

Hong Kong, 21st February 2024

For Immediate Release

The Bank of East Asia, Limited
2023 Final Results – Financial Highlights
(for year ended 31st December, 2023)

- *Core profitability improves on widened margins and well-contained costs*
- *Continued investment in service platform to develop business in the Greater Bay Area and beyond*
- *Committed to shareholder returns, with new budget of HK\$500 million for share buyback programme*

For the year ended 31st December 2023

Operating profit before impairment losses
- Representing an increase of 29.6% compared with the year ended 31st December 2022 HK\$11,314 million

Profit attributable to owners of the parent
- Representing a decrease of 5.5% compared with the year ended 31st December 2022 HK\$4,118 million

Return on average assets 0.4%

Return on average equity 3.6%

Basic earnings per share HK\$1.32

Second interim dividend per share (with scrip option) HK\$0.18

Dividend payout ratio 41%

Net interest margin 2.14%

Cost-to-income ratio 45.5%

At year-end

Total consolidated assets HK\$860,361 million

Total loans and advances to customers and trade bills HK\$532,484 million

Impaired loan ratio 2.69%

Total customer deposits and certificates of deposit issued HK\$656,216 million

Loan to deposit ratio 81.1%

Common Equity Tier 1 capital ratio 17.3%

Tier 1 capital ratio 19.4%

Total capital ratio 22.0%

For the fourth quarter

Average liquidity coverage ratio 201.5%

FINANCIAL REVIEW

Financial Performance

The external environment remained complex for the banking industry across Asia in 2023. The post-COVID economic recovery was slower than expected, and many businesses remained under pressure.

For the full year, BEA and its subsidiaries earned a profit attributable to owners of the parent of HK\$4,118 million. The year-on-year comparison was influenced by the extraordinary gain recorded in August 2022 on the disposal of Blue Cross (Asia-Pacific) Insurance Limited ("Blue Cross") and Blue Care JV (BVI) Holdings Limited ("Blue Care"), as well as the one-time shared gain arising from AFFIN Bank Berhad's ("AFFIN") disposal of AFFIN Hwang Asset Management in 2022.

Basic earnings per share were unchanged from 2022 at HK\$1.32. The return on average assets remained stable at 0.4%, while the return on average equity decreased by 0.1 percentage point to 3.6%.

Nevertheless, core business results improved as the Group benefitted from the end of the ultra-low interest rate environment.

Net interest income increased by HK\$3,366 million, or 24.9%, to HK\$16,874 million. Net interest margin widened by 49 basis points year-on-year, from 1.65% to 2.14%, on the back of rising rates.

Net fee and commission income year-on-year slightly decreased by 4.1% to HK\$2,640 million amid the continued weak market sentiment. The decline in income from customer investment activity was offset by a growing contribution of fees from lending business and sale of third-party insurance policies.

Taken together, net trading and hedging results and net results from other financial instruments decreased by HK\$300 million, or 24.1%, to HK\$945 million. Non-interest income fell by 12.9% to HK\$3,872 million.

Overall, total operating income increased by 15.5% to HK\$20,746 million.

Operating expenses were well contained at HK\$9,432 million, an increase of HK\$208 million or 2.2%. The Bank continued to invest in talent, sales, and digital capabilities while realising efficiency gains from its transformation initiatives. The cost-to-income ratio for 2023 improved by 5.9 percentage points to 45.5%.

Impairment losses on financial instruments decreased by HK\$440 million, or 7.4%, to HK\$5,483 million. The Chinese commercial real estate sector continued to be the main concern for asset quality, accounting for some 82% of loan loss provisions. The Group's impaired loan ratio increased from 2.39% at the end of December 2022 to 2.69% at the end of December 2023.

Meanwhile, an impairment of HK\$726 million was made on the Group's investment in AFFIN, as a result of a drop in AFFIN's value-in-use.

Net profit on sale of assets held for sale decreased by HK\$1,443 million, mainly due to the aforementioned one-off gain of HK\$1,446 million on the disposal of Blue Cross and Blue Care in 2022.

Financial Position

Total equity attributable to owners of the parent rose by 2.1% to HK\$97,973 million.

The BEA Group remained cautious in its approach to new lending, focusing instead on risk management and portfolio diversification. Continued efforts were made to reduce risk-weighted assets ("RWA"). As a result, gross advances to customers decreased by 3.1% to HK\$532,111 million. Total consolidated assets of the Group stood at HK\$860,361 million at the end of December 2023, down by HK\$22,464 million, or 2.5%, compared to HK\$882,825 million at the end of 2022.

Deposits were managed in line with loan demand. Total deposits from customers decreased by 3.0% to HK\$628,598 million. Of the total, demand deposits and current account balances decreased by HK\$256 million, or 0.4%; savings deposits decreased by HK\$26,944 million, or 18.6%; and time deposits increased by HK\$7,705 million, or 1.76%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, amounted to HK\$656,216 million.

The loan-to-deposit ratio stood at 81.1% at the end of December 2023, compared to 80.6% at the end of 2022.

The Group continued its on-market share buyback programme. During 2023, 35,940,800 shares were repurchased on the Stock Exchange for a total consideration of HK\$366 million.

A new budget of HK\$500 million has been announced for the continuation of the programme.

As at 31st December, 2023, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio remained solid at 22.0%, 19.4%, and 17.3%, respectively. The estimated average liquidity coverage ratio for the period ended 31st December, 2023 was 201.5%, well above the statutory minimum of 100%.



Mr Adrian Li (left) and Mr Brian Li (right), Co-Chief Executives of BEA, hosted the Bank's 2023 Final Results briefing.

About The Bank of East Asia, Limited

Incorporated in 1918, The Bank of East Asia, Limited ("BEA") is a leading Hong Kong- based financial services group listed on The Stock Exchange of Hong Kong, with total consolidated assets of HK\$860.4 billion (US\$110.1 billion) as of 31st December, 2023.

BEA provides a comprehensive range of corporate banking, personal banking, wealth management, and investment services to customers through an extensive network of about 130 outlets covering Hong Kong, the rest of Greater China, Southeast Asia, the United Kingdom, and the United States. For more information, please visit www.hkbea.com.

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