properties	39	57
Investment in associate	-	363
	39	688
Liabilities held for sale		
Disposal groups held for sale	-	7

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

	2019	2018
	HK$ Mn	HK$ Mn
Cumulative income recognised in other comprehensive income	-	(68)

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

A. Capital Adequacy

	2019	2018
	HK$ Mn	HK$ Mn
Capital base		
- Common Equity Tier 1 capital	75,313	74,513
- Additional Tier 1 capital	13,963	10,312
- Total Tier 1 capital	89,276	84,825
- Tier 2 capital	9,349	14,202
- Total capital	98,625	99,027
Risk weighted assets by risk type		
- Credit risk	439,676	428,383
- Market risk	13,260	18,671
- Operational risk	34,878	31,934
	487,814	478,988
Less: Deductions	(3,619)	(3,274)
	484,195	475,714

	2019	2018
	%	%
Common Equity Tier 1 capital ratio	15.6	15.7
Tier 1 capital ratio	18.4	17.8
Total capital ratio	20.4	20.8

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

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

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

For the purpose of compliance with the Banking (Disclosure) Rules, the Group has established a section on the Bank’s website. Additional information relating to the Group’s regulatory capital and other disclosures can be found in this section of the Bank’s website, accessible through the “Regulatory Disclosures” link on the home page of the Bank’s website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures .

B. Leverage Ratio

	2019	2018 Restated
	HK$ Mn	HK$ Mn
Total Tier 1 capital	89,276	84,825
Exposure measure	874,070	862,745
	%	%
Leverage ratio	10.2	9.8

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

C. Liquidity Position

		2019	2018
		%	%
Average liquidity coverage ratio	- First quarter	169.8	137.8
	- Second quarter	171.7	144.8
	- Third quarter	166.9	153.0
	- Fourth quarter	175.7	180.5

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

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

D. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances

	2019		2018	
	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	1,049	0.2	970	0.2
- 1 year or less but over 6 months	308	0.1	428	0.1
- Over 1 year	747	0.1	1,495	0.3
	2,104	0.4	2,893	0.6
Rescheduled advances to customers	163	0.0	110	0.0
Total overdue and rescheduled advances	2,267	0.4	3,003	0.6
Covered portion of overdue advances	1,408	0.3	2,159	0.4
Uncovered portion of overdue advances	696	0.1	734	0.2
Current market value of collateral held against the covered portion of overdue advances	2,876		4,273	
Specific provisions made on advances overdue for more than 3 months	1,190		789	

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

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

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

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

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

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

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

(b) Advances to banks

	2019	2018
	HK$ Mn	HK$ Mn
Advances to banks overdue for		
- 6 months or less but over 3 months	-	-
- 1 year or less but over 6 months	-	-
- Over 1 year	-	-
	-	-
Rescheduled advances to banks	-	-
Total overdue and rescheduled advances	-	-

(c) Other overdue and rescheduled assets

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

	2018		
	Accrued interest	Debt securities	Other assets*
	HK$ Mn	HK$ Mn	HK$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	19	-	-
- 1 year or less but over 6 months	8	-	-
- Over 1 year	281	-	1
	308	-	1
Rescheduled assets	1	-	-
Total other overdue and rescheduled assets	309	-	1

** Other assets refer to trade bills and receivables.*

(d) Repossessed assets

	2019	2018
	HK$ Mn	HK$ Mn
Repossessed land and buildings*	225	147
Repossessed vehicles and equipment	-	-
Repossessed machines	-	-
Total repossessed assets	225	147

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

** The balance included HK$4 million (2018: HK$58 million) relating to properties that were contracted for sale but not yet completed.*

E. Banking Disclosure Statement

Additional information disclosures for this year which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

STATEMENT OF COMPLIANCE

(1) In preparing the accounts for 2019, the Bank has fully complied with the Banking (Disclosure) Rules.

(2) The Bank is committed to maintaining high corporate governance standards and considers such commitment essential in balancing the interests of shareholders, customers, employees and other relevant stakeholders; and in upholding accountability and transparency.

(3) During the financial year ended 31st December, 2019, the Bank has complied with all the Code Provisions set out in the CG Code, except for Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, during the period from 1st January, 2019 to 30th June, 2019. With the re-designation of Dr. the Hon. Sir David LI Kwok-po as the Executive Chairman of the Bank and the appointment of Mr. Adrian David LI Man-kiu and Mr. Brian David LI Man-bun as Co-Chief Executives of the Bank on 1st July, 2019, the Bank has complied with all the Code Provisions set out in the CG Code.

(4) During the financial year ended 31st December, 2019, the Bank has followed the modules on CG-1, CG-5, Guidance on Empowerment of INEDs and circular on Bank Culture Reform.

(5) During the financial year ended 31st December, 2019, the number of INEDs once fell below the minimum number prescribed by Rule 3.10A of the Listing Rules after the resignation of The Hon. CHAN Kin-por as an INED on 1st June, 2019. Following the resignation of Mr. Peter LEE Ka-kit as a Non-executive Director on 23rd August, 2019, the Bank is in compliance with the requirement of Rule 3.10A of the Listing Rules. The independence element of the Board has been further strengthened after the appointment of Mr. William Junior Guilherme DOO as an INED on 1st November, 2019.

PAYMENT OF SECOND INTERIM DIVIDEND FOR 2019

The Board has declared a second interim dividend for the year ended 31st December, 2019 ("**2019 Second Interim Dividend**") of HK$0.35 per Share (2018 Second Interim Dividend: HK$0.32 per Share), together with the 2019 interim dividend of HK$0.11 per Share paid in October 2019, will constitute a total dividend of HK$0.46 per Share (2018 total dividend and 100th anniversary special dividend: HK$1.18 per Share) for the full year. The 2019 Second Interim Dividend will be paid on or about Wednesday, 1st April, 2020 in cash with an option to receive new, fully paid Shares in lieu of cash ("**Scrip Dividend Scheme**"), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Tuesday, 10th March, 2020. For the purpose of calculating the number of new Shares to be allotted under the Scrip Dividend Scheme, the market value of the new Shares means 95% of the average closing price of the Shares on the Stock Exchange from Thursday, 5th March, 2020 (being the first day that the Shares will be traded ex-dividend) to Wednesday, 11th March, 2020 (both days inclusive). Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Tuesday, 10th March, 2020.

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 Wednesday, 1st April, 2020.

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 2019 Second Interim Dividend, the Register of Members of the Bank will be closed on Monday, 9th March, 2020 and Tuesday, 10th March, 2020. In order to qualify for the 2019 Second Interim Dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Standard Limited (Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) by 4:00 p.m. on Friday, 6th March, 2020.

(b) For the purpose of determining shareholders who are entitled to attend and vote at the 2020 AGM, the Register of Members of the Bank will be closed from Friday, 17th April, 2020 to Friday, 24th April, 2020 (both days inclusive). In order to qualify for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Standard Limited (Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) by 4:00 p.m. on Thursday, 16th April, 2020.

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

On 5th November, 2019, the Bank completed the early redemption of a face value of US$318.345 million of Hybrid Tier 1 Capital Securities (comprising 8.5% step-up subordinated notes due 2059 issued by the Bank (the "2059 Notes") stapled with perpetual non-cumulative step-up preference shares issued by Innovate Holdings Limited, a wholly-owned subsidiary of the Bank, (the "Innovate Preference Shares")). The 2059 Notes and the Innovate Preference Shares were issued in 2009 and listed as stapled units on the Singapore Exchange.

On 20th November, 2019, the Bank completed the early redemption of a face value of US$500 million of 4.25% Tier 2 Capital Dated Subordinated Notes due 2024 (the "2024 Subordinated Notes"). The 2024 Subordinated Notes were issued in 2014 under the Bank's Medium Term Note Programme and listed on the Stock Exchange.

Save for the redemption of the Hybrid Tier 1 Capital Securities and the 2024 Subordinated Notes as disclosed herein, there was no purchase, sale or redemption by the Bank or any of its subsidiaries, of listed securities of the Bank during the year ended 31st December, 2019.

EXECUTIVE CHAIRMAN'S STATEMENT

This year is the first time that I report to you in my new position as Executive Chairman of the Bank. It has been my great privilege to serve as Chief Executive for the past 38 years, and I am very pleased that Mr. Adrian Li and Mr. Brian Li will now lead the Bank forward as Co-Chief Executives.

Their appointment, in our centenary year, brings continuity amidst global economic uncertainty and transition in the financial sector.

Increasing competition and accelerating change, a slowing Mainland economy aggravated by the US-China trade dispute, and prolonged social unrest in Hong Kong made 2019 a particularly challenging year.

We continue to believe in the immense potential of our home markets. During our centenary year, BEA took stock, identified opportunities and invested for future growth. We also reaffirmed our medium and long-term strategies, rolling out a series of measures focusing on meeting customer needs, driving sustainable growth and enhancing the efficiency of our business.

Customer centricity

In the 100 years since we first opened our doors, we have grown together with the customers we serve. As we enter our second century, our customers remain our top priority.

Going forward, BEA aims to build even stronger long-term client relationships, as we hone our focus on being a customer-centric financial services provider.

Over the decades, customer expectations with regard to convenience and service quality have evolved considerably, ever more so in the digital era. At BEA, we have long been at the forefront of banking technology, and we will continue to develop innovative and user-friendly services and tools to best serve our customers.

On 1st January, 2020, we established a new Digital & Innovation Office. This office will lead the Group's digital strategy, focussing on enhancing our data analytics capabilities, strengthening our insights into customer behaviour and preferences, and building fintech solutions.

We are also focussing on our partnerships with digital service providers, extending our client base and bringing our customers new experiences and new solutions. At the same time, we are continuously upgrading security, ensuring that we remain at the forefront of best practice in the industry.

Sustainable growth

With the low interest rate environment expected to persist, we are seeking to expand fee income.

Moving into 2020, we are enhancing our retail wealth management platform and strengthening cross-border collaboration to capture opportunities arising from the region's increasing affluence.

We aim to provide holistic banking services through our online and offline channels, striving to serve an ever-larger share of our customers' financial needs.

With the strength of our mobile and digital offering, we are well-positioned to compete with new market entrants, including technology firms and virtual banks. At the same time, our branch network gives us a clear advantage in building relationships and providing more complex products and services.

To attract low-cost deposits and drive down funding costs, we will continue to expand our transaction banking, trade finance and cash management businesses. Meanwhile, BEA China will focus on its co-lending, credit card, trade finance, supply-chain financing and cross-border financing businesses.

Efficiency and productivity

We have implemented measures across the Bank to improve productivity and draw greater returns from our assets.

In Hong Kong, we have made changes in various areas to facilitate collaboration between business units, driving improvements in efficiency and value creation. We continue to streamline branch and back-office operations, deploying end-to-end technologies to reduce staff workload and reposition our branches as sales centres.

Similarly, BEA China is reallocating resources to high-potential areas and investing in online infrastructure, in alignment with customer trends. At the same time, key processes such as risk management are being centralised to improve effectiveness and strengthen internal controls.

Recognising that the key to success is our people, we are nurturing a Bank culture that takes prides in delivering best-in-class financial solutions. To this end, we have realigned our appraisal and incentive system to encourage greater collaboration and motivate staff to strive for excellence.

To ensure that capital is deployed efficiently and improve the return on risk-weighted assets, we have set clear goals for our business units. Finally, while investing for productivity growth and efficiency gains, we will remain disciplined regarding expenses to ensure that we operate a sustainable, cost-effective business.

Outlook

The challenging conditions in 2019 caused difficulties for certain clients in the Mainland. Accordingly, the Bank accelerated the downgrade of a number of loans and made adequate provisions to address the situation. This prudent approach led to a surge in the non-performing loan ratio for 2019. We continue to de-risk and actively manage the problem loan portfolio.

In mid-January 2020, the Central People's Government launched a series of initiatives to control the threat to public health posed by a new coronavirus. While the outbreak has been concentrated on the Mainland, a number of countries have introduced travel restrictions on visitors from China in an attempt to contain the spread of the virus. At the beginning of February, BEA implemented its emergency response protocol for infectious diseases, introducing work-from-home arrangements where practicable and appropriate. A number of branches have been closed temporarily to protect our customers and our staff.

We continue to maintain all services for our clients, and encourage customers to use our on-line channels wherever possible. We are monitoring the situation, and will adopt a risk-averse posture until the outbreak is brought under control.

In the longer term, we see great opportunities to prosper in line with national growth initiatives. With a major branch presence within the Greater Bay Area, BEA is well placed to benefit from policies that aim to transform the region into a global technology and innovation hub. By leveraging our unique China platform and robust fintech solutions, BEA's solid franchise will be further strengthened, assuring the Bank's long-term prospects.

We continue to strengthen ties with our two key strategic partners, namely CaixaBank and Sumitomo Mitsui Banking Corporation, and deepen our relationships with all other partners and affiliates. We believe that these relationships will become even more valuable in the years to come.

We are also investing in our people and in new resources to realise our vision to be the trusted and preferred banking partner in Greater China and beyond. We are confident that this commitment will enable BEA to meet the increasingly sophisticated needs of retail, corporate and private banking customers at all times.

I extend my grateful thanks to our talented and dedicated management team for their commitment to the Bank's long-term goals. The management team and I are very grateful to all our employees for their pursuit of excellence in all that they do.

I extend my personal appreciation to the Bank's Board of Directors and the Directors of our subsidiaries and associated companies for their support and invaluable advice during the past year. I am also very grateful to all our business partners for their significant contributions to our success. And I thank our shareholders for sharing our vision, and for supporting us through every market cycle.

Most importantly, I thank our clients for placing their trust in BEA. We aim to serve you to your complete satisfaction, whichever way you choose to bank with us.

David LI Kwok-po
Executive Chairman

Hong Kong, 19th February, 2020

REPORT OF THE SENIOR MANAGEMENT

FINANCIAL REVIEW

Financial Performance

For the year 2019, the Group earned a profit attributable to owners of the parent of HK$3,260 million, representing a decrease of HK$3,249 million or 49.9%, compared with the HK$6,509 million earned in 2018. Pre-provision operating profit of the Group was strong, growing by 15.1% year-on-year. The drop in attributable profit was mainly due to a significant increase in impairment losses in Mainland China.

Basic earnings per share stood at HK$0.89 in 2019, compared to HK$2.07 in 2018.

Return on average assets and return on average equity were 0.3% and 2.7%, respectively, in 2019, compared to 0.7% and 6.3%, respectively, in 2018.

Net interest income for the Group increased by HK$1,541 million, or 11.9%, to HK$14,500 million, as net interest margin rose from 1.73% to 1.85% and average interest-bearing assets grew by 4.9%.

Net fee and commission income rose by HK$288 million, or 10.8%, to HK$2,941 million. The growth was largely contributed by higher commission income from credit cards and sales of third-party insurance policies, and was partially offset by a decrease in commission income from securities and brokerage.

Taken together, net trading and hedging results and net results from financial instruments designated/mandatory at fair value through profit or loss increased by HK$281 million to HK$1,032 million. Overall, non-interest income grew by 26.0% to HK$5,184 million. Operating income increased by 15.3% to HK$19,684 million.

Total operating expenses rose by 15.5% to HK$9,891 million. The rise was mainly due to an increase in internet platform charges incurred for retail co-lending business in Mainland China. Excluding such internet platform charges, total operating expenses rose by 7.1%.The cost-to-income ratio remained flat at 50.2% in 2019.

Pre-provision operating profit stood at HK$9,793 million, an increase of HK$1,284 million, or 15.1%, when compared with 2018.

The net charge of impairment losses on financial assets for the Group rose from HK$1,188 million in 2018 to HK$7,253 million in 2019, mainly due to higher impairment losses recorded by Mainland China operations, and the Group's impaired loan ratio rose from 0.70% at the end of 2018 to 1.22% at the end of 2019. The impaired loan ratio for Hong Kong operations improved from 0.29% to 0.25%, while that for Mainland China operations rose from 1.73% to 3.80%.

Operating profit after impairment losses amounted to HK$2,540 million, a decrease of HK$4,379 million, or 63.3%.

Net profit on the sale of financial assets measured at fair value through other comprehensive income increased by 17.6% to HK$72 million.

Net profit on sale of assets held for sale in 2019 amounted to HK$18 million, mainly contributed by a profit of HK$105 million on the disposal of several properties in Hong Kong, partly offset by a loss of HK$94 million on the disposal of certain subsidiaries in Mainland China and an associated company in Indonesia.

Valuation on investment properties recorded a net loss of HK$33 million.

The Group shared after-tax profits from associates and joint ventures of HK$622 million, an increase of HK$56 million, or 9.9% compared to 2018.

Owing to a deferred tax credit arising from impairment losses recorded in Mainland operations and a write back of certain overprovision in Hong Kong and Overseas operations, the Group's income tax reversed from a charge of HK$1,506 million for 2018 to a credit of HK$138 million for 2019.

After accounting for income taxes, profit after taxation fell to HK$3,336 million, a decrease of 49.1% compared to the HK$6,554 million earned in 2018.

Financial Position

Total consolidated assets of the Group stood at HK$865,198 million at the end of 2019, an increase of 3.1% compared to HK$839,451 million at the end of 2018.

Gross advances to customers rose by 1.7% to HK$509,105 million, while trade bills negotiated declined by 17.5% to HK$12,081 million.

Investment securities increased by 13.0% to HK$163,514 million.

Total equity attributable to owners of the parent increased to HK$95,307 million, a rise of 3.8%, mainly due to the net profit of HK$3,260 million earned during 2019.

Additional Tier 1 capital increased to HK$13,963 million, up 57.0%, while loan capital decreased by 17.2% to HK$10,238 million.

Debt securities issued increased to HK$3,181 million, up 464.1%.

Total deposits from customers decreased by 0.1% to HK$573,527 million. Of the total, demand deposits and current account balances decreased by HK$5,192 million, or 7.2%; savings deposits increased by HK$9,265 million, or 7.1%; and time deposits decreased by HK$4,660 million, or 1.3%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, increased by 2.4% to HK$647,586 million.

The loan-to-deposit ratio stood at 78.6% at the end of 2019, compared to 79.1% at the end of 2018.

As at 31st December, 2019, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio were 20.4%, 18.4%, and 15.6%, respectively. The average liquidity coverage ratio for the quarter ended 31st December, 2019 was 175.7%, which was well above the statutory minimum of 100%.

RATINGS

S&P Global Ratings

The Bank of East Asia, Limited

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

Moody's Investor Service

The Bank of East Asia, Limited

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

MAJOR RECOGNITION

The Bank of East Asia, Limited

- “2019 Best SME’s Partner Gold Award” (for the second consecutive year)
  - *The Hong Kong General Chamber of Small and Medium Business*
- “Quamnet Outstanding Enterprise Awards 2018 – Outstanding SME Service Provider (Bank)” (for the sixth consecutive year)
  - *China Tonghai Financial Media Limited*
- “Best Digital Bank, Hong Kong” and “Best Retail Bank, Hong Kong” in the Brand Awards 2018; “Best Private Bank in Greater China” and “Best Wealth Management Partner in North Asia” in the Brand Awards 2019
  - *Global Brands Magazine*
- “Excellent Brand of Smart Banking” in the Hong Kong Leaders’ Choice Awards 2019
  - *Metro Finance*
- “Outstanding Intelligent Lifestyle and Financial Management Platform” in the FinTech Awards 2018
  - *ET Net*
- Gold Award for “Best App – Banking Services”, “Best App – Lifestyle/Entertainment”, “Best App – Reform” in the Mob-Ex Awards 2019;
  Silver Award for “Best User Experience”, and “Most Innovative Use of Mobile Technology” in the Mob-Ex Awards 2019
  - *Marketing Magazine*
- “Most Innovative Mobile Banking Application, Hong Kong” in the Triple A Digital Awards 2018
  - *The Asset Magazine*
- “Best Frictionless Omni Channel Integration in Hong Kong” in The Asian Banker Hong Kong Awards;
  “Payment Merchant Services of the Year in Asia Pacific” in the International Excellence in Retail Financial Services Awards 2019
  - *The Asian Banker*
- The Excellence Award in “Digital Innovation”, “Branch Innovation”, and “Integrated Marketing (Branding Promotion)” in the Financial Institution Awards 2019;
  Outstanding Performance Award in “Mobile Banking” in the Financial Institution Awards 2019
  - *Bloomberg Businessweek (Chinese Edition)*
- “Hong Kong and Macau Innovative Awards – Issuing Innovative Award (UnionPay APP)”;
  Gold Award for “Highest UnionPay Online Payment (UPOP) Acquiring Volume 2018
  - *UnionPay International*

The Bank of East Asia (China) Limited

- “2019 The Best Foreign Bank in Brand-building” in the 2019 Golden-shell Award of China Asset Management
  - *21st Century Business Herald*
- 2019 Annual Foreign Bank of Excellent Brand
  - *The Economic Observer*
- “2019 Most Innovative Wealth Management Bank” in the 10th Golden Tripod Award
  - *National Business Daily*
- “2019 Foreign Bank of Excellent Competitiveness” in the 2019 Financial Institutions of Competitiveness of Excellence, and “New Era Financial Institution Influence Award”
  - *China Business Journal*
- “Most Potential Forward & Swap Transaction Market Maker Award and “Best Comprehensive Member Award”
  - *China Foreign Exchange Trade System & National Interbank Funding Center*
- “2018 China Grand Award”
  - *JIEMIAN & CaiLianPress*

Bank of East Asia (Trustees) Limited

- “Gold Ratings – BEA (MPF) Value Scheme – MPF Ratings’ 2019 MPF Scheme Ratings and Awards”
  - *MPF Ratings Limited*

Blue Cross (Asia-Pacific) Insurance Limited

- “IFTA Fintech Achievement Award 2018 – Insur-Tech Platinum Award”
  - *Institute of Financial Technologists of Asia*
- “Banking & Finance Awards 2019 – Excellence Award for Travel Insurance Product”
  - *Sky Post*

BEA Union Investment Management Limited

- “The Asset Benchmark Research 2019 – One of the Top Investment Houses in Asian G3 Bonds – Hong Kong”
  - *The Asset*

BEA Union Investment Asian Bond and Currency Fund

- “BENCHMARK Fund of the Year Awards 2019 – Asia Pacific Fixed Income HC within Mutual Funds’ Top Funds Awards, Best-In-Class”
  - *BENCHMARK*
- “Best Bond Fund, Asia Pacific HC” (for its 5-year performance)
  - *Refinitiv Lipper Fund Award Programme 2019 Hong Kong*

BUSINESS REVIEW

Global economic growth remained subdued in 2019, clouded by concerns of an escalation in United States-China trade tensions. In response, central banks around the world eased monetary conditions to provide a buffer for their economies in the face of uncertainties. Weak external demand arising from the trade tensions led to a 4.1% year-on-year decline in Hong Kong exports in 2019.

Meanwhile, Hong Kong's domestic economy was affected by escalating social unrest, starting from mid-2019. Retail sales dropped by 11.1% for the whole year. Facing stress on both internal and external fronts, the economy contracted by 1.2% in 2019. By the end of 2019, property prices had slid 4.6% compared to the historic high reached in May. Nevertheless, they were still 5.3% higher than at the start of the year. Unemployment rose to 3.3% in December, the highest level recorded in the past two years.

In the coming year, besides the persisting social unrest, the economy will also have to cope with the threat of the spreading of the coronavirus. Not only will this weigh on consumer confidence, the resultant impediment to business meetings, conferences and cross-border travel will disrupt normal commercial activity. More business closures and downsizing are expected in the coming months, pushing the unemployment rate higher. This in turn will further weigh on consumer spending in 2020.

Meanwhile, despite the first-phase trade deal finalised in January 2020, most of the tariffs imposed by the US on China remain in place. Hence, Hong Kong exports are expected to see only a gradual recovery in 2020. All in all, Hong Kong's gross domestic product is forecast to contract by 1.5%, while the inflation rate will soften to 2.2%.

On the Mainland, exports rose by 0.5% in 2019, as US-China trade friction and escalating tariffs weighed on demand for Mainland products. Business confidence declined, leading to weak job growth. Retail sales growth slowed to 8.0% in 2019.

Pork prices surged in the wake of the swine flu epidemic, pushing overall inflation to 2.9% in 2019. However, non-food inflation averaged only 1.4%, reflecting weakness in consumer demand. In an attempt to stabilise the economy, the Central Government has launched a series of fiscal and monetary stimulus measures, including a half-percentage point reduction in the required reserve ratio and tax cuts for both individuals and corporations.

Looking ahead, the economy will endure the headwinds posed by US trade tariffs and the spreading of the coronavirus. However, following the containment of the disease, we expect the Central Government will introduce measures to stabilise the economy. As of early February this year, we forecast that China's economic growth will decelerate to around 5.4% for 2020. Inflation will average 3.3%.

Business – Hong Kong

At the end of December 2019, the aggregate value of all customer loans and trade bills of BEA in Hong Kong was 8.0% higher than at the end of 2018. Customer loans were 10.0% higher, debt investments 20.1% higher and customer deposits 6.5% higher.

Retail Banking

Despite a prolonged period of social unrest, BEA's retail operations posted strong results in 2019. Operating income rose by 11.4% year-on-year. Net interest income increased by 8.4% on higher average deposit balances and a widened deposit spread. Net fee and commission income grew by 30.5%, driven by retail wealth and credit card fee income.

Targeted segmentation saw a continued improvement in new account intake, contributing to double-digit growth in the bases of both affluent and emerging affluent customers. There was also significant growth in new cross-border clients, following the establishment of dedicated service points across the Bank's Hong Kong network.

Revenue from wealth management services was resilient in the face of weaker market sentiment in the second half of the year. Income from retail investment and insurance products rose by 15.7% year-on-year. In particular, commission from insurance sales saw exceptional growth.

The resilient performance was underpinned by BEA's digital strategy. Even as escalating social unrest led to the temporary suspension of some branch services, customers still had convenient access to a range of services and products via the Bank's mobile app and Cyberbanking portal. Digital customer penetration has reached 50% and close to 80% of financial transactions are made via automated channels.

Following enhancements to the BEA App, mobile adoption picked up pace, with 37% growth in activated mobile banking users over the year. A wide range of retail wealth products were made available via mobile in the second half, including unit trusts, linked deposits and short-term life insurance. In addition, a new app for remote account opening, BEA Flash, was launched with a market-first live chat feature. BEA Flash shortens the account-opening process to just six minutes.

BEA has formed strategic alliances with a number of external service providers, enabling the Bank to integrate with their ecosystems and leverage open APIs to share product information and process applications. BEA will continue to work with digital partners to expand its scope of service and extend its reach to new customers.

Corporate and Commercial Banking

Corporate Banking's performance was sustained in 2019 despite the challenging operating environment. Operating income increased by 3.2% year-on-year, with solid growth in both net interest income and net fee and commission income.

The division was restructured at the end of 2018 to improve segmentation and focus acquisition on key client groups, with positive results. The corporate loan balance rose by 6.9%, driven by growth in commercial loans, as new teams of relationship managers successfully brought in business from mid-cap companies. Meanwhile, targeted efforts to grow operating accounts also bore fruit. The intake of new accounts rose significantly over the year, particularly among the SME segment, and corporate CASA deposits increased by 83.7%.

As a local bank, BEA supported local SMEs during the economic downturn. Credit facilities approved by BEA to SMEs under the government's loan and financing guarantee schemes more than tripled year-on-year. At the same time, credit risk was closely monitored and the Bank worked proactively to uphold asset quality. As a result, credit costs remained manageable and the impaired loan ratio was kept at a low level.

BEA is improving its digital platform for corporate clients to enrich transaction banking capabilities and increase customer stickiness. Several system enhancements were made during the year. The number of active Corporate Cyberbanking users grew by 45% in 2019, while digital transactions rose by 57%.

To drive business synergies, both internally and with external partners, the Financial Institutions Department has been grouped under Corporate Banking. This will facilitate better resource allocation, grow business through referrals, and enable the Bank to better serve non-bank institutions such as insurance companies, fund houses and NGOs.

Going forward, Corporate Banking remains focussed on managing asset quality, driving balanced growth in deposits and loans, and generating fee income. The Bank will continue to develop its transaction banking, trade finance and corporate wealth management services to attract CASA deposits and bring cross-selling opportunities.

Wealth Management

Performance held up well for Private Banking during the year under review. Growth in net fee and commission income was offset by a decline in net interest income, as margins were pressured by competition for loans and a rise in funding costs. Overall, operating income was flat year-on-year.

With continued uncertainty in global markets, investors were risk averse throughout 2019, preferring bonds to equity. Despite this, investment momentum picked up compared to the previous year. Private Banking encouraged clients to diversify their portfolios and saw good take-up of mutual funds, particularly bond funds. Revenue from sales of investment products rose by 5.1%.

New business was driven by clients and funds from the Greater Bay Area. Meanwhile, loans to Private Banking customers increased by 14.3% as clients sought leverage for investments. Assets under management rose by 11.0% year-on-year.

BEA has adopted a range of new initiatives to further enhance fee income from its wealth management operations. Private Banking will work more closely with business units across the Bank's global network to better capture cross-selling opportunities, particularly with existing corporate clients.

The Bank is developing a more personalised, comprehensive and user-friendly digital platform to enhance interaction with high-net-worth clients. A client version of the Bank's internal portfolio management application has been added to the BEA App for the exclusive use of Private Banking customers. Further enhancements will be made to provide additional value-added content, as well as useful wealth management functions and services.

Insurance and MPF Services

Following the adoption of HKFRS 9, changes in the valuation of certain financial assets are included in net insurance profit, making this line more volatile due to market fluctuations. During the period under review, the Bank's net insurance profit more than doubled, mainly arising from revaluation gains in debt investments. Excluding these gains, the core performance of the Bank's insurance business continued to improve, with year-on-year growth of 21.8%.

For BEA Life Limited, the Bank's wholly-owned life insurance arm, new premium income reached a record high in 2019 with growth of 50.8% year-on-year. This drove an increase of 29.1% in the Bank's commission income from sales of BEA Life products. Short-term products with guaranteed returns saw an enthusiastic response from customers, while sales of long-term products also recorded impressive growth.

Blue Cross (Asia-Pacific) Insurance Limited, BEA's wholly-owned general insurance arm, maintained a disciplined balance between growth and profitability. Double-digit growth in underwriting profit was driven by a significant improvement in performance for group medical insurance. However, premium income faced pressure due to the economic downturn in Hong Kong in the second half of 2019.

Blue Cross launched a new mobile application in April, followed by a chatbot service in December. The new mobile app saw more than 53,000 downloads in the first nine months following its launch, with an activation rate of 67%. The app supports sales, renewals and claims for a range of personal insurance products. Premium income from direct customers via online channels recorded 18.0% growth in 2019.

Total membership in BEA's Mandatory Provident Fund schemes grew to more than 825,000 at the end of December 2019, while AUM increased to HK$27.8 billion. The latest overall weighted average fund expense ratio of the three BEA MPF Schemes was 1.25% at 31st March, 2019, well below the MPF industry average.

Business – China

Economic growth on the Mainland slowed to 6.1% in 2019, as the US-China trade dispute continued to weigh on business and consumer sentiment. To stabilise and support the economy, the Central Bank adopted a looser monetary policy, aiming to assist small and medium enterprises and the private sector in particular.

Despite the general economic weakness, BEA's China banking operations generated a strong pre-provision operating profit of HK$2,220 million for 2019, up 15.6% year-on-year. With the general easing of liquidity conditions, funding costs were lower. The shift in business focus toward consumer lending contributed to a strong rise in net interest income for 2019, up 30.6% year-on-year to HK$5,353 million. NIM widened by 60 basis points year-on-year.

Meanwhile, legacy lending to commercial properties in non-tier-1 cities has left BEA's China banking operations exposed to the weakening economy, despite ongoing de-risking of BEA's China portfolio in recent years. Four legacy loan assets were downgraded in the first half of 2019, which led to significant one-off post-tax impairment losses. As a result, BEA's China banking operations reported a net loss of HK$3,550 million for 2019.

At the end of 2019, the impaired loan ratio for BEA China stood at 3.81%, down 108 basis points versus the first half of 2019. The improvement followed the disposal of significant problem loans in the second half of the year. Looking ahead, BEA's China banking operations will continue to improve the monitoring of distressed loans and credit assets, and strengthen the recovery, mitigation and disposal of risky assets.

Advances to customers declined by 12.2% year-on-year as at 31st December, 2019, to HK$131,371 million, driven by our efforts in tightening credit underwriting. In line with funding needs, customer deposits stood at HK$146,963 million as of the same date, a 14.0% decrease from a year earlier.

Underlying operating expenses for BEA's China banking operations in 2019 were HK$4,195 million, up 26.8% year-on-year. The increase was due mainly to platform fees paid to our internet partners. Excluding the aforesaid costs, the adjusted cost-to-income ratio fell to 59.7%, down 2.2 percentage points year-on-year, thanks to effective cost management and higher operating income in 2019.

Supported by partnerships with leading internet platform companies, BEA China's retail banking transformation programme continued to deliver a sound performance in 2019. The retail lending share of BEA China's portfolio grew to 30.6% for 2019, which was ahead of schedule. In the context of 10.5% growth of the retail customer base, BEA China will further strengthen cross-selling and business referrals to enhance its customer conversion rate and its customer wallet share. In addition, BEA China will continue to reinforce the relevant support infrastructure, including internal capabilities in IT, operations, compliance and risk management.

With respect to corporate banking, BEA China focussed on promoting transaction banking, investment banking, cross-border financial solutions and sales of treasury products, in order to optimise its asset portfolio and increase fee income contribution. BEA China collaborates closely with other business units of the Group to support the real economy and capture opportunities arising from national strategies, including the Greater Bay Area Development.

BEA has established a multifaceted presence in the GBA, including banking, securities, asset management and information services. In addition, BEA China operates one of the most extensive networks of any foreign bank with 26 outlets covering all nine Mainland cities in the GBA. To further enhance synergies among its differentiated business segments, BEA is in the process of establishing a GBA Headquarters in Qianhai, Shenzhen.

On the corporate banking front, BEA will focus on growing certain strategic segments in the GBA and providing seamless cross-border solutions by leveraging its on-shore off-shore capabilities. On the retail banking front, in line with various policy propositions, BEA will focus on launching innovative products in the areas of consumer finance, payment and wealth management to better serve the needs of its GBA clientele. It will also leverage its strong strategic partnerships with leading internet platforms to develop specialised GBA offerings.

As at the end of 2019, BEA China operated 98 outlets on the Mainland including its Headquarters, 31 branches and 66 sub-branches.

Business – International, Macau and Taiwan

The Bank's overseas operations remained stable in 2019, in the face of challenging market conditions stemming from the ongoing US-China trade dispute, unresolved Brexit issues and increasing geopolitical tensions.

During the year under review, BEA's overseas branches adopted a defensive posture, expanding loan books prudently and terminating problematic relationships. Overall, the Bank's overseas operations achieved modest loan growth in 2019.

Pre-provision operating profit decreased by 7.9%, due to the interplay of de-risking strategies, soaring funding costs, implementation of the HKFRS 16 Leases on 1st January, 2019, and depreciation of Pound Sterling against the Hong Kong dollar. The cost-to-income ratio for overseas operations increased from 32.7% in 2018 to 35.2% in 2019. Higher expenses were incurred on risk and compliance, as regulatory requirements become more stringent. Asset quality remained sound, with the impaired loan ratio standing at 0.54%.

In spite of fierce market competition, which led to substantial loan prepayments, the Bank's operations in the US delivered steady operating results. The unit participated in syndicated loans to investment-grade borrowers and large corporates, and provided financing for real estate projects in gateway cities with strong sponsors. In addition, the Bank's US operations strengthened bilateral lending relationships with existing BEA customers who have investments in the US.

Despite Brexit uncertainties, the Bank's UK operations delivered both loan growth and higher profitability in 2019, riding on sustained investment demand from Mainland China, Hong Kong and other Asian countries. In addition, the unit made good progress in diversifying its loan portfolio through syndicated lending to well-established corporates, seeking out opportunities that offered exposure to companies that maintained strong balance sheets and had positive business outlooks.

Singapore Branch achieved high single-digit growth in loans in 2019, even though the local economy remained subdued. The unit continued to de-risk, focussing on syndicated and bilateral facilities involving large corporates, listed companies and government-linked corporations.

Meanwhile, Labuan, Macau and Taiwan branches faced difficult market conditions, including fierce competition, and maintained a prudent stance throughout the year. For 2020, Labuan Branch will work closely with Singapore Branch and our strategic partners to pursue quality bilateral and syndicated loans with large corporates.

Macau Branch will focus on local corporates with strong sponsors in 2020. In addition, Macau Branch will further develop business with companies that qualify for the Macau Government's Small and Medium-Sized Enterprises Credit Guarantee Scheme.

Taiwan Branch continues to bolster its origination capability in the syndicated loan market and will arrange syndication deals for large Asian companies to increase fee income.

Looking ahead, against the backdrop of a challenging macro environment, BEA's overseas branches will continue to prioritise asset quality over loan growth. All branches will further leverage their local expertise and international presence to develop additional cross-border banking business. The overseas branches will also seek to expand business relationships with existing clients, in order to enhance clients' total value to the Bank Group.

Meanwhile, the overseas branches will seek additional opportunities to collaborate with BEA Head Office, BEA China and the Bank's strategic partners in order to serve outbound investment demand from the Greater China region.

Last but not least, the Bank's overseas branches will advance efforts to rationalise their physical networks, streamline operating procedures and automate processes in order to achieve higher efficiency and promote sustainable growth.

BEA Union Investment Management Limited

Despite lacklustre investor sentiment and challenging market conditions, BEA Union Investment recorded an increase of 29% in AUM year-on-year in 2019. Inflows have remained robust, and the Company has enjoyed a high level of customer asset retention across its retail and institutional businesses.

In response to investors' need for fixed maturity products with a stable income stream, BEA Union Investment launched a new product, Asian Bond Target Maturity Fund 2022, in January 2019. The fund is the first fixed maturity bond fund authorised by the Securities and Futures Commission for Hong Kong retail investors. To build on the success of this innovative product, BEA Union Investment launched the Asian Corporate Target Maturity Fund 2023 in the fourth quarter of 2019.

During 2019, the Company introduced new channels for retail and private banking, as well as for financial institutions on the Mainland. Meanwhile, the institutional business continued to secure new mandates and investment advisory from Hong Kong and overseas, including Thailand and Europe.

The Company continues to expand its distribution network in Mainland China and Europe for its flagship funds under the Mutual Recognition of Funds (MRF) Schemes. Looking ahead, the Company's wholly-owned subsidiary, BEA Union Investment Management (Shenzhen) Limited, has registered with Mainland authorities for a private fund management company licence, which enables the Company to invest capital onshore and launch private funds catering to professional investors on the Mainland.

Our People

As of 31st December, 2019, the BEA Group employed 9,846 people:

	As of 31st December, 2019	As of 31st December, 2018 (restated)
Hong Kong	5,564	5,227
Mainland China	3,681	3,970
Macau and Taiwan	158	164
Overseas	443	435
Total	9,846	9,796

** With effect from 1st July, 2019, Credit Gain group of companies should have been re-classified from Hong Kong Operations to Mainland China Operations. As such, the headcount figures of 31st December, 2018 have been restated for comparison purposes.*

In 2019, the Bank continued to build a strong corporate culture based on prudent risk management and a commitment to ensuring a positive experience for every customer. Drawing on feedback gathered through employee and customer surveys, a number of new initiatives were implemented in 2019. The Staff Recognition Scheme was promoted more actively to show appreciation to staff members who demonstrated positive behaviours that reinforce the Bank's core values. Interactive town hall meetings led by members of Senior Management were also conducted to encourage open communication, discuss lessons learnt from real cases and strengthen the Bank's risk culture.

In October 2019, the Bank implemented a new talent development framework to support staff members in their growth. The framework provides a structured and robust approach to identifying employees with strong potential to serve at the senior management and department head level within the Bank, supporting their aspirations for growth and development, and grooming talent to assume future leadership roles. With this framework in place, a new potential identification exercise and a refined succession planning exercise were completed during the year under review. In 2020, the Bank aims to launch a series of new talent and leadership development interventions.

At the same time, BEA continued to groom young talent under existing programmes, including the Management Trainee, Corporate Banking Trainee, Operations Trainee, Relationship Manager Trainee and Branch Operations Trainee programmes.

A new leadership training programme on performance management was conducted for the Senior Management and their senior executives. The training was designed to foster a collaborative mindset when setting strategic goals and to sharpen necessary skills, ensuring that these goals are tied closely with the Bank's core objectives, are well aligned across different business units and functions, and are effectively cascaded down the organisation.

RISK MANAGEMENT

Risk Management Framework

The Group has established a risk governance and management framework in line with the requirements set out by the Hong Kong Monetary Authority and other regulators. This framework is built around a structure that enables the Board and Senior Management to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. These responsibilities include defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring, and remedy of risks.

The Risk Committee stands at the highest level of the Group's risk governance structure under the Board. It consists of five independent non-executive directors (including the Chairman of the Committee) and two non-executive directors. The Risk Committee provides direct oversight over the formulation of the Group's risk appetite, and sets the levels of risk that the Group is willing to undertake with reference to its financial capacity, strategic direction, prevailing market conditions, and regulatory requirements.

The Risk Committee also ensures that the Group's risk appetite is reflected in the policies and procedures that Senior Management adopt to execute their business functions. Through the Group's management committees, including Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee – and with overall co-ordination by the Risk Management Division – the Risk Committee regularly reviews the Group's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

Enterprise Risk Management

The Group has implemented an Enterprise Risk Management framework. The ERM framework is promulgated with the objectives of identifying and managing potential risks in a holistic and effective manner, fulfilling the HKMA's higher expectations with regard to the risk management of the Group as a Domestic Systemically Important Bank, and reinforcing the "Three Lines of Defence" risk management model.

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

- The first line of defence comprises the Risk Owners, who are heads of business units or support units of the Bank Group, together with staff under their management. They are primarily responsible for the day-to-day risk management of their units, including establishing and executing specific risk control mechanisms and detailed procedures.

- The second line of defence consists of the Risk Controllers who are designated staff responsible for setting out a risk management governance framework, monitoring risks independently and supporting the management committees in their oversight of risk management for the Bank Group.

- The third line of defence is the Internal Audit Division, which is responsible for providing assurance as to the effectiveness of the Group's risk management framework, including risk governance arrangements.

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

Principal Risks

The Group faces a variety of risks that could affect its franchise, operations, and financial conditions. Under the ERM framework, the principal risks include credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, strategic risk, legal risk, compliance risk, technology risk, business continuity risk, and new product and business risk.

The Group has formulated policies to identify, measure, monitor, control, and report on the various types of risk and, where appropriate, to allocate adequate capital to cover those risks. These policies are reviewed and enhanced on a regular basis to cater for market changes, statutory requirements, and best practice in risk management processes.

Measures have been adopted to manage and mitigate these risks. Moreover, these risk factors are taken into consideration when formulating the Group's risk appetite statement.

In addition, the risk profiles for the above-mentioned risk types are reviewed by the Risk Committee and the Board on a regular basis. Deficiencies of risk management and significant regulatory issues are reflected in the risk profiles. Once the profile of a risk type falls into a pre-defined alert status, management actions will be triggered to rectify or control the deficiencies or issues identified.

Listed below are the brief description and management measures for the principal risks. In particular, in 2019, in order to enhance asset quality, a series of strategic actions have been taken on concerned portfolios which include, but are not limited to, property-related exposure, over-capacity industries, potential high-risk segments and portfolios affected by political uncertainties. The aim of the actions is to closely monitor and contain asset quality. And for 2020, in view of market uncertainties, including the adverse impact arising from the outbreak of a new coronavirus, a prudent approach will be adopted for credit underwriting while additional efforts will be put on further strengthening credit control to guard against further asset quality deterioration.

Risk	Description	Management Measures
Credit	Risk of loss arising from a borrower or counterparty failing to meet its obligations	- Establishment of comprehensive policies, guidelines, and manuals to set out credit control limits, delegated lending authorities, credit underwriting criteria, a credit monitoring process, an internal rating structure, credit recovery procedures, and a provisioning policy
Interest rate	Risk resulting from adverse movements in interest rates that affect the earnings and economic value of the Group's banking book positions	- Establishment of comprehensive policies, guidelines, and manuals to set out control limits - In determining the level of interest rate risk, assessments are made for the gap risk, basis risk and options risk through the monitoring of repricing mismatches and the impact of changes in interest rates on earnings and economic value.
Market	Risk arising from adverse movements in market factors such as interest rates, foreign exchange, equity prices, debt securities prices and commodity prices, which result in profits or losses for the Group	- Establishment of comprehensive policies, guidelines, and manuals to set out control limits - Measurement and monitoring of potential loss due to adverse price movements and market volatility

Risk	Description	Management Measures
Liquidity	Risk that the Group may not be able to meet its financial obligations as they come due because of an inability to obtain adequate funding (funding liquidity risk); or that the Group cannot easily liquidate assets quickly without significantly lowering market prices because of inadequate market depth or market disruptions (market liquidity risk)	- Establishment of comprehensive policies, guidelines, and manuals to set out control limits and internal liquidity metrics - Conducting cash flow analysis to monitor funding needs - Contingency funding plan to clearly stipulate procedures and mitigating actions required to meet liquidity needs in crisis situations
Operational	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	- Establishment of comprehensive policies, guidelines, and manuals to identify, assess, monitor, and report operational risk of the Group systematically and effectively, such as setting out operational risk incidents reporting, risk assessments, key risk indicators, insurance policies, etc.
Reputation	Risk that the Group's reputation is damaged by one or more events that result in negative publicity about the business practices, conduct, or financial condition of the Group. Such negative publicity, whether true or not, may impair public confidence in the Group and may result in costly litigation or lead to a decline in the Group's customer base, business, and / or revenue	- Establishment of various policies, guidelines, manuals and codes to ensure compliance with applicable laws, rules and regulations, and to ensure that the Group maintains a high standard of corporate governance, which in turn helps to safeguard and enhance the Group's reputation - Formulation of, and adherence to, the Reputation Risk Management Manual, which outlines a systematic approach to the management of reputation risk, including a framework for reputation risk identification, assessment, monitoring, mitigation and control, thereby protecting and enhancing the reputation of the Group - Establishment of procedures that facilitate communication in a timely manner with external stakeholders during unexpected incidents according to the Guidelines for Incident Response and Management - Establishment of Media Guidelines to ensure effective and consistent delivery of the Group's key messages to the media
Strategic	Risk of current or potential impact on the Group's earnings, capital, reputation, or standing arising from changes in the environment the Group operates in, adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic, or technological changes	- Establishment of comprehensive policies, guidelines, and manuals to set out the management framework and assessment tools - Adoption of active capital management through projection of the Capital Adequacy Ratio and Internal Capital Adequacy Assessment Process to assess the level and structure of capital resources needed to support the risks that the Group faces

Risk	Description	Management Measures
Legal	Risk of loss arising from unenforceable contracts , lawsuits, or adverse judgments that may disrupt or otherwise negatively affect the operations or financial condition of the Group	- Establishment of comprehensive policies, guidelines, and manuals - Provision of appropriate training courses conducted by qualified internal personnel and / or external lawyers / professionals and the issue of regular reminders to staff members - Engagement of qualified internal personnel and, when necessary and appropriate, external lawyers with appropriate expertise including counsel and senior counsel for advice
Compliance	Risk of potential losses arising from legal or regulatory sanctions, fines and penalties, financial losses or damage to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its business activities	- Establishment of various policies, guidelines and manuals to ensure compliance with all applicable legislation, rules, codes of conduct, industry standards and guidelines issued by the relevant regulatory authorities that govern the Group's operations - Formulation of, and adherence to, the Group Compliance Risk Management Manual, which outlines a systematic approach to the management of compliance risk, including a framework for compliance risk identification, assessment, monitoring, mitigation and control, thereby enabling the Group to manage its compliance risk effectively - Conduct independent regulatory compliance reviews on major functions of the Group using a risk-based approach
Technology	Risk of loss to the Group due to inadequate or failed technical processes, people and / or computing systems, or unauthorised access or disruption to technology resources, in particular relating to cyber security and e-banking	- Development of technology risk related policies and cyber security strategies as well as comprehensive security awareness programmes to strengthen cyber security at all levels - Adoption of adequate control measures relating to the security of internet systems and applications, customer authentication, risk assessment for new products and services, and confidentiality and integrity of information
Business Continuity	Risk of loss arising from business disruptions in the event of an incident or crisis. Business disruption could be caused by the loss of staff members, information technology and telecommunication systems, premises, key service providers, vital records, etc.	- Establishment of comprehensive policies, guidelines and manuals - Conduct business impact analysis and development of business continuity plans by all individual functional units of the Group - Perform annual drills to test preparedness and effectiveness of business continuity plans

Risk	Description	Management Measures
New Product and Business	Risk of loss due to insufficient pre-assessment of significant potential risks introduced to the Group arising from the launch of new products, the structural change of existing products, and the establishment of new business operations (i.e. through the establishment of a new subsidiary and / or merger and acquisition). The significant potential risks include Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Interest Rate Risk, Legal Risk, Technology Risk, Compliance Risk, Strategic Risk, Reputation Risk and Business Continuity Risk	- Establishment of a risk governance structure, supported by comprehensive policies, manuals, control guidelines and procedures - A new product/business approval process, which ensures that before initiating a new product or business, the potential significant risks are duly assessed, vetted and documented. The process also facilitates oversight of new products and businesses by Senior Management

Principal Uncertainties

The key uncertainties facing the Group in 2020 and the mitigating measures instituted are set out below:

Uncertainty	Description	Mitigating Measures
Cyber threats	Cyber threats have become a key area of focus for regulators and the banking industry, as they evolve rapidly. Attackers are constantly looking for more sophisticated and efficient ways to jeopardise the banks' operations and cyber security.	- Develop cyber security strategy and effective control and response frameworks including comprehensive security awareness programmes to protect the Bank's assets and continuously strengthen cyber resilience. - Maintain access to different threat intelligence sources, both local and overseas, to monitor the latest threats prevailing worldwide and ensure adequate protections are in place to address the threats. - Understand the root causes and lessons learned from significant local and overseas cyber incidents for continuous improvement.

Uncertainty	Description	Mitigating Measures
Economic conditions in the Group's major markets	The Group's major markets, Hong Kong and Mainland China, are impacted by the following emerging risks: 1) US-China trade tension The 17-month-long trade war has increased the risks of a global recession. With the recent development, especially the imminent signing of "Phase one" agreement that reduces some US tariffs in exchange for increased Chinese purchases of American farm products and other goods and services, the 15% US tariffs expected to take effect in mid-December 2019 on the Chinese imported goods had been suspended. Despite the positive development, uncertainty on smooth and fruitful trade talks still poses key risk to the global economy, and should be under close watch especially considering the fact that both countries have divergent national and commercial interests 2) Brexit The fallout from Brexit remains the largest risk for the UK in 2020, regardless of the outcome of negotiations with the European Union. The majority of boards of listed British businesses expect the UK economy to deteriorate over the next 12 months. The combination of Brexit, trade war and consumer slowdown may also impact BEA Group's operations in Southeast Asia, the UK and the US.	While the business strategies of the Group have taken into consideration changing economic conditions, and economic trends are closely monitored, suitability of the Group's risk management policies and controls are reviewed and updated on an ongoing basis. 1) US-China trade tension Though US and China had signed the trade deal on 13 January 2020, the bulk of US tariffs remains on US$ 360 billion worth of Chinese imports. As such, the related impact analysis continues and will still be incorporated in the credit underwriting and review process, with escalated control measures imposed including monthly survey, health check, and close monitoring of customers that may be affected. Besides, the parameter "US-China Trade Dispute" remains as part of the hypothetical analysis under macroeconomic stress-testing to assess the overall impact from a credit risk, market risk and interest rate risk perspective on the Group's profitability and CAR. 2) Brexit Despite the relatively low level of the Group's exposure to the UK, given the uncertainties of the new UK-EU trade relations talks during the transition period to end of 2020, the Group will continue to monitor the political and economic conditions closely and assesses the probable impact on the portfolio accordingly.

Uncertainty	Description	Mitigating Measures
	3) China corporate bond default In China, the continued upward trend of corporate bond defaults poses a worry, reaching CNY 120 billion for nine months in 2019; CNY 20 billion was related to state-owned enterprises, nearly double the amount reported for 2018.	3) China corporate bond default To mitigate possible corporate default, lending strategies are subject to on-going review with an aim to diversify away from risky segments like property related exposure in non-tier 1 cities, over-capacity industries. The Bank maintains close monitoring on loan usage for existing and newly-acquired customers. To this end, customer due diligence has been intensified to ascertain customers' financial capability in addition to any collateral offered. Furthermore, more effort will be devoted to continually enhancing credit monitoring and assessing collateral realisation risk.
	4) Hong Kong social unrest The overall economic environment in Hong Kong deteriorated in 2019, which was mainly attributable to the persistent social unrest. The mass demonstrations in Hong Kong in the second half of the year adversely affected the business volume of hotel, retail and catering operators. A year-on-year decline of 23% was recorded for Hong Kong retail sales in August 2019, which was the worst month on record, and even worse than September 1998 when the Asian Financial Crisis hit. Severe disruptions to inbound tourism and consumption-related activities also contributed to the subdued economic conditions. Persistent civil disorder and social unrest in Hong Kong have already adversely affected local economic growth, with the economy shrinking by 2.9% in the fourth quarter of the year. For 2019, real gross domestic product contracted by 1.2%, showcasing Hong Kong's first annual decline since 2009.	4) Hong Kong social unrest The Group has escalated the monitoring of borrowers, including continuous health checks through monthly surveys, with the intent to identify any additional customer segments that might be affected for a more comprehensive impact analysis and prompt remedial actions. While HKMA has called for banks to support SMEs as far as credit policies and risk management principles allow, justification and viability of any accommodative approach, including debt rescheduling, remain firm principles of the Bank to prevent deterioration in the health of any account. A new scenario, "Hong Kong Massive Social Unrest", has been added to the stress test programme to assess the impact on the Group's profitability and CAR.

Uncertainty	Description	Mitigating Measures
	5) US Interest rate policies The pace of the US Federal Reserve's action to cut interest rates is still uncertain. The rate movement would highly depend on the performance of the US economy. Changes in the timing, magnitude and frequency of US rate cut may increase uncertainties concerning the pace of global economic growth, reversion of asset prices, foreign exchange markets and liquidity.	5) US Interest rate policies Interest rate movement is monitored on a continuous basis to gauge its impact on earnings and economic value. Business strategies have taken into consideration changing interest rate trends.
Legal and regulatory changes	In view of the increasingly complex operating environment, legal and regulatory requirements are becoming more stringent, which may impact the Group's business strategies, operations, funding and capital management.	- The Group keeps abreast of legal and regulatory developments and will seek advice from external lawyers with appropriate expertise so as to comply with the legal and regulatory requirements. - The Group reviews consultation papers on new laws and regulations to assess their impact on the Group. Where appropriate, the Group will provide input to the regulators both directly and through industry groups.
External fraud	External fraud has become more sophisticated and more difficult to prevent in a digital environment. Identity fraud is on the rise in the banking industry.	- Control measures have been formulated to detect and prevent fraud. - The control measures are reviewed and enhanced on an ongoing basis, taking into consideration the causes of external fraud incidents and the changing technological environment. - A dedicated fraud risk management function led by experts has been set up and deployed to mitigate fraud risk.

Uncertainty	Description	Mitigating Measures
Foreign exchange rate movement	One of the major concerns for the Group in 2020 is fluctuations in the value of the US dollar. The pace of interest rate adjustments by the US Federal Reserve may affect the trend and magnitude of the US dollar's value. It is also highly sensitive to developments in the US-China trade war and Brexit. However, any increase in economic uncertainty may drive the dollar higher as investors become more risk averse and switch to assets that are considered to be safe havens. Another major challenge for the Group is increasing fluctuations in the RMB. The risk of such fluctuations has increased along with slowing growth on the Mainland and the uncertain outcome of the US-China trade dispute. Meanwhile, if China is forced to increase imports from the US significantly, China's trade surplus will be reduced, sending foreign exchange reserves lower. This will put depreciation pressure on the RMB. Unexpected fluctuations in foreign exchange rates could affect: - the value of the Group's foreign currency and capital positions; and - the wealth of the Group's customers and their repayment ability; it will also affect counterparty credit exposure of derivative transactions.	- The Group closely monitors exchange rate movements and has laid down policies to manage currency risk. - Regular stress tests are conducted to assess the impact of exchange rate movements on profit and loss and capital adequacy. - The Group closely observes market movements. The Group will monitor its businesses in China and regularly review the profile of customers with exposure to China and the RMB.

COMPLIANCE

Compliance is an integral part of the Group's corporate governance. BEA is acutely aware of the potential risks of regulatory non-compliance, which could lead to legal or regulatory sanctions, supervisory actions or financial penalties imposed by regulators, financial losses, and/or the loss of reputation to the Group (i.e. compliance risk).

The Compliance Division is responsible for overseeing the regulatory compliance framework and monitoring compliance risks for the Group; communicating new regulatory requirements to affected units; delivering compliance advice for the implementation of relevant regulations; conducting regulatory compliance reviews on a risk-based approach; and regularly reporting compliance matters to the Group's management committees. Any significant compliance issues, including those related to anti-money laundering and counter-financing of terrorism, are also reported to the Risk Committee and the Board of Directors via the Operational Risk Management Committee. Through the support of the Risk and Compliance Function established in the Bank's business, functional, and operations units, which act as the first line of defence against regulatory non-compliance, a comprehensive and efficient compliance risk management framework is maintained within the Group.

In view of the increasing demand on banks to comply with new and tighter regulations – including those related to anti-money laundering and counter-financing of terrorism, international standards and regulatory changes in jurisdictions where the Group has a presence, cross-border business, personal data protection, insurance and investment products sales practices, etc. – BEA expects compliance requirements to remain high in the coming years.

By order of the Board

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

Hong Kong, 19th February, 2020

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

\# *Executive Director*
* *Non-executive Director*
** *Independent Non-executive Director*

GLOSSARY
詞彙

100th anniversary 「100 周年」	The 100th anniversary of the Bank 本行100 周年
2020 AGM 「2020股東周年常會」	An AGM of the Bank to be held in the Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Hong Kong on Friday, 24th April, 2020 at 11:30 a.m. or any adjournment thereof 本行將於2020年4月24日星期五上午11時30分在香港中環金融街8號四季酒店大禮堂舉行的股東周年常會，或其任何續會
AGM 「股東周年常會」	An Annual General Meeting of the Bank 本行的股東周年常會
API 「API」	Application Programming Interface 應用程式介面
AUM 「管理資產」	Assets under management 管理資產
Bank Group or BEA Group or Group 「集團」或「本集團」	The Bank and its subsidiaries 東亞銀行及其附屬公司
Bank or BEA 「本行」或「東亞銀行」	The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong 東亞銀行有限公司，於香港註冊成立的有限公司
Bank Culture Reform 「銀行企業文化改革」	The circular in respect of Bank Culture Reform, issued by the HKMA on 2nd March, 2017 金管局於2017年3月2日發出之銀行企業文化改革通告
Banking Ordinance 「《銀行業條例》」	The Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 《銀行業條例》（香港法例第155章）
BEA App 「東亞銀行手機應用程式」	The Bank's official mobile application 東亞銀行之手機應用程式
BEA China 「東亞中國」	The Bank of East Asia (China) Limited, a wholly-owned subsidiary of the Bank 東亞銀行（中國）有限公司，本行的全資附屬公司
BEA Life 「東亞人壽」	BEA Life Limited, a wholly-owned subsidiary of the Bank 東亞人壽保險有限公司，本行的全資附屬公司
BEA Union Investment 「東亞聯豐投資」	BEA Union Investment Management Limited, a non-wholly-owned subsidiary of the Bank 東亞聯豐投資管理有限公司，本行的非全資附屬公司
Blue Cross 「藍十字」	Blue Cross (Asia-Pacific) Insurance Limited, a wholly-owned subsidiary of the Bank 藍十字（亞太）保險有限公司，本行的全資附屬公司
Board 「董事會」	Board of Directors of the Bank 本行的董事會
Capital Rules 「《資本規則》」	Banking (Capital) Rules issued by the HKMA 金管局頒布的《銀行業（資本規則）》
CAR 「資本充足率」	Capital Adequacy Ratio 資本充足率
CASA 「往來賬戶及儲蓄賬戶」	Current and savings account 往來賬戶及儲蓄賬戶

CG Code 「《企業管冶守則》」	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules 《上市規則》附錄 14 內所載的《企業管冶守則》及《企業管冶報告》
CG-1 「CG-1」	Supervisory Policy Manual CG-1 on Corporate Governance of Locally Incorporated Authorized Institutions, issued by the HKMA 金管局頒布之監管政策手冊 CG-1 內有關《本地註冊認可機構的企業管冶》
CG-5 「CG-5」	Supervisory Policy Manual CG-5 on Guideline on a Sound Remuneration System, issued by the HKMA 金管局頒布之監管政策手冊 CG-5 內有關《穩健的薪酬制度指引》
CHF 「瑞士法郎」	Swiss franc 瑞士法定貨幣
China, Mainland, Mainland China, or PRC 「中國」或 「內地」	People's Republic of China 中華人民共和國
CNY or RMB 「人民幣」	Chinese yuan or Renminbi, the lawful currency of the PRC 中國法定貨幣
Companies Ordinance 「《公司條例》」	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 《公司條例》（香港法例第 622 章）
Director(s) 「董事」	Includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require 包括任何任職本行董事職位的人士（不論其職銜如何），或文義另有所指的人士
ERM 「企業風險管理」	Enterprise risk management 企業風險管理
EUR 「歐羅」	Euro 歐元區法定貨幣
GBP 「英鎊」	Pound sterling, the lawful currency of the UK 英國法定貨幣
Greater Bay Area / GBA 「大灣區」	Guangdong-Hong Kong-Macao Greater Bay Area 「粵港澳大灣區」
Guidance on Empowerment of INEDs 「提升獨立非執行董事的專業能力指引」	The guidance on Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong, issued by the HKMA 金管局頒布之提升香港銀行業獨立非執行董事的專業能力指引
HK$ or HKD 「港幣」	Hong Kong dollar, the lawful currency of Hong Kong 香港法定貨幣
HKAS 「香港會計準則」	Hong Kong Accounting Standards 香港會計準則
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKFRS 9 「財務報告第 9 號」	Hong Kong Financial Reporting Standard 9: Financial Instruments 香港財務報告準則第 9 號：監管匯報
HKMA 「金管局」	Hong Kong Monetary Authority 香港金融管理局
Hong Kong or HK 「香港」	Hong Kong Special Administrative Region of PRC 中華人民共和國香港特別行政區

IFTA 「IFTA」	Institute of Financial Technologists of Asia 亞洲金融科技師學會
Listing Rules 「《上市規則》」	The Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time) 聯交所《證券上市規則》，經不時修訂、修改或以其他方式補充
Macau Branch 「澳門分行」	The Bank's branch operations in Macau 本行的澳門分行
Mobile app 「手機應用程式」	Mobile application 手機應用程式
MPF 「強積金」	Mandatory Provident Fund 強制性公積金
NGO 「非政府組織」	Non-Governmental Organisation 非政府組織
NIM 「淨息差」	Net interest margin 淨息差
Senior Management 「高層管理人員」	the Co-Chief Executives and Deputy Chief Executives of the Bank 本行的聯席行政總裁及副行政總裁
Share 「股」或「股份」	Ordinary shares of the Bank 本行普通股
SME(s) 「中小型企業」	Small and medium-sized enterprise(s) 中小型企業
Stock Exchange 「聯交所」	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司
Taiwan Branch 「台灣分行」	The Bank's branch operations in Taiwan 本行的台灣分行
UK 「英國」	United Kingdom 英國
US 「美國」	United States of America 美利堅合眾國
US$ or USD 「美元」	United States dollar, the lawful currency of the US 美國法定貨幣