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The Bank of East Asia, Limited

東亞銀行有限公司

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

ANNOUNCEMENT OF 2015 FINAL RESULTS

SUMMARY OF RESULTS

The Board of Directors of the Bank is pleased to announce the audited results (Note1(a)) of the Group for the year ended 31st December, 2015. 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 2015 annual accounts.

Consolidated Income Statement

		2015	2014
		HK\$ Mn	Restated HK\$ Mn
	Notes		
Interest income	3	23,588	25,457
Interest expense	4	(11,654)	(12,782)
Net interest income		11,934	12,675
Fee and commission income	5	5,016	5,023
Fee and commission expense		(917)	(877)
Net fee and commission income		4,099	4,146
Net trading profits	6	229	870
Net result from financial instruments designated at fair value through profit or loss	7	(35)	(130)
Net hedging (loss)/profit	8	(10)	3
Net insurance revenue		372	323
Other operating income	9	475	345
Non-interest income		5,130	5,557
Operating income		17,064	18,232
Operating expenses	10	(9,732)	(9,849)
Operating profit before impairment losses		7,332	8,383
Impairment losses on loans and advances		(2,042)	(990)
Write back of impairment losses on held-to-maturity investments		-	3
Impairment losses on available-for-sale financial assets		(17)	(14)
Impairment losses		(2,059)	(1,001)
Operating profit after impairment losses		5,273	7,382
Net profit/(loss) on sale of held-to-maturity investments		3	(2)
Net profit on sale of available-for-sale financial assets	11	257	101
Net loss on sale of loans and receivables		(2)	-
Net profit/(loss) on disposal of subsidiaries/associates		2	(4)
Net gain on disposal of fixed assets	12	109	74
Valuation gains on investment properties		549	228
Share of profits less losses of associates		558	645
Profit for the year before taxation		6,749	8,424
Income tax	13		
Current tax			
- Hong Kong		(804)	(812)
- Outside Hong Kong		(551)	(921)
Deferred tax		244	83
Profit for the year after taxation		5,638	6,774
Attributable to:			
Owners of the parent		5,522	6,661
Non-controlling interests		116	113
Profit after taxation		5,638	6,774
Per share			
- Basic earnings	1(b)	HK\$1.95	HK\$2.72
- Diluted earnings	1(b)	HK\$1.95	HK\$2.72
- Dividends		HK\$0.88	HK\$1.11

Consolidated Statement of Comprehensive Income

		2015	2014
			Restated
	Notes	HK\$ Mn	HK\$ Mn
Net profit		5,638	6,774
Other comprehensive income for the year:			
Items that will not be reclassified to income statement:			
Premises:			
- unrealised surplus on revaluation of premises		14	2
Items that may be reclassified subsequently to income statement:			
Premises:			
- deferred taxes		(17)	1
Available-for-sale investment revaluation reserve:			
- fair value changes recognised (from)/to equity		(17)	915
- fair value changes reclassified from/(to) income statement:			
- on impairment and amortisation		61	8
- on disposal	11	(327)	(79)
- deferred taxes		6	(164)
Share of changes in equity of associates		(59)	(9)
Exchange differences on translation of:			
- accounts of overseas branches, subsidiaries and associates		(2,157)	(990)
Other comprehensive income		(2,496)	(316)
Total comprehensive income		3,142	6,458
Total comprehensive income attributable to:			
Owners of the parent		3,051	6,350
Non-controlling interests		91	108
		3,142	6,458

Consolidated Statement of Financial Position

		2015	2014
	Notes	HK\$ Mn	HK\$ Mn
ASSETS			
Cash and balances with banks and other financial institutions		69,122	70,358
Placements with banks and other financial institutions		80,828	50,769
Trade bills		19,532	60,675
Trading assets	14	5,335	2,885
Financial assets designated at fair value through profit or loss	15	4,336	8,713
Positive fair value of derivatives	20	6,205	3,537
Advances to customers and other accounts	16	473,088	482,140
Available-for-sale financial assets	17	93,595	86,816
Held-to-maturity investments	18	6,199	6,747
Investments in associates		5,763	6,083
Fixed assets		13,297	13,117
- Investment properties		4,891	4,544
- Other property and equipment		8,406	8,573
Goodwill and intangible assets		3,883	3,955
Deferred tax assets		181	96
Total Assets		781,364	795,891
EQUITY AND LIABILITIES			
Deposits and balances of banks and other financial institutions		32,126	33,323
Deposits from customers		540,743	548,184
Trading liabilities		889	21
Negative fair value of derivatives	20	6,909	4,823
Certificates of deposit issued		37,277	44,398
- Designated at fair value through profit or loss		16,457	14,444
- At amortised cost		20,820	29,954
Current taxation		1,325	1,172
Debt securities issued		13,597	22,424
- Designated at fair value through profit or loss		2,539	7,595
- At amortised cost		11,058	14,829
Deferred tax liabilities		534	686
Other accounts and provisions		45,327	50,081
Loan capital – at amortised cost		16,996	17,335
Total Liabilities		695,723	722,447
Share capital	1(c)	33,815	25,217
Reserves	21	43,598	43,663
Total equity attributable to owners of the parent		77,413	68,880
Additional equity instruments		5,016	-
Non-controlling interests		3,212	4,564
Total Equity		85,641	73,444
Total Equity and Liabilities		781,364	795,891

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital reserve – staff share options issued	Exchange revaluation reserve	Investment revaluation reserve	Revaluation reserve of bank premises	Capital reserve	General reserve	Other reserves 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
At 1 st January, 2015	25,217	-	84	1,970	1,660	1,642	228	13,930	4,300	19,849	68,880	-	4,564	73,444
Changes in equity														
Profit for the year	-	-	-	-	-	-	-	-	-	5,522	5,522	-	116	5,638
Other comprehensive income	-	-	-	(2,132)	(277)	(3)	-	-	(59)	-	(2,471)	-	(25)	(2,496)
Total comprehensive income	-	-	-	(2,132)	(277)	(3)	-	-	(59)	5,522	3,051	-	91	3,142
Issue of additional equity instruments ¹	-	-	-	-	-	-	-	-	-	-	-	5,016	-	5,016
Shares issued in lieu of dividend (Note 1(c))	1,856	-	-	-	-	-	-	-	-	-	1,856	-	-	1,856
Subscription of new shares (Note 1(c))	6,576	-	-	-	-	-	-	-	-	-	6,576	-	-	6,576
Shares issued under Staff Share Option Schemes (Note 1(c))	150	-	-	-	-	-	-	-	-	-	150	-	-	150
Equity settled share-based transaction	-	-	22	-	-	-	-	-	-	-	22	-	-	22
Transfer	16	-	(16)	-	-	-	2	23	425	(450)	-	-	-	-
Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(2,911)	(2,911)	-	(82)	(2,993)
Redemption of Hybrid Tier 1 capital instruments ²	-	-	-	-	-	-	-	-	-	(211)	(211)	-	(1,361)	(1,572)
At 31 st December, 2015	33,815	-	90	(162)	1,383	1,639	230	13,953	4,666	21,799	77,413	5,016	3,212	85,641
At 1 st January, 2014 (As restated)	5,724	17,770	69	2,955	980	1,639	200	13,877	3,690	16,778	63,682	-	4,552	68,234
Changes in equity														
Profit for the year	-	-	-	-	-	-	-	-	-	6,661	6,661	-	113	6,774
Other comprehensive income	-	-	-	(985)	680	3	-	-	(9)	-	(311)	-	(5)	(316)
Total comprehensive income	-	-	-	(985)	680	3	-	-	(9)	6,661	6,350	-	108	6,458
Shares issued in lieu of dividend (Note 1(c))	1,664	-	-	-	-	-	-	-	-	-	1,664	-	-	1,664
Shares issued under Staff Share Option Schemes (Note 1(c))	50	-	-	-	-	-	-	-	-	-	50	-	-	50
Shares issued expense	-	-	-	-	-	-	(2)	-	-	-	(2)	-	-	(2)
Equity settled share-based transaction	-	-	24	-	-	-	-	-	-	-	24	-	-	24
Transfer	9	-	(9)	-	-	-	30	53	619	(702)	-	-	-	-
Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(2,888)	(2,888)	-	(96)	(2,984)
Transition to no-par value regime on 3 rd March, 2014 (Note 1(c))	17,770	(17,770)	-	-	-	-	-	-	-	-	-	-	-	-
At 31 st December, 2014	25,217	-	84	1,970	1,660	1,642	228	13,930	4,300	19,849	68,880	-	4,564	73,444

- During the year, the Bank issued HK\$5,038 million (USD650 million) undated non-cumulative subordinated Additional Tier 1 capital securities ("AT1"). Direct issuance costs of HK\$22 million are accounted for as a deduction from the equity instruments.
- During the year, the Bank redeemed HK\$1,361 million Hybrid Tier 1 capital instruments which are classified as non-controlling interests in the consolidated financial statements, through exchange offer with AT1 (HK\$672 million) and tender offer (HK\$900 million). The purchase premium of HK\$211 million paid in excess of the carrying amount of the non-controlling interests acquired was charged to retained profits.
- Other reserves include statutory reserve and other reserves.

Consolidated Cash Flow Statement

	Notes	2015 HK\$ Mn	2014 HK\$ Mn
OPERATING ACTIVITIES			
Profit for the year before taxation		6,749	8,424
Adjustments for:			
Charge for impairment losses on loans and advances		2,042	990
Charge for impairment allowances on held-to-maturity investments and available-for-sale financial assets		17	11
Share of profits less losses of associates		(558)	(645)
Net (profit)/loss on sale of held-to-maturity investments		(3)	2
Net profit on sale of available-for-sale financial assets		(257)	(101)
Net (profit)/loss on disposal of subsidiaries and associates		(2)	4
Net gain on disposal of fixed assets		(109)	(74)
Interest expense on certificates of deposit, debt securities and loan capital issued		1,843	1,855
Depreciation on fixed assets	10	523	664
Dividend income from available-for-sale financial assets		(40)	(28)
Amortisation of intangible assets		32	32
Amortisation of premium/discount on certificates of deposit and loan capital issued		236	218
Revaluation gains on certificates of deposit, debt securities and loan capital issued		(45)	(5)
Valuation gains on investment properties		(549)	(228)
Equity-settled share-based payment expenses		22	24
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		9,901	11,143
(Increase)/decrease in operating assets:			
Cash and balances with banks with original maturity beyond three months		7,644	926
Placements with banks and other financial institutions with original maturity beyond three months		5,407	(10,544)
Trade bills		41,143	(735)
Trading assets		(906)	2,420
Financial assets designated at fair value through profit or loss		4,377	2,893
Positive fair value of derivatives		(2,668)	88
Advances to customers		881	(38,559)
Advances to banks and other financial institutions		24	(50)
Held-to-maturity debt securities		(208)	(1,319)
Available-for-sale financial assets		(10,436)	(17,789)
Other accounts and accrued interest		6,397	3,829
Increase/(decrease) in operating liabilities:			
Deposits and balances of banks and other financial institutions		(1,197)	4,400
Deposits from customers		(7,441)	13,213
Trading liabilities		868	10
Negative fair value of derivatives		2,086	278
Other accounts and provisions		(4,564)	(4,139)
Exchange adjustments		(2,506)	(962)
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS		48,802	(34,897)
Income tax paid			
Hong Kong profits tax paid		(794)	(919)
Outside Hong Kong profits tax paid		(383)	(982)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		47,625	(36,798)

	Notes	2015 HK\$ Mn	2014 HK\$ Mn
INVESTING ACTIVITIES			
Dividends received from associates		35	172
Dividends received from available-for-sale equity securities		40	28
Purchase of equity securities		(2,174)	(1,985)
Proceeds from sale of equity securities		1,931	1,780
Purchase of fixed assets		(446)	(305)
Purchase of investment properties		(20)	(44)
Proceeds from disposal of fixed assets		158	130
Purchase of shareholding in associates		(61)	(1,139)
Proceeds from disposal of an associate		1	-
Purchase of subsidiaries		(1)	(23)
NET CASH USED IN INVESTING ACTIVITIES		(537)	(1,386)
FINANCING ACTIVITIES			
Ordinary dividends paid		(817)	(991)
Distribution to Hybrid Tier 1 issue holders	2(c)	(320)	(330)
Subscription of new shares	1(c)	6,576	-
Issue of ordinary share capital	1(c)	150	50
Issue of additional equity instruments		4,344	-
Issue of certificates of deposit		61,503	67,798
Issue of debt securities		11,150	26,426
Issue of loan capital		-	3,863
Redemption of Hybrid Tier 1 issued		(900)	-
Redemption of certificates of deposit issued		(68,298)	(66,414)
Redemption of debt securities issued		(19,462)	(8,621)
Interest paid on loan capital		(1,032)	(755)
Interest paid on certificates of deposit issued		(731)	(620)
Interest paid on debt securities issued		(271)	(243)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(8,108)	20,163
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		38,980	(18,021)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		71,986	90,007
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		110,966	71,986
Cash flows from operating activities included:			
Interest received		23,857	27,469
Interest paid		12,238	14,357
Dividend received		80	71

Notes to the Financial Statements

1. (a) The financial information relating to the years ended 31st December, 2015 and 2014 included in this announcement of 2015 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, 2014 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, 2015 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 earnings of HK\$4,991 million (2014: HK\$6,331 million) after the distribution of HK\$320 million (2014: HK\$330 million) to Hybrid Tier 1 issue holders and deduction of HK\$211 million (2014: Nil) premium paid to partial redemption of Hybrid Tier 1 capital instruments, and on the weighted average of 2,561 million (2014: 2,324 million) ordinary shares outstanding during the year.
- (ii) The calculation of diluted earnings per share is based on earnings of HK\$4,991 million (2014: HK\$6,331 million) after the distribution of HK\$320 million (2014: HK\$330 million) to Hybrid Tier 1 issue holders and deduction of HK\$211 million (2014: Nil) premium paid to partial redemption of Hybrid Tier 1 capital instruments, and on 2,561 million (2014: 2,325 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

The transition to the no-par value regime under the Companies Ordinance occurred automatically on 3rd March, 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Companies Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Companies Ordinance.

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

	2015		2014	
	No. of shares		No. of shares	
	Mn	HK\$ Mn	Mn	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1 st January	2,347	25,217	2,290	5,724
Subscription of new shares	223	6,576	-	-
Shares issued under Staff Share Option Schemes	5	150	2	50
Transition to no-par value regime on 3 rd March, 2014	-	-	-	17,770
Transfer of the fair value of options from capital reserve – share options issued	-	16	-	9
Shares issued in lieu of dividend	66	1,856	55	1,664
At 31 st December	<u>2,641</u>	<u>33,815</u>	<u>2,347</u>	<u>25,217</u>

2. Dividends

(a) Dividends attributable to the year

	2015	2014
	HK\$ Mn	HK\$ Mn
Interim dividend declared and paid of HK\$0.38 per share on 2,617 million shares (2014: HK\$0.43 per share on 2,329 million shares)	994	1,001
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\$0.68 per share (2014: HK\$0.68 per share)	1	-
Second interim dividend of HK\$0.50 per share on 2,641 million shares (2014: HK\$0.68 per share on 2,347 million shares)	1,320	1,596
	<u>2,315</u>	<u>2,597</u>

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

	2015	2014
	HK\$ Mn	HK\$ Mn
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.68 per share on 2,347 million shares (2014: HK\$0.68 per share on 2,290 million shares)	<u>1,597</u>	<u>1,557</u>

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

	2015	2014
	HK\$ Mn	HK\$ Mn
Interest paid or payable on the Hybrid Tier 1 capital instruments	<u>320</u>	<u>330</u>

3. Interest Income

	2015	2014
	HK\$ Mn	Restated HK\$ Mn
Securities classified as held-to-maturity or available-for-sale	2,458	2,253
Trading assets	159	124
Financial assets designated at fair value through profit or loss	141	278
Loans, deposits with banks and financial institutions and trade bills	20,830	22,802
	<u>23,588</u>	<u>25,457</u>

Included above is interest income accrued on impaired financial assets of HK\$339 million (2014: HK\$133 million) for the year ended 31st December, 2015.

Included within interest income is HK\$23,513 million (2014: HK\$25,175 million), before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

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.

4. Interest Expense

	2015	2014
	HK\$ Mn	Restated HK\$ Mn
Customer deposits, deposits of banks and other financial institutions and certificates of deposit issued which are stated at amortised cost	10,480	11,692
Debt securities issued – at amortised cost	242	333
– designated at fair value through profit or loss	263	222
Subordinated notes carried at amortised cost	650	528
Other borrowings	19	7
	<u>11,654</u>	<u>12,782</u>

Included within interest expense is HK\$11,643 million (2014: HK\$12,803 million), before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

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.

5. Fee and Commission Income

Fee and commission income arises from the following services:

	2015	2014
	HK\$ Mn	HK\$ Mn
Corporate services	1,194	1,132
Credit cards	947	905
Loans, overdrafts and guarantees	861	946
Trade finance	481	576
Securities and brokerage	449	357
Other retail banking services	353	447
Trust and other fiduciary activities	187	182
Others	544	478
	<u>5,016</u>	<u>5,023</u>

of which:

Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss

	4,125	4,168
Fee income	5,016	5,023
Fee expenses	(891)	(855)

6. Net Trading Profits

	2015	2014
	HK\$ Mn	Restated HK\$ Mn
(Loss)/profit on dealing in foreign currencies and funding swaps	(440)	1,584
Profit on trading securities	63	139
Net gain/(loss) on derivatives	566	(896)
Dividend income from listed trading securities	40	43
	<u>229</u>	<u>870</u>

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

	2015	2014
	HK\$ Mn	HK\$ Mn
Revaluation gain on debts issued	13	40
Profit on sale of debts issued	3	5
Revaluation loss on financial assets	(49)	(172)
Loss on sale of financial assets	(2)	(3)
	<u>(35)</u>	<u>(130)</u>

8. Net Hedging (Loss)/Profit

	2015	2014
	HK\$ Mn	HK\$ Mn
Fair value hedges		
- Net gain on hedged items attributable to the hedged risk	71	96
- Net loss on hedging instruments	(81)	(93)
	<u>(10)</u>	<u>3</u>

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the years 2015 and 2014.

9. Other Operating Income

	2015	2014
	HK\$ Mn	HK\$ Mn
Dividend income from available-for-sale financial assets		
- listed	16	11
- unlisted	24	17
Rental from safe deposit boxes	86	80
Rental income on properties	221	149
Others	128	88
	<u>475</u>	<u>345</u>

10. Operating Expenses

	2015 HK\$ Mn	2014 HK\$ Mn
Contributions to defined contribution plan		
- Hong Kong	163	152
- Outside Hong Kong	363	363
Equity-settled share-based payment expenses	22	24
Salaries and other staff costs	4,790	4,945
Total staff costs	5,338	5,484
Premises and equipment expenses excluding depreciation		
- Rental of premises	697	671
- Maintenance, repairs and others	581	570
Total premises and equipment expenses excluding depreciation	1,278	1,241
Depreciation on fixed assets *	523	664
Amortisation of intangible assets	32	32
Other operating expenses		
- Stamp duty, overseas and PRC business taxes, and value added taxes	644	727
- Legal and professional fees	457	414
- Communications, stationery and printing	348	340
- Advertising expenses	341	261
- Business promotions and business travel	193	206
- Card related expenses	150	102
- Insurance expenses	57	37
- Administration expenses of corporate services	20	15
- Audit fee	17	17
- Membership fees	16	17
- Bank charges	10	10
- Donations	5	5
- Bank licence	4	4
- Others	299	273
Total other operating expenses	2,561	2,428
Total operating expenses	9,732	9,849

* During the year, the Group revised the useful lives of certain fixed assets. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the impact for current year and expected impact for future years on depreciation charges are as follows:

Current year	Increase/(decrease) in depreciation charges				
	Future years				
2015	2016	2017	2018	2019	Later
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
(87)	(36)	4	21	34	64

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

	2015 HK\$ Mn	2014 HK\$ Mn
Net revaluation gain transferred from reserves	327	79
(Loss)/Profit arising in current year	(70)	22
	<u>257</u>	<u>101</u>

12. Net Gain on Disposal of Fixed Assets

	2015 HK\$ Mn	2014 HK\$ Mn
Net gain on disposal of bank premises, furniture, fixtures and equipment	<u>109</u>	<u>74</u>

13. Income Tax

Taxation in the consolidated income statement represents:

	2015 HK\$ Mn	2014 HK\$ Mn
Current tax – Hong Kong		
Tax for the year	772	777
Under-provision in respect of prior years	32	35
	<u>804</u>	<u>812</u>
Current tax – outside Hong Kong		
Tax for the year	616	942
Write back of over-provision in respect of prior years	(65)	(21)
	<u>551</u>	<u>921</u>
Deferred tax		
Origination and reversal of temporary differences	(244)	(83)
	<u>1,111</u>	<u>1,650</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 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.

14. Trading Assets

	2015 HK\$ Mn	2014 HK\$ Mn
Treasury bills (including Exchange Fund Bills)	1,178	78
Certificates of deposits held	1,192	-
Debt securities	1,620	1,412
Equity securities	1,345	1,374
Investment funds	-	21
	<u>5,335</u>	<u>2,885</u>
Issued by:		
Central governments and central banks	1,189	129
Public sector entities	8	52
Banks and other financial institutions	2,768	1,170
Corporate entities	1,370	1,501
Other entities	-	33
	<u>5,335</u>	<u>2,885</u>
Analysed by place of listing:		
Debt securities		
Listed in Hong Kong	11	13
Listed outside Hong Kong	25	113
	36	126
Unlisted	3,954	1,364
	<u>3,990</u>	<u>1,490</u>
Equity securities		
Listed in Hong Kong	1,124	1,131
Listed outside Hong Kong	221	243
	<u>1,345</u>	<u>1,374</u>
Investment funds		
Listed in Hong Kong	-	7
Listed outside Hong Kong	-	14
	<u>-</u>	<u>21</u>
	<u>5,335</u>	<u>2,885</u>

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

	2015	2014
	HK\$ Mn	HK\$ Mn
Certificates of deposits held	476	1,495
Debt securities	3,410	6,792
Equity securities	326	353
Investment funds	124	73
	<u>4,336</u>	<u>8,713</u>
Issued by:		
Central governments and central banks	90	94
Banks and other financial institutions	2,012	5,072
Corporate entities	2,110	3,474
Other entities	124	73
	<u>4,336</u>	<u>8,713</u>
Analysed by place of listing:		
Debt securities		
Listed in Hong Kong	797	1,093
Listed outside Hong Kong	1,589	3,597
	<u>2,386</u>	<u>4,690</u>
Unlisted	1,500	3,597
	<u>3,886</u>	<u>8,287</u>
Equity securities		
Listed in Hong Kong	116	128
Listed outside Hong Kong	210	225
	<u>326</u>	<u>353</u>
Investment funds		
Listed in Hong Kong	20	-
Listed outside Hong Kong	15	9
	<u>35</u>	<u>9</u>
Unlisted	89	64
	<u>124</u>	<u>73</u>
	<u>4,336</u>	<u>8,713</u>

16. Advances to Customers and Other Accounts

(a) Advances to customers and other accounts

	2015	2014
	HK\$ Mn	HK\$ Mn
(i) Advances to customers	441,506	443,287
Less: Impairment allowances		
- Individual	(1,021)	(419)
- Collective	(1,360)	(935)
	<u>439,125</u>	<u>441,933</u>
(ii) Other accounts		
Advances to banks and other financial institutions	31	55
Less: Impairment allowances – Individual	(1)	(1)
	<u>30</u>	<u>54</u>
Notes and bonds	1	1
Certificates of deposit held	-	116
Accrued interest	2,635	2,904
Customer liabilities under acceptances	20,602	26,460
Other accounts	9,778	10,703
	<u>33,016</u>	<u>40,184</u>
Less: Impairment allowances		
- Individual	(19)	(13)
- Collective	(19)	(18)
	<u>32,978</u>	<u>40,153</u>
Assets held for sale (Note)	955	-
	<u><u>473,088</u></u>	<u><u>482,140</u></u>

Note: Assets held for sale include the disposal group for HK\$821 million which consists of Tung Shing Holdings Company Limited and BEA Wealth Management Services (Taiwan) Limited.

(b) Advances to customers – by industry sectors

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

	2015		2014	
	Gross advances HK\$ Mn	% of secured advances %	Gross advances HK\$ Mn	% of secured advances %
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	13,009	67.44	17,177	71.40
- Property investment	41,890	87.44	38,906	86.53
- Financial concerns	10,011	70.44	15,562	82.32
- Stockbrokers	2,894	85.34	1,901	95.94
- Wholesale and retail trade	18,250	67.56	21,070	56.15
- Manufacturing	4,494	55.72	7,090	50.93
- Transport and transport equipment	5,758	80.15	6,835	67.01
- Recreational activities	155	56.66	138	56.53
- Information technology	1,251	27.87	836	15.53
- Others	21,370	76.27	19,113	69.23
- Sub-total	119,082	76.51	128,628	73.10
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,050	100.00	1,058	100.00
- Loans for the purchase of other residential properties	40,805	100.00	33,052	100.00
- Credit card advances	4,552	0.00	5,079	0.00
- Others	21,191	83.99	19,181	82.12
- Sub-total	67,598	88.25	58,370	85.42
Total loans for use in Hong Kong	186,680	80.76	186,998	76.95
Trade finance	5,998	66.66	5,527	59.14
Loans for use outside Hong Kong *	248,828	66.25	250,762	71.38
Total advances to customers	441,506	72.39	443,287	73.57

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

	2015		2014	
	Gross advances HK\$ Mn	% of secured advances %	Gross advances HK\$ Mn	% of secured advances %
Property development	42,468	60.86	40,010	60.01
Property investment	33,439	95.63	32,701	98.51
Wholesale and retail trade	22,931	75.90	32,072	80.53
Manufacturing	8,687	46.67	11,224	61.73
Others	77,247	53.85	73,200	61.45
	184,772	65.42	189,207	70.80

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:

	2015 HK\$ Mn	2014 HK\$ Mn
(i) Property development		
a. Individually impaired loans	39	42
b. Individual impairment allowance	5	10
c. Collective impairment allowance	222	116
d. Provision charged to income statement		
- individual impairment loss	174	1
- collective impairment loss	136	67
e. Written off	-	-
(ii) Property investment		
a. Individually impaired loans	598	299
b. Individual impairment allowance	24	3
c. Collective impairment allowance	269	175
d. Provision charged to income statement		
- individual impairment loss	63	13
- collective impairment loss	130	67
e. Written off	33	9
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	356	236
b. Individual impairment allowance	23	12
c. Collective impairment allowance	141	82
d. Provision charged to income statement		
- individual impairment loss	80	23
- collective impairment loss	57	29
e. Written off	50	11
(iv) Wholesale and retail trade		
a. Individually impaired loans	1,455	633
b. Individual impairment allowance	502	74
c. Collective impairment allowance	146	124
d. Provision charged to income statement		
- individual impairment loss	727	318
- collective impairment loss	74	57
e. Written off	189	286
(v) Hotels		
a. Individually impaired loans	912	637
b. Individual impairment allowance	56	58
c. Collective impairment allowance	63	49
d. Provision charged to income statement		
- individual impairment loss	62	59
- collective impairment loss	29	22
e. Written off	62	-

(c) Advances to customers – by geographical areas

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

2015					
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	181,968	243	643	152	263
People's Republic of China	212,621	3,809	4,037	818	978
Other Asian Countries	19,376	22	155	35	51
Others	27,541	5	138	16	68
Total	<u>441,506</u>	<u>4,079</u>	<u>4,973</u>	<u>1,021</u>	<u>1,360</u>
% of total advances to customers			<u>1.13%</u>		
Market value of security held against impaired advances to customers			<u>8,239</u>		

2014					
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	186,000	226	404	95	248
People's Republic of China	213,984	1,784	2,108	307	563
Other Asian Countries	20,813	79	143	17	68
Others	22,490	7	81	-	56
Total	<u>443,287</u>	<u>2,096</u>	<u>2,736</u>	<u>419</u>	<u>935</u>
% of total advances to customers			<u>0.62%</u>		
Market value of security held against impaired advances to customers			<u>4,680</u>		

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.

17. Available-for-Sale Financial Assets

	2015 HK\$ Mn	2014 HK\$ Mn
Treasury bills (including Exchange Fund Bills)	17,920	27,906
Certificates of deposit held	2,228	1,626
Debt securities	70,136	54,116
Equity securities	2,832	2,895
Investment funds	479	273
	<u>93,595</u>	<u>86,816</u>
Issued by:		
Central governments and central banks	19,013	28,238
Public sector entities	553	691
Banks and other financial institutions	32,582	27,788
Corporate entities	40,927	29,788
Other entities	520	311
	<u>93,595</u>	<u>86,816</u>
Analysed by place of listing:		
Debt securities		
Listed in Hong Kong	18,236	12,511
Listed outside Hong Kong	21,344	11,391
	<u>39,580</u>	<u>23,902</u>
Unlisted	50,704	59,746
	<u>90,284</u>	<u>83,648</u>
Equity securities		
Listed in Hong Kong	800	766
Listed outside Hong Kong	1,501	1,376
	<u>2,301</u>	<u>2,142</u>
Unlisted	531	753
	<u>2,832</u>	<u>2,895</u>
Investment funds		
Listed in Hong Kong	92	-
Listed outside Hong Kong	63	29
	<u>155</u>	<u>29</u>
Unlisted	324	244
	<u>479</u>	<u>273</u>
	<u>93,595</u>	<u>86,816</u>

18. Held-to-Maturity Investments

	2015 HK\$ Mn	2014 HK\$ Mn
Treasury bills (including Exchange Fund Bills)	1,143	737
Certificates of deposit held	1,478	2,710
Debt securities	3,578	3,300
	<u>6,199</u>	<u>6,747</u>
Issued by:		
Central governments and central banks	1,850	1,546
Public sector entities	22	22
Banks and other financial institutions	1,156	2,495
Corporate entities	3,171	2,684
	<u>6,199</u>	<u>6,747</u>
Analysed by place of listing:		
Debt securities		
Listed in Hong Kong	2,673	1,905
Listed outside Hong Kong	1,588	1,590
	<u>4,261</u>	<u>3,495</u>
Unlisted	1,938	3,252
	<u>6,199</u>	<u>6,747</u>
Fair value:		
Listed securities	4,309	3,516
Unlisted securities	1,940	3,218
	<u>6,249</u>	<u>6,734</u>

19. Segment Reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following nine reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

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

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

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

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

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

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

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

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

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

Segment assets include all tangible assets, intangible assets and financial assets with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include deposits, financial liabilities and other liabilities attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include the Group's share of revenue and expenses arising from the activities of the Group's associates. Other than reporting inter-segment income, assistance provided by one segment to another, including sharing of assets, is not measured.

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

2015

	Hong Kong banking operations									Total reportable segments	Inter-segment elimination		
	Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	China operations	Overseas operations	Corporate services		Others	Inter-segment elimination	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		HK\$ Mn	HK\$ Mn	HK\$ Mn
Net interest income/ (expense)	2,694	2,451	(22)	337	52	312	4,775	1,172	5	11,776	158	-	11,934
Non-interest income/ (expense)	819	526	(413)	457	17	737	1,254	160	1,196	4,753	743	(366)	5,130
Operating income	3,513	2,977	(435)	794	69	1,049	6,029	1,332	1,201	16,529	901	(366)	17,064
Operating expenses	(1,823)	(216)	(140)	(197)	(13)	(636)	(3,924)	(465)	(834)	(8,248)	(1,850)	366	(9,732)
Operating profit/ (loss) before impairment losses	1,690	2,761	(575)	597	56	413	2,105	867	367	8,281	(949)	-	7,332
(Charge for)/ Write back of impairment losses on loans and advances and other accounts	(128)	(110)	-	(9)	-	(56)	(1,704)	(29)	(11)	(2,047)	5	-	(2,042)
Impairment loss on available-for-sale financial assets	-	-	(15)	-	-	(2)	-	-	-	(17)	-	-	(17)
Operating profit/ (loss) after impairment losses	1,562	2,651	(590)	588	56	355	401	838	356	6,217	(944)	-	5,273
Profit/(Loss) on sale of fixed assets, loans and receivable, held-to-maturity investments and available-for-sale financial assets	(2)	1	93	-	-	9	151	-	(1)	251	116	-	367
Profit on sale of subsidiaries/ associates	-	-	-	-	-	-	-	-	2	2	-	-	2
Valuation gains on investment properties	-	-	-	-	-	-	-	49	3	52	497	-	549
Share of profits less losses of associates	-	-	-	-	-	(3)	182	378	1	558	-	-	558
Profit/(Loss) before taxation	1,560	2,652	(497)	588	56	361	734	1,265	361	7,080	(331)	-	6,749
Depreciation for the year	(61)	(1)	(2)	(3)	-	(25)	(232)	(18)	(28)	(370)	(153)	-	(523)
Segment assets	68,719	142,731	165,533	25,627	7,022	18,231	321,280	88,083	2,269	839,495	17,912	(81,806)	775,601
Investments in associates	-	-	-	-	-	50	1,102	4,591	20	5,763	-	-	5,763
Total assets	68,719	142,731	165,533	25,627	7,022	18,281	322,382	92,674	2,289	845,258	17,912	(81,806)	781,364
Total liabilities	279,214	1,124	80,117	21,436	6	13,958	275,796	77,011	405	749,067	2,148	(55,492)	695,723
Capital expenditure incurred during the year	48	-	2	-	-	16	154	14	131	365	104	-	469

2014 (Restated)													
	Hong Kong banking operations									Total reportable segments	Inter-segment elimination		
	Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	China operations	Overseas operations	Corporate services		Others	Inter-segment elimination	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		HK\$ Mn	HK\$ Mn	HK\$ Mn
Net interest income	2,572	2,168	65	271	154	264	5,958	1,114	6	12,572	102	1	12,675
Non-interest income	753	669	40	354	25	635	1,458	160	1,141	5,235	668	(346)	5,557
Operating income	3,325	2,837	105	625	179	899	7,416	1,274	1,147	17,807	770	(345)	18,232
Operating expenses	(1,653)	(201)	(143)	(193)	(13)	(607)	(4,318)	(484)	(803)	(8,415)	(1,779)	345	(9,849)
Operating profit/(loss) before impairment losses	1,672	2,636	(38)	432	166	292	3,098	790	344	9,392	(1,009)	-	8,383
(Charge for)/Write back of impairment losses on loans and advances and other accounts	(114)	(74)	1	(2)	-	(32)	(877)	113	(4)	(989)	(1)	-	(990)
Impairment loss on held-to-maturity investments and available-for-sale financial assets	-	-	(11)	-	-	-	-	-	-	(11)	-	-	(11)
Operating profit/(loss) after impairment losses	1,558	2,562	(48)	430	166	260	2,221	903	340	8,392	(1,010)	-	7,382
Profit/(Loss) on sale of fixed assets, held-to-maturity investments and available-for-sale financial assets	-	27	74	-	-	4	69	-	(1)	173	-	-	173
Loss on sale of subsidiaries	-	-	-	-	-	-	-	(4)	-	(4)	-	-	(4)
Valuation gains on investment properties	-	-	-	-	-	-	-	-	-	-	228	-	228
Share of profits less losses of associates	-	-	-	-	-	(5)	223	426	1	645	-	-	645
Profit/(Loss) before taxation	1,558	2,589	26	430	166	259	2,513	1,325	340	9,206	(782)	-	8,424
Depreciation for the year	(71)	(2)	(4)	(4)	(1)	(28)	(322)	(20)	(26)	(478)	(186)	-	(664)
Segment assets	58,929	173,050	140,170	29,917	9,813	17,536	372,623	102,380	2,222	906,640	18,030	(134,862)	789,808
Investments in associates	-	-	-	-	-	55	972	5,036	20	6,083	-	-	6,083
Total assets	58,929	173,050	140,170	29,917	9,813	17,591	373,595	107,416	2,242	912,723	18,030	(134,862)	795,891
Total liabilities	278,557	1,164	94,513	23,218	4	13,355	328,698	91,134	387	831,030	2,379	(110,962)	722,447
Capital expenditure incurred during the year	28	1	2	7	-	33	116	9	42	238	85	-	323

20. Off-balance Sheet Exposures

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

	2015 HK\$ Mn	2014 HK\$ Mn
Contractual amounts of contingent liabilities and commitments		
Direct credit substitutes	32,679	32,120
Transaction-related contingencies	1,039	1,118
Trade-related contingencies	747	1,016
Commitments that are unconditionally cancellable without prior notice	168,798	170,895
Other commitments with an original maturity		
- up to 1 year	15,796	20,640
- over 1 year	23,421	22,779
Total	242,480	248,568
Credit risk weighted amounts	30,430	28,953
Fair value of derivatives		
Assets		
Exchange rate contracts	3,836	1,973
Interest rate contracts	2,121	1,158
Equity contracts	239	340
Others	9	66
	6,205	3,537
Liabilities		
Exchange rate contracts	4,754	3,212
Interest rate contracts	1,932	1,163
Equity contracts	221	383
Others	2	65
	6,909	4,823
Notional amounts of derivatives		
Exchange rate contracts	458,645	544,162
Interest rate contracts	624,108	300,759
Equity contracts	9,928	13,267
Others	9,329	3,956
	1,102,010	862,144
Credit risk weighted amounts *		
Exchange rate contracts	6,693	5,871
Interest rate contracts	1,090	1,647
Equity contracts	526	756
Others	760	113
	9,069	8,387

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 ("IRB") approach according to Banking (Capital) Rules for calculating the credit risk weighted amount as at 31st December, 2015 and 31st December, 2014.*

21. Reserves

	2015	2014
	HK\$ Mn	HK\$ Mn
General reserve	13,953	13,930
Revaluation reserve on bank premises	1,639	1,642
Investment revaluation reserve	1,383	1,660
Exchange revaluation reserve	(162)	1,970
Other reserves	4,986	4,612
Retained profits *	21,799	19,849
	<u>43,598</u>	<u>43,663</u>
Dividends declared, not provided for	<u>1,320</u>	<u>1,596</u>

* A regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 31st December, 2015, HK\$5,269 million (31st December, 2014: HK\$5,715 million) was included in the retained profits in this respect which was distributable to equity holders of the Group subject to consultation with the HKMA.

22. 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.

23. Comparative Figures

To better reflect the nature of periodic payments and receipts arising from interest rate contracts, such 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. Similarly, 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 also first netted together and then combined with the interest expense from the corresponding financial liabilities.

The net payments and receipts arising from interest rate contracts other than the above are included in net trading profits.

Certain 2014 comparative figures have been restated to conform to current year's presentation. Please refer to Consolidated Income Statement, Consolidated Statement of Changes in Equity, Notes 3, 4, 6 and 19 for the effect of restatement.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(A) Capital Adequacy

	2015	2014
	HK\$ Mn	HK\$ Mn
Capital base		
- Common Equity Tier 1 capital	61,571	53,424
- Additional Tier 1 capital	7,210	2,835
- Total Tier 1 capital	68,781	56,259
- Tier 2 capital	17,703	19,197
- Total capital	86,484	75,456
Risk weighted assets by risk type		
- Credit risk	458,920	410,891
- Market risk	17,231	13,355
- Operational risk	30,553	29,687
	506,704	453,933
Less: Deductions	(3,018)	(2,479)
	503,686	451,454
	2015	2014
	%	%
Common Equity Tier 1 capital ratio	12.2	11.8
Tier 1 capital ratio	13.7	12.5
Total capital ratio	17.2	16.7

Capital adequacy ratios are compiled in accordance with 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 and transitional arrangements as determined in accordance with Part 3 and Schedule 4H of the Capital Rules respectively.

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

Blue Cross (Asia-Pacific) Insurance Limited
 BEA Life Limited
 East Asia Futures Limited
 East Asia Securities Company Limited
 Tricor Holdings Limited and its subsidiaries

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 Disclosure" 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. Liquidity Position

		2015	The year ended 31/12/2014
		%	%
Average liquidity coverage ratio	- First quarter	127.2	N.A.
	- Second quarter	137.5	N.A.
	- Third quarter	132.1	N.A.
	- Fourth quarter	151.2	N.A.
Average liquidity ratio for the year		N.A.	50.2

The liquidity coverage ratio ("LCR") 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 Disclosure" 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.

The average liquidity ratio for the year ended 31st December, 2014 was the simple average of each calendar month's average liquidity ratio, which was computed on the consolidated basis as required by the HKMA for its regulatory purposes, and was in accordance with the Fourth Schedule to the Banking Ordinance.

C. International Claims

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

	2015							
	Non-bank private sector					Of which:		
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total Claims	Cross-border claims	Local claims (in all currencies)
Counterparty country/ jurisdiction	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Developed countries	28,334	6,077	4,416	32,787	-	71,614	39,280	32,334
Offshore centres	12,606	42,102	20,531	215,979	3	291,221	28,421	262,800
- of which: Hong Kong	9,281	35,297	19,917	194,412	3	258,910	23,394	235,516
Developing Europe	-	-	-	54	-	54	54	-
Developing Latin America and Caribbean	-	-	-	184	-	184	184	-
Developing Africa and Middle East	91	-	26	-	-	117	109	8
Developing Asia and Pacific	100,385	32,630	30,215	233,699	-	396,929	120,525	276,404
- of which: China	89,081	31,356	28,395	223,628	-	372,460	102,882	269,578
Total	141,416	80,809	55,188	482,703	3	760,119	188,573	571,546

Counterparty country/ jurisdiction	2014							
	Non-bank private sector					Of which:		
	Banks HK\$ Mn	Official sector HK\$ Mn	Non-bank financial institutions HK\$ Mn	Non- financial private sector HK\$ Mn	Others HK\$ Mn	Total Claims HK\$ Mn	Cross- border claims HK\$ Mn	Local claims (in all currencies) HK\$ Mn
Developed countries	15,818	7,003	1,440	26,507	32	50,800	22,493	28,307
Offshore centres	10,033	41,661	6,607	236,427	6	294,734	28,783	265,951
- of which: Hong Kong	9,204	32,594	6,524	211,437	-	259,759	24,311	235,448
Developing Europe	-	-	-	47	-	47	47	-
Developing Latin America and Caribbean	-	-	-	200	-	200	30	170
Developing Africa and Middle East	111	141	-	40	-	292	290	2
Developing Asia and Pacific	136,224	4,400	11,559	280,169	-	432,352	112,648	319,704
- of which: China	128,267	3,168	11,059	269,877	-	412,371	97,481	314,890
Total	162,186	53,205	19,606	543,390	38	778,425	164,291	614,134

The above figures are disclosed according to the return of international banking statistics the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

D. Mainland Activities

The table below summaries the non-bank Mainland China exposure of the Bank's Hong Kong Office and the Bank's Mainland subsidiary banks categorised by types of counterparties:

Type of counterparties	2015		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn
1. Central government, central government-owned entities and their subsidiaries and joint ventures	26,087	3,934	30,021
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	16,568	1,762	18,330
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	155,502	34,997	190,499
4. Other entities of central government not reported in item 1 above	3,746	1,570	5,316
5. Other entities of local governments not reported in item 2 above	3,948	98	4,046
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	8,507	304	8,811
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	39,950	1,616	41,566
Total	254,308	44,281	298,589
Total assets after provision	737,558		
On-balance sheet exposures as percentage of total assets	34.5%		

	2014		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn
<u>Type of counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	23,037	4,636	27,673
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	18,205	3,996	22,201
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	191,383	35,420	226,803
4. Other entities of central government not reported in item 1 above	6,776	2,067	8,843
5. Other entities of local governments not reported in item 2 above	3,634	401	4,035
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6,950	347	7,297
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	32,328	2,128	34,456
Total	282,313	48,995	331,308
Total assets after provision	798,037		
On-balance sheet exposures as percentage of total assets	35.4%		

The above figures are disclosed in accordance with the return relating to Mainland activities the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

E. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances

	2015		2014	
	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	610	0.1	1,076	0.3
- 1 year or less but over 6 months	1,535	0.4	469	0.1
- Over 1 year	1,934	0.4	551	0.1
	4,079	0.9	2,096	0.5
Rescheduled advances to customers	78	0.0	83	0.0
Total overdue and rescheduled advances	4,157	0.9	2,179	0.5
Secured overdue advances	3,597	0.8	1,871	0.4
Unsecured overdue advances	482	0.1	225	0.1
Market value of security held against secured overdue advances	6,804		3,870	
Individual impairment allowance made on loans overdue for more than 3 months	799		302	

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

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

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

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

- "Eligible Financial Collateral" mainly comprises cash deposits and shares.
- "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:

- Debt rescheduling / restructuring
- Enforcement of security
- Legal action
- Recovery via debt collector

(b) Advances to banks

	2015	2014
	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

	2015		
	Accrued interest	Debt securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	-	-	-
- 1 year or less but over 6 months	-	-	-
- Over 1 year	-	-	1
	-	-	1
Rescheduled assets	-	-	-
Total other overdue and rescheduled assets	-	-	1

	2014		
	Accrued interest	Debt securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	-	-	-
- 1 year or less but over 6 months	-	-	-
- Over 1 year	-	-	4
	-	-	4
Rescheduled assets	-	-	-
Total other overdue and rescheduled assets	-	-	4

* Other assets refer to trade bills and receivables.

(d) Repossessed assets

	2015	2014
	HK\$ Mn	Restated HK\$ Mn
Reposessed land and buildings *	317	280
Reposessed vehicles and equipment	-	4
Reposessed machines	-	2
Total reposessed assets	317	286

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

* The balance included HK\$7 million (2014: HK\$ Nil) relating to properties that were contracted for sale but not yet completed.

F. Currency Concentrations

The net positions or net structural positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies. The net option position is calculated in the basis of the delta-weighted position of option contracts.

	2015						Total
	USD	GBP	RMB	JPY	SGD	Other foreign currencies	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Spot assets	167,551	28,260	301,093	1,335	22,505	26,147	546,891
Spot liabilities	(157,351)	(19,318)	(291,341)	(3,000)	(25,293)	(28,409)	(524,712)
Forward purchases	149,048	150	117,610	4,190	4,429	8,469	283,896
Forward sales	(157,288)	(8,799)	(128,386)	(2,430)	(2,221)	(6,115)	(305,239)
Net options position	92	(1)	(70)	(4)	-	(8)	9
Net long/(short) non-structural position	<u>2,052</u>	<u>292</u>	<u>(1,094)</u>	<u>91</u>	<u>(580)</u>	<u>84</u>	<u>845</u>

	2014						Total
	USD	GBP	RMB	JPY	SGD	Other foreign currencies	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Spot assets	192,783	27,725	398,802	866	25,563	21,693	667,432
Spot liabilities	(182,966)	(19,269)	(367,570)	(6,900)	(30,405)	(32,125)	(639,235)
Forward purchases	122,471	968	74,025	6,527	5,891	13,528	223,410
Forward sales	(129,557)	(9,510)	(106,508)	(467)	(1,589)	(3,186)	(250,817)
Net options position	(31)	(1)	(1)	26	-	10	3
Net long/(short) non-structural position	<u>2,700</u>	<u>(87)</u>	<u>(1,252)</u>	<u>52</u>	<u>(540)</u>	<u>(80)</u>	<u>793</u>

	2015				Total
	USD	RMB	MYR	Other foreign currencies	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Net structural position	<u>2,168</u>	<u>12,287</u>	<u>2,123</u>	<u>925</u>	<u>17,503</u>

	2014				Total
	USD	RMB	MYR	Other foreign currencies	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Net structural position	<u>2,143</u>	<u>11,623</u>	<u>2,610</u>	<u>922</u>	<u>17,298</u>

The above figures are disclosed in accordance with the return relating to foreign currency positions the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the annual reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

G. Leverage Ratio

	2015	2014
	%	%
Leverage ratio	8.3	N.A.

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 pursuant to section 24A of the Banking (Disclosure) Rules can be found on the Bank's website accessible through the "Regulatory Disclosure" 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

H. Countercyclical Capital Buffer Ratio

There is no information disclosed relating to the Countercyclical capital buffer ratio pursuant to section 24B of the Banking (Disclosure) Rules for this year because the applicable JCCyB ratios for Hong Kong and for jurisdiction outside Hong Kong are at 0% before 1st January, 2016 according to section 3P and section 3Q of the Capital Rules.

I. Capital Conservation Buffer Ratio

Under section 3M of the Capital Rules, the capital conservation buffer ratio for calculating the Bank's buffer level is 0% for 2015.

J. Higher Loss Absorbency Ratio

The HKMA has designated the Bank as a domestic systematically important authorised institution ("D-SIB"). Under section 3V of the Capital Rules, the higher loss absorbency ratio applicable to D-SIB is 0% for 2015.

STATEMENT OF COMPLIANCE

- (1) In preparing the accounts for 2015, 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 and employees; and in upholding accountability and transparency.
- (3) During the financial year ended 31st December, 2015, the Bank has complied with all the Code Provisions set out in the CG Code, except for Code Provision A.2.1 as explained below.

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

Dr. the Hon. Sir David LI Kwok-po is the Chairman & Chief Executive of the Bank. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Bank. The division of responsibilities between the Chairman and the Chief Executive is clearly established and set out in the job mandate of the Chairman & Chief Executive. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting operations of the Bank. There is a strong independent element in the composition of the Board. Out of the 20 Board members, 10 are Independent Non-executive Directors. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Bank to make and implement decisions promptly and efficiently. The Board believes that Sir David's appointment to the posts of Chairman and Chief Executive is beneficial to the business prospects and management of the Bank.

- (4) During the financial year ended 31st December, 2015, the Bank has followed the modules on CG-1 and CG-5.

PAYMENT OF SECOND INTERIM DIVIDEND FOR 2015

The Board has declared a second interim dividend for the year ended 31st December, 2015 ("2015 Second Interim Dividend") of HK\$0.50 per share (2014 Second Interim Dividend: HK\$0.68 per share), which, together with the 2015 interim dividend of HK\$0.38 per share paid in September 2015, will constitute a total dividend of HK\$0.88 per share (2014 total dividend: HK\$1.11 per share) for the full year. The 2015 Second Interim Dividend will be paid on or about Thursday, 31st March, 2016 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 Monday, 7th March, 2016. The ex-dividend date for 2015 Second Interim Dividend will be on Wednesday, 2nd March, 2016. Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Monday, 7th March, 2016.

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 Thursday, 31st March, 2016.

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 2015 Second Interim Dividend, the Register of Members of the Bank will be closed from Friday, 4th March, 2016 to Monday, 7th March, 2016 (both days inclusive). In order to qualify for the 2015 Second Interim Dividend, all transfer documents should be lodged for registration with Tricor Standard Limited (Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) by 4:00 p.m. Thursday, 3rd March, 2016.
- (b) For the purpose of determining shareholders who are entitled to attend and vote at the 2016 AGM, the Register of Members of the Bank will be closed on Thursday, 7th April, 2016 and Friday, 8th April, 2016. In order to qualify for attending and voting at the 2016 AGM, all transfer documents should be lodged for registration with Tricor Standard Limited (Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) by 4:00 p.m. Wednesday, 6th April, 2016.

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

On 20th March, 2015, the Bank redeemed a face value of EUR70 million of 1.08% Senior Notes (the "2015 EUR Senior Notes") upon their maturity. The 2015 EUR Senior Notes were issued on 29th January, 2014 under the Bank's Medium Term Note Programme and listed on the Singapore Stock Exchange.

On 9th July, 2015, the Bank redeemed a face value of CHF62 million of Floating Rate Senior Notes (the "2015 CHF Senior Notes") upon their maturity. The 2015 CHF Senior Notes were issued on 9th July, 2014 under the Bank's Medium Term Note Programme and listed on the Singapore Stock Exchange.

On 2nd December, 2015, the Bank completed an exchange offer and a tender offer for the outstanding Hybrid Tier 1 capital instruments (comprising the US\$500,000,000 Step-up Subordinated Notes due 2059 issued by the Bank and the US\$500,000,000 Perpetual Non-cumulative Step-up Preference Shares of no par value in a liquidation preference of U.S.\$1,000 issued by Innovate Holdings Limited, a wholly-owned subsidiary of the Bank) ("Hybrid Tier 1 Securities") whereby the aggregate principal amount of the Hybrid Tier 1 Securities the Bank had accepted for exchange or purchase was US\$175,655,000. All the Hybrid Tier 1 Securities validly tendered and accepted for exchange or purchased by the Bank have been cancelled. Following cancellation of all the Hybrid Tier 1 Securities exchanged or purchased by the Bank, the aggregate principal amount of the Hybrid Tier 1 Securities which remains outstanding is US\$324,345,000. The Hybrid Tier 1 Securities are listed on the Singapore Stock Exchange.

Save for the redemption of the 2015 EUR Senior Notes and 2015 CHF Senior Notes, and the cancellation of Hybrid Tier 1 Securities exchanged or purchased by the Bank 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, 2015.

Chairman's Statement

Over the past two decades, we at The Bank of East Asia have transformed our business, becoming one of the most successful foreign banks operating on the Mainland. This success was built upon strong relationships, strategic expansion of our branch network, and close cooperation between our branches in Hong Kong, Mainland China, and overseas.

Now, we face a challenging macroeconomic environment. China's growth is slowing, as the country shifts to become a consumer and services-driven economy. Global confidence is being undermined by weak commodity prices. These forces are impacting Hong Kong and the local banking sector.

Significantly, during the past year the Chinese government has reaffirmed its commitment to the market, relaxing controls over interest rates and making the Renminbi more responsive to market forces. While these moves have given rise to volatility in China and Hong Kong in the short term, we believe that, longer-term, the combination of stimulus measures and economic reform pursued by the Mainland will support sustainable growth going forward.

There are many good opportunities for our business, and we will continue to focus on our longer-term strategy. We have been operating in China for almost a century. We have faced these downturns before, and we have always come back stronger.

In 2015, The Bank of East Asia Group earned a Profit Attributable to Owners of the Parent of HK\$5.52 billion, representing a decline of HK\$1.14 billion, or 17.1%, compared to a profit of HK\$6.66 billion in 2014. While our China business was severely challenged, we achieved solid results in Hong Kong and overseas. Basic earnings per share stood at HK\$1.95.

The Board has declared a 2015 second interim dividend of HK\$0.50 per share, bringing the dividend for the year to HK\$0.88 per share. This represents a dividend pay-out ratio of 46%, and also reflects our confidence in the long-term prospects of the Bank.

Hong Kong is our home and remains the backbone of our business. While higher Renminbi funding costs in the first half of 2015 impacted our results, we are pleased to report continued growth in personal banking and wealth management.

We are a well-established business with a solid franchise, but we do not stand still. We recognise that the rapid growth of the digital economy is changing consumer behaviour, and we are aggressively implementing the digital transformation of our business.

With the slowdown in the Mainland economy, risk management is critical. BEA China is applying a more conservative approach to lending, and our proactive measures have necessarily resulted in reduced loan volumes and margins. Margins at BEA China have also been affected by a series of policy rate cuts.

Despite the challenges facing our Mainland business, we remain deeply rooted as one of the leading foreign banks on the Mainland, with a wide-reaching branch network, extensive local connections and strong cross-border capabilities.

Our overseas business performed well, with 3.3% year-on-year growth after excluding a one-off write back in 2014. This improvement is due to stronger performance of the US and UK economies, and leveraging on our international network to complement client activities from Greater China.

When we reported our annual results for 2014, we anticipated that the restructuring of the Mainland economy would have a negative impact on our business in 2015. We also highlighted the proactive measures that we were taking to protect our business.

In Hong Kong, we further strengthened our personal banking and wealth management businesses. We lowered funding costs by attracting more current and savings account deposits; generated higher fee income through wealth management and insurance products; increased scale through the acquisition of a mortgage portfolio from Prime Credit; and successfully launched 20 new digital branches across Hong Kong. This has resulted in higher operating income and stronger positioning in personal banking and wealth management.

BEA China took aggressive action to manage asset quality. Our Mainland subsidiary reduced exposure to distressed and overcapacity sectors, and refocused attention on large corporate clients. It tightened credit guidelines, and increased efforts to recover non-performing loans. As a result, the impaired loan ratio at BEA China stabilised in the second half of 2015, even as the economy deteriorated further.

In addition, we maintained tight control over costs at BEA China, with total operating expenses falling by 9.55% year-on-year in 2015.

I am also pleased to report that relations with our two main banking partners have been strengthened during the past year.

In December 2015, CaixaBank S.A. announced that it would transfer its 17.24% stake in BEA to its controlling shareholder, Criteria Caixa S.A.U., through a share swap arrangement with the intention of taking a long-term position in BEA. This proposed transfer is not subject to the prior consent of the Bank as it falls within a carve-out from the transfer restrictions applicable to CaixaBank S.A. Such carve-out is applicable to transfers between parent companies and their subsidiaries. It is also noted that the transfer restrictions applicable to CaixaBank S.A. do not prevent it from accepting a takeover offer for the Bank. These carve-outs will continue to apply following completion of the proposed transfer.

Sumitomo Mitsui Banking Corporation, completed the previously-announced share purchase agreement in the first half of 2015. Approximately HK\$6.6 billion in additional capital was raised through this exercise, re-affirming SMBC's commitment to this Bank.

As a Group, we maintained sound liquidity levels, with our liquidity coverage ratio well above the 2019 regulatory requirement. Our capital ratios further strengthened following the completion of the private share placement to SMBC.

At the end of December 2015, our Common Equity Tier 1 capital ratio stood at 12.2%. The decline in the second half of 2015 followed a regular review of our risk model, and our decision to maintain a more prudent approach given the current economic uncertainties.

Looking at the year ahead, we do not expect a material improvement in the business environment. As such, proactive cost control remains a top priority.

We have instituted a headcount freeze across the Bank Group, while stepping up training to build a more flexible and productive workforce.

We are continuing to drive improvement of basic systems and processes. Already, we have improved back-office efficiency in Hong Kong by more than 30% during the past three years. Our digital branch initiative will yield further improvements in 2016 and beyond.

We have accelerated the second phase of our Mainland branch review in order to further enhance outlet productivity. We anticipate that some sub-branches on the Mainland will merge this year as a result.

At the same time, we are focussing on a number of business strategies to drive efficient growth. As a nimble business with a strong China-Hong Kong-International connection, we will actively manage cross-border opportunities as they materialise. We will also further enhance our wealth management business; optimise our deposit structure to further lower the cost of funding, and increase treasury activities by broadening the range of treasury products we offer.

Asset quality and risk management will continue to be of great importance for the year ahead. We will proactively enhance asset quality by continuing our conservative approach to loan growth, while increasing our resources and efforts to recover bad loans.

We aim to roll out at least 30 digital branches in Hong Kong in 2016. By the end of 2016, over 50% of our branches in Hong Kong will be digitalised. No other bank in Hong Kong is as ambitious as we are in this area.

We are also collaborating with third-party providers, including WeBank in China, to capture new digital banking opportunities.

We won a number of major international awards during the year under review for our digital and mobile initiatives, including “Most Innovative Bank of the Year” and “Channel Innovation” at the prestigious BAI-Infosys Finacle Global Banking Innovation Awards 2015.

We will continue to review our business portfolio to ensure that the Bank is best positioned for long-term, sustainable growth. We aim to complete the sale of Tung Shing Holdings Company Limited and BEA Wealth Management Services (Taiwan) in the first half of 2016, and we have commenced a strategic review of Tricor Holdings.

Our Bank Group turned in a resilient performance against a difficult backdrop in 2015. While the challenging environment is likely to continue for some time, we have a proven ability to adapt to difficult market conditions.

With our sound capital position, a unique network across Hong Kong, the Mainland, and overseas, and our pioneering digital platform, we are in a strong position to capture the growth opportunities ahead.

The Group is optimistic on our long-term prospects. We are fully committed to provide for our customers and realise our vision to be THE Hong Kong-based bank serving the needs of Greater China in the 21st century. We believe that this commitment, combined with our unique franchise built over the past decades, will generate substantial value for our shareholders for many years to come.

In closing, I take great pleasure in thanking our 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 also thank the management and staff of BEA for their commitment, and I look forward to further progress in achieving our strategic goals during the coming year.

The support of the directors and managements of our overseas banking partners is invaluable, and I am very grateful to them for their close cooperation with us. I also extend my grateful thanks to our shareholders and customers for their long-standing loyalty and confidence in this Bank.

David LI Kwok-po
Chairman & Chief Executive

Hong Kong, 15th February, 2016

REPORT OF THE CHIEF EXECUTIVE AND SENIOR MANAGEMENT

FINANCIAL REVIEW

Financial Performance

For the year 2015, the Group's profit attributable to owners of the parent stood at HK\$5,522 million, representing a decrease of HK\$1,139 million or 17.1%, compared to the HK\$6,661 million earned in 2014. Basic earnings per share fell from HK\$2.72 in 2014 to HK\$1.95 in 2015, while return on average assets declined from 0.8% to 0.6%.

Return on average equity decreased by 3.0 percentage points from 9.6% to 6.6% due in part to an increase in the weighted average number of shares in issue as a result of the subscription of 222,600,000 new ordinary shares by Sumitomo Mitsui Banking Corporation in March 2015.

All major Group entities recorded an increase in net interest income with the exception of BEA China, where net interest income decreased by HK\$1,195 million, or 20.5%, year on year. Overall, Group net interest income decreased by HK\$741 million, or 5.8%, to HK\$11,934 million. The Group's net interest margin narrowed from 1.78% in 2014 to 1.66% in 2015. The net interest margin at BEA China decreased from 2.20% in 2014 to 1.82% in 2015, largely due to the interest rate cuts made by the People's Bank of China and lower asset yields given BEA China's reduced risk appetite.

Net fee and commission income decreased slightly to HK\$4,099 million, as compared to the HK\$4,146 million earned in 2014. Commission income from securities, brokerage, and insurance businesses exhibited strong growth, while fee and commission income generated from trade finance, and loans and guarantees declined. BEA China's net fee and commission income fell by HK\$180 million, or 19.9% when compared to 2014.

To cater for high demand for Renminbi loans and trade finance in the first quarter of 2015, the Bank engaged in funding swaps to sell USD for RMB. An increased loss in the change in the fair value of the funding swaps had a negative impact on net trading profits during the first half of 2015 but tapered in the second half when the funding swaps terminated upon maturity.

Overall, non-interest income decreased by 7.7% to HK\$5,130 million. Operating income decreased by 6.4% to HK\$17,064 million.

Total operating expenses fell by 1.2% to HK\$9,732 million, mainly due to a decrease of HK\$386 million in operating expenses at BEA China and stringent cost-control measures adopted by the Bank. However, as operating income decreased more than operating expenses, the cost-to-income ratio rose from 54.0% in 2014 to 57.0% in 2015. If the business tax and surcharges applied to the Bank's Mainland operations are excluded from operating expenses, the adjusted cost-to-income ratio would increase from 50.4% to 53.5%.

Operating profit before impairment losses was HK\$7,332 million, a decrease of HK\$1,051 million, or 12.5%, when compared with 2014.

With the worsening economic environment in Mainland China, impairment losses on loans and advances grew by 106.4% to HK\$2,042 million. Individual and collective impairment losses were up by HK\$645 million and HK\$289 million, respectively. As a result, the impaired loan ratio of the Group rose from 0.62% at the end of 2014 to 1.13% at the end of 2015. At BEA China, the impaired loan ratio increased from 1.32% to 2.63%, while at BEA Hong Kong the impaired loan ratio rose from 0.21% to 0.34%.

Operating profit after impairment losses was HK\$5,273 million, a decrease of 28.6% or HK\$2,109 million.

Net profit on the sale of available-for-sale financial assets increased to HK\$257 million, including net profit of HK\$146 million on the disposal of the Bank's stake in a property development and management joint venture in Mainland China.

Valuation gains on investment properties increased to HK\$549 million. The major contribution came from investment properties in Hong Kong, reflecting the quality of the investment properties and their prime locations.

The Bank also recorded a net profit on disposal of fixed assets of HK\$109 million, mainly related to the sale of a property located in Hong Kong.

The Group shared after-tax profits from associates of HK\$558 million, a decrease of HK\$87 million, or 13.5% over 2014, mainly due to the weaker performance of a Malaysia-based associate in 2015.

After accounting for income taxes, profit after taxation fell to HK\$5,638 million, a decrease of 16.8% compared to the HK\$6,774 million recorded in 2014.

Financial Position

Total consolidated assets of the Group stood at HK\$781,364 million at the end of 2015, a decrease of 1.8% over the HK\$795,891 million at the end of 2014.

Since loan demand in Hong Kong and Mainland China remained sluggish in 2015, gross advances to customers dropped by 0.4% to HK\$441,506 million.

Trade bills fell by 67.8% to HK\$19,532 million, mainly due to a significant contraction in cross-border trade business.

Total equity increased to HK\$85,641 million, up 16.6%, mainly due to the subscription of new ordinary shares by SMBC for HK\$6.6 billion and the issuance of Additional Tier One Capital Instruments for US\$650 million.

The primary objective of the Group's funding activities is to ensure the sufficiency of funds at reasonable costs to fund loans and advances, as well as to generate reasonable returns from available funds. The principal funding sources of the Group comprise internally generated capital, deposits from customers, and certificates of deposit.

Total deposits from customers fell by 1.4% compared to the end of 2014, to HK\$540,743 million. Of the total, demand deposits and current account balances increased by HK\$6,134 million, or 9.1%; savings deposits increased by HK\$12,550 million, or 12.5%; and time deposits decreased by HK\$26,125 million, or 6.9%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, fell by 2.5% to HK\$578,020 million.

The loan-to-deposit ratio was 76.4% at the end of December 2015, compared to 74.8% at the end of 2014.

The Group maintained comfortable capital adequacy and liquidity positions at the end of 2015. The total capital ratio, tier 1 ratio, and common equity tier 1 ratio were 17.2%, 13.7%, and 12.2%, respectively as at 31st December, 2015, which should adequately support the Group's growth in the coming years. The average liquidity coverage ratio was 137.0%, which was well above the statutory limit of 60% for 2015.

RATINGS

Standard & Poor's

The Bank of East Asia, Limited

Long-term Counterparty Credit (local and foreign currency)	A
Short-term Counterparty Credit (local and foreign currency)	A-1
Outlook	Negative

The Bank of East Asia (China) Limited

Long-term Counterparty Credit (local and foreign currency)	A
Short-term Counterparty Credit (local and foreign currency)	A-1
Outlook	Negative

Moody's Investor Service

The Bank of East Asia, Limited

Long-term Bank Deposit (local and foreign currency)	A2
Short-term Bank Deposit (local and foreign currency)	Prime-1
Outlook	Negative

BUSINESS REVIEW

The global economy turned in another mixed performance in 2015. While the United States continues to grow slowly but steadily, performance in China, Japan, and Europe was disappointing. With weak external demand, Hong Kong's exports fell by 1.8% in 2015.

Tourist spending slowed, ending the strong run in recent years. Retail sales recorded a 3.7% year-on-year decline in 2015.

Residential property prices climbed by 2.5% during the year under review. However, the market showed signs of weakness in the fourth quarter, with a decrease in the number of transactions and a fall in prices.

Unemployment hovered at 3.3% throughout the year. Overall, Hong Kong's economy expanded at a moderate pace of 2.5% in the first three quarters.

On the Mainland, the export sector remained weak in the face of slack demand from Europe and the slowdown in emerging markets in 2015. Meanwhile, rising production costs in China have encouraged buyers to shift export orders to other countries. Investment growth also moderated, as China slowed the pace of credit expansion to address excess leverage in the economy. Slowing growth also dragged down consumer spending, creating headwinds for many domestic companies. The central bank lowered the lending rate and the deposit reserve ratio to provide relief.

Looking ahead to 2016, while the pace of economic recovery in the US is expected to remain steady, the economies of Europe and Japan will continue to struggle. There are also concerns about the impact of US interest rate hikes on emerging economies. As a consequence, China's export growth is projected to remain flat in 2016.

Policies designed to restrain investment will remain in place, as part of efforts to address structural imbalances in the economy. However, with consumer demand expected to remain lacklustre, the Government will attempt to prevent economic growth from falling too fast. One or two interest rate reductions are expected in 2016, while the deposit reserve ratio may be reduced by a further 150 basis points.

Overall, China's economy is likely to grow by 6.7% in 2016, with inflation remaining low at 1.5%. In Hong Kong, meanwhile, gross domestic product is forecast to grow by 1.5%, while inflation will soften to 1.6%.

Business – Hong Kong

As at 31st December, 2015, the aggregate value of all customer loans and trade bills of BEA in Hong Kong was 11.7% lower than at the same point in the previous year, primarily due to the run off in trade bills. Customer loans were flat for the year. Debt investments increased by 8.1% during the year, while customer deposits declined slightly by 0.5%.

Corporate and Commercial Banking

The Bank's corporate banking operations have been impacted by the economic situation on the Mainland. Consecutive rate cuts, ample onshore liquidity, and the depreciating RMB have reduced the volume of cross-border business and increased the rate of loan repayments. This has also intensified competition in the local corporate loan market and pressured net interest margins.

Against this backdrop, corporate banking recorded a gain in net interest income, but a decline in net fee and commission income. Demand for cross-border trade bills dropped and is expected to remain weak, as the benefits of borrowing offshore recede.

The corporate loan and trade bills portfolio was therefore down at the end of 2015 when compared to the position at the end of the previous year. The Bank has promoted other forms of cross-border loans to replenish the portfolio, but has remained prudent when extending loans and refused to sacrifice quality for growth. Therefore, while corporate banking's impaired loan ratio has edged upwards, it is still at a low level.

Meanwhile, the local syndicated loan market has been stable, with steady demand from property developers seeking to finance land acquisitions, and from blue-chips engaging in regular refinancing activity. The secondary loan market has also become more active, as some foreign banks offload their loan portfolios. BEA is alert to opportunities arising from these trends and will strive to expand its market share.

At the same time, the Bank is exploring potential business with quality, credit-worthy customers in China's new free trade zones. With good connections and an extensive network in China, BEA is well positioned to benefit from financial deregulation, policy relaxation, and the New Silk Road initiative in the longer run.

Retail Banking

Hong Kong personal banking operations recorded a positive performance in 2015, with total operating income growing by 5.7% driven by increases in net interest income and net fee and commission income. Sales of investment products mirrored the markets through the year, with a strong first half but weak second half as volatility sapped demand. Related commission income recorded single-digit growth for the year. Meanwhile, sales of insurance products enjoyed stable growth throughout 2015.

Efforts to secure diversified and stable funding through retail channels continued to yield good results. With double-digit growth in the Bank's major all-in-one accounts – SupremeGold, Supreme, and CorporatePlus – average daily retail current and savings account balances in Hong Kong rose by 11.4% compared to the previous year. This effort was aided by the successful acquisition of PrimeCredit's mortgage loan portfolio in May 2015, which not only increased the Bank's mortgage portfolio but also brought in a large base of new-to-bank customers. The majority chose to open a BEA account to service their mortgage.

The Bank's long-term vision is to provide innovative services to satisfy demand for efficiency and convenience, thereby attracting new customers and encouraging them to use BEA as their main banking partner.

New digital branches and SupremeGold centres have been opened in prime locations to appeal to a broader range of clients. At the same time, a large-scale branch transformation project is in progress. The Bank's award-winning digital devices and straight-through, paperless operations are being rolled out across the existing branch network, aiming to increase efficiency, reduce waiting times, and allow staff to focus more exclusively on customer service.

In addition, a number of mobile and internet banking features were launched during the year, including a market-first cardless ATM withdrawal service and a revamped mobile application with new shopping and payment functions. Together, these initiatives aim to increase brand loyalty by improving the customer experience at every touchpoint.

Wealth Management

Private Banking recorded strong results in 2015, driven by vibrant stock market activity in the first half of the year. While sentiment weakened in the second half following unfavourable growth in China and the devaluation of the RMB, operating income for the year as a whole increased by 26.8% with double digit growth in both net interest income and net fee and commission income. However, assets under management were flat for the year, while customer loans dropped, both as a result of the unwinding of offshore RMB leveraged trades.

As part of the Bank's overall digitalisation initiative, advanced technology is being implemented to enhance clients' experience with Private Banking. Digital solutions including portfolio analysis tools for sales staff and a designated Cyberbanking service for Private Banking customers will be launched in 2016.

Looking further ahead, prospects remain bright for cross-border wealth management services, notwithstanding the economic slowdown on the Mainland. High-net-worth individuals in China are looking to Hong Kong as a reliable centre to manage their wealth, and have responded well to BEA's holistic wealth management platform.

The proportion of Private Banking's AUM from Mainland clients rose to 36.8% at the end of 2015, from 28.4% the year before, while the related share of income increased from 37.6% to 41.5% over the same period. BEA will continue to increase its coverage on the Mainland, leveraging its network, reputation, and capabilities to claim a leading position in the market.

Insurance and MPF Services

The Group's insurance and Mandatory Provident Fund businesses operate in an evolving market environment. With Hong Kong's population aging and medical costs rising, demand for products that support retirement goals and medical protection has increased significantly. The Bank has acted proactively to match these trends, and has shaped its offerings to provide ideal coverage to customers. As a result, a range of business lines recorded positive results for the year.

BEA Life Limited, the Bank's wholly-owned life insurance arm, continued to report good top line growth in 2015. Income from new premiums increased by 16.1% year on year, primarily due to strong sales of short-term savings products. However, in view of the growing need for retirement protection in Hong Kong, the Bank will focus more intently on promoting longer-term savings and annuity products going forward.

While most players reduced premiums to gain greater market share in the group medical insurance sector before the anticipated launch of the government's healthcare reforms, Blue Cross (Asia-Pacific) Insurance Limited, BEA's wholly-owned general insurance arm, focused on retaining customers while maintaining reasonable margins.

Blue Cross marketed enhanced group medical plans to its corporate customers, providing insured employees the option to top up existing benefits and maintain medical coverage after leaving their employers. As a result of its ability to identify opportunities amidst a highly competitive market environment, Blue Cross increased its premium income by 9.9% year on year. Looking ahead, Blue Cross will make more insurance products and services available online, learning from the experience of its growing success in online travel insurance sales.

Total membership in BEA's MPF schemes grew by 5.4% year on year to 636,800 at the end of 2015, while AUM increased to HK\$19.2 billion. BEA has ensured that management fees for its funds are competitive. Two thirds of the constituent funds under the three BEA MPF schemes are now classified as "low-fee funds", according to the Mandatory Provident Fund Schemes Authority's criteria. The schemes' latest average fund expense ratio was 1.34%, well below the MPF industry average.

By the end of 2016, the government is expected to launch the Default Investment Strategy, which will impose a fee cap of 0.75% of the net asset value on designated constituent funds. This is expected to put the management fees of other constituent funds under further pressure. To address this challenge, BEA's on-going cost control efforts will continue and administrative processes will be further streamlined to improve overall efficiency and maximise productivity.

Broking Operations

The stock market in Hong Kong experienced unprecedented volatility in 2015. The Hang Seng Index breached the 28,000-level during the second quarter in a liquidity-driven market rally in both the Hong Kong and Mainland stock markets.

However, the buying spree lost steam abruptly after the Chinese regulator tightened rules over margin trading. An unexpected devaluation of the RMB in August, weak Mainland GDP and trade performance, and capital outflows amid expectation of an imminent rise in US interest rates deepened market selling pressure in the second half of 2015. The Hong Kong and Mainland stock markets reversed earlier fortunes and ended the year among the worst-performing markets worldwide. Despite these conditions, BEA's broking operations benefitted from higher average daily turnover on the Stock Exchange of Hong Kong, reporting growth of 31% in turnover and 113% in pre-tax profit.

The outlook for 2016 remains challenging, as the future pace of US rate hikes and concerns over further depreciation in the RMB continue to dampen sentiment. In the coming year, the Bank will continue to rationalise its broking operations to improve profitability and upgrade its mobile trading platform to offer customers more powerful trading tools over a secure platform.

Business – Greater China ex-Hong Kong

The operating environment in Mainland China continued to be extremely challenging in 2015. GDP grew by 6.9%, the lowest rate in 25 years, while the consumer price index rose by only 1.4% and the producer price index contracted by 5.2%. To support the slowing economy, the PBOC cut interest rates six times from November 2014 and reduced the Regulatory Reserve Requirements by 250 basis points.

The PBOC also took important steps toward full liberalisation of interest rates. In October – almost two years after removing the floor on lending rates – the PBOC removed the ceiling on deposit rates, allowing banks to freely compete for deposits. In addition, the PBOC implemented measures to make the RMB exchange rate more responsive to the market, and allowed onshore and offshore RMB rates to depreciate against the US dollar. At the end of the year, the onshore rate was 6.1% lower than at the start of 2015; meanwhile, the offshore rate ended the year 5.7% lower. The merits of this policy were recognised in November, when the RMB was admitted to the International Monetary Fund's basket of Special Drawing Rights currencies.

Advances to customers at BEA China rose by 0.7% to HK\$150,057 million in 2015, with most growth occurring in the second half of the year. Growth was negatively affected by the RMB's depreciation; in RMB terms, advances to customers rose by 5.5%. Overall, BEA China has adopted a conservative approach to credit risk by prioritising large state-owned and private sector clients.

Net interest margin fell by 38 basis points to 1.82%. Looking ahead, the removal of the ceiling on the loan-to-deposit ratio and ample system liquidity should help to reduce funding costs and improve BEA China's asset and liability structure.

Net fee and commission income decreased by 19.9% year on year to HK\$725 million, due primarily to curtailed demand from corporate clients for cross-border trade finance following the depreciation of the RMB. BEA China reduced operating expenses by 9.6% year on year through strict adherence to company policy on controlling staff and operating costs. Despite these efforts, with the reduction in operating expenses failing to match the fall in income, BEA China's cost-to-income ratio rose by 6.8 percentage points year on year to 62.9%.

Pre-provision operating profit declined 31.8% to HK\$2,151 million. Asset quality deteriorated further in 2015 resulting in a year end non-performing loan ratio of 2.63%, an increase of 1.31 percentage points as compared to 2014. As a result, BEA China's net profit after tax declined 81.2% year on year to HK\$347 million.

BEA China's largest exposure is to the property sector (both directly and via mortgages), and asset quality in this area is relatively healthy. Loans to the wholesale and retail trade, manufacturing, and hotel sectors were the most vulnerable, reflecting over-capacity, weak external demand, and the effects of the government's anti-corruption campaign.

BEA China took aggressive steps in 2015 to enhance credit risk management and expedite the recovery of impaired loans. In the fourth quarter of 2015, it implemented a new centralised credit management system to strengthen the overall approval process and provided better control over credit-related issues. In addition, the Bank strengthened its special asset recovery team to ensure early detection of problem loans and speed up the resolution of impaired assets.

BEA China ended the year with 30 branches and 98 sub-branches in 44 cities across Mainland China. In 2015, BEA China opened branches in Nanning, Guangxi, and Nanchang, Jiangxi.

Going forward, BEA China will continue to focus on enlarging its customer base, optimising its asset and liability mix, controlling costs, and developing an internet finance business. In relation to cost control, BEA China will launch the second phase of its branch rationalisation programme to better align service capability to market need. Up to one quarter of BEA China outlets will be revamped within the next three years.

BEA Macau and Taiwan

After several years of rapid growth, the performance of BEA Macau suffered a setback following the sharp slowdown in Macau's gaming industry. Asset quality remained sound but the volume of loans fell by 20.8% year on year. Going forward, BEA Macau aims to diversify from the gaming sector by targeting local professionals and new businesses launching in Hengqin and Nansha. BEA Macau will also look to diversify its deposit base to increase the proportion of retail deposits.

BEA Taiwan put in a steady performance in 2015, in the face of a weak economic climate. The main areas of business included lending to large domestic companies and fee income. Taiwan Branch worked closely with BEA China to arrange cross-strait financial packages for Taiwan-based customers, and also to assist Mainland borrowers to access cheaper funding sources in Taiwan's offshore market.

Rationalisation of BEA's Securities Business in Greater China

BEA entered into an agreement in the fourth quarter of 2015 to sell its wholly-owned subsidiary, Tung Shing Holdings Company Limited to SinoPac Securities (Cayman) Holdings Limited. The Bank also entered into an agreement with SinoPac Securities Corporation for the disposal of all issued shares in the Bank's wholly-owned subsidiary, BEA Wealth Management Services (Taiwan) Limited through the merger of BEA Wealth Management with SinoPac Securities. Both transactions are expected to be completed in the first half of 2016 pending regulatory approval.

Business – International

Against the backdrop of a slowing domestic economy and weakened loan demand across the Asia-Pacific region, the Bank's Singapore Branch posted a 12.1% year-on-year increase in net profit after tax in Singapore dollar terms for the year under review. This increase is largely attributable to a further improvement in net interest margin and decrease in impairment loss.

With cross-border trade with China contracting in 2015, Singapore Branch shifted its focus to syndicated and bilateral corporate loans. The Branch also strengthened its credit monitoring procedures, acting pro-actively to identify any sub-optimal loan portfolios. Further, the Bank took advantage of Singapore's regional financing role to launch a Singapore dollar-denominated corporate debt securities investment programme.

Singapore Branch has adapted well to tightened regulatory requirements, and has already put in place a robust reporting framework. In addition, efforts to re-deploy resources internally to improve operational efficiency and minimise increases in operating expenses by investing in automation are on track.

Labuan Branch's profit grew by a healthy 15.7%, notwithstanding the uncertainties and challenges faced by Malaysia's economy in 2015. Going forward, the Branch will continue to focus on extending syndicated loans to customers in Asia and bilateral loans to local Malaysian corporations. It will also expand its non-interest income portfolio.

The Bank's operations in the United Kingdom registered steady growth in 2015, on the back of sustained demand for prime UK properties by Asian investors.

While commercial and residential property lending will continue to be the primary growth driver for BEA's UK operations in the short to medium term, the Bank will also strive to diversify its loan portfolio by capturing business opportunities in corporate syndication and lending to non-property segments.

To better align resources for future business growth, the functional units at branches in the UK were restructured during the past year. UK branches also took this opportunity to consolidate business lines and strengthen control functions.

The Bank's US operations once again delivered solid performance in 2015 with 28% growth in loan assets, driven by the improving domestic economy, low interest rates, and increasing demand from local and foreign investors for commercial real estate and syndication financing. Benefiting from abundant liquidity in the market, the Bank's US federal branches were able to expand funding sources in the local market at relatively low interest rates. The favourable operating environment, coupled with effective control of operating expenses, enabled the Bank's US operations to post an increase in net profit, year on year.

Looking ahead, US interest rates are expected to rise gradually over the coming year. Economic growth will be moderate, with some momentum in the real estate, commercial, and industrial sectors. Lenders are also expected to be active in mergers and acquisitions, and refinancing deals. However, excess liquidity and fierce competition for good quality credit opportunities will compress net interest margins and drive volatility in loan pricing.

Against this backdrop, the Bank's US operation will continue to diversify and enlarge its portfolio, targeting good quality corporate and syndicated loans. At the same time, it will expand bilateral credit relationships and club deals, seeking opportunities in commercial real estate and other sectors that offer better margins.

Overall, BEA's international operations registered a 3.1% rise in loan assets year on year in 2015. For 2016, international branches will step up customer referrals and other forms of collaboration with BEA China, in order to capture more opportunities to lend to large Chinese corporations that have outbound investments and operations.

Other Subsidiaries

Credit Gain Finance Company Limited

Credit Gain Finance Company Limited achieved decent growth in its loan portfolio in 2015. The Company leveraged new marketing initiatives and enhanced products and services to maintain solid momentum in its consumer finance business. Beyond Hong Kong, Credit Gain's operations in China registered solid growth in sales volume. A new outlet was opened in Chongqing in October, bringing the total number of Credit Gain outlets on the Mainland to seven, with five located in Shenzhen and two in Chongqing.

Tricor Holdings Limited

For a sixth consecutive year, Tricor Holdings reported record-high revenue, with operating income climbing to HK\$1,201 million. Profit before tax also reached a new high in 2015 despite rising salaries and other operating costs, and the negative impact of the strong US dollar on the earnings of some overseas offices when converted into Hong Kong dollars.

The demand for Tricor Hong Kong's corporate and compliance services remained strong, while the firm's investor services practice successfully secured more share registration work from newly-listed companies in Hong Kong than any other share registration services provider. In addition, Tricor's overseas offices in Japan, Malaysia, and Thailand recorded significant growth in local currency revenue in the year under review. However, rising staff costs and the negative impact of the strong US dollar are likely to remain challenges in 2016.

In April 2015, Tricor acquired a 25% interest in MBSL Limited, a reputable outsourced services firm based in Dublin, Ireland. The joint venture with MBSL has enhanced the Company's servicing capabilities in the European Union and the Eurozone. Meanwhile, in September, Tricor Malaysia launched a new business incubation centre service.

In October, to better serve its clients operating on the Mainland, Tricor China opened offices in Chengdu and Guangzhou. The Company also operates offices in Beijing, Shanghai, and Shenzhen.

In December, Tricor established an office in the Cayman Islands, currently the most popular offshore jurisdiction for the listed arms of Chinese and Hong Kong companies on the Hong Kong Stock Exchange. Tricor Cayman Islands will provide company secretarial, corporate compliance, and share registration services to its clients.

With the addition of the above new offices, Tricor now operates a network covering 36 cities in 19 markets around the world. While recognising the need to guard against financial risk during a time of economic uncertainty, Tricor will continue to pursue new business opportunities that bring value to the Company and its clients.

BEA Union Investment Management Limited

BEA Union Investment Management Limited recorded a 4.35% increase in AUM year on year in 2015. This growth was again mainly due to the Company's success in penetrating both the retail and institutional sectors in Hong Kong and on the Mainland.

In response to the growing demand from retail investors for mixed asset funds with income features, BEA Union Investment introduced the BEA Union Investment Asia Pacific Flexi Allocation Fund in February for distribution in Hong Kong.

Looking ahead to 2016, BEA Union Investment will continue to broaden its product offering and capture opportunities arising from the Hong Kong-China mutual fund recognition programme.

Our People

As of 31st December, 2015, the BEA Group employed 13,653 people:

	As of 31 st December, 2015	As of 31 st December, 2014
Hong Kong	5,993	5,803
Greater China ex-Hong Kong	6,327	6,051
Overseas	1,333	1,249
Total	13,653	13,103

Again this year, BEA focused on attracting and retaining high calibre talent. The Bank regularly reviews its remuneration and benefits packages to ensure that they are competitive in the marketplace, and took steps to enhance its annual leave policy, professional awards, and health care benefits during 2015.

In July 2015, the Bank launched a new e-Recruitment Module to further improve the efficiency of its recruitment process while reducing costs. The e-Recruitment Module strengthens BEA's visibility and enhances its image by enabling the Bank to reach a broader audience.

The Bank encourages staff members to enhance their skillset through continuous learning. In 2015, the Bank provided a wide range of in-house training programmes and encouraged staff members to take advantage of life-long learning opportunities. Apart from classroom and web-based training, the Bank also adopted a range of other training approaches including audio broadcasts and in-branch coaching. In addition, an online leadership library service allows managers to keep abreast of the latest business and managerial trends.

RISK MANAGEMENT & COMPLIANCE

Risk Management Framework

The Group has established an effective risk governance and management framework in line with the requirements set out by the HKMA and other regulators. This framework is built around a structure that enables the Board and 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 below the Board. It is chaired by the Chairman & Chief Executive and includes two Independent Non-executive Directors and three Non-executive Directors. The Risk Committee provides direct oversight of the formulation of institutional risk appetite, which documents the levels of risk that the Group is willing to undertake with regard 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 Management adopts to execute its business functions. Through the Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee at the executive level – and with overall coordination 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.

To ensure that roles within the organisation are clearly defined in regard to risk management, BEA has adopted a “Three Lines of Defence” risk management structure. The first line of defence comprises the Bank’s business units and functional units, which are responsible for the management of the risks that they incur in the course of their activities.

The Risk Management Division and Compliance Division provide independent oversight over the risk takers as the second line of defence. Reporting directly to the Audit Committee, the Bank’s Internal Audit Division serves as the third line of defence. The Internal Audit Division assists the Audit Committee in its oversight of the Bank’s overall risk management and internal control systems by conducting periodic reviews to assess the adequacy of the Bank’s risk management framework, control, and governance processes as designed by the first and second lines of defence.

To identify and manage all potential risks in a more holistic and effective manner, the Bank will implement an enterprise risk management framework in 2016.

Principal Risks

The Group faces a variety of risks that could affect its franchise, operations, and financial conditions. The principal risks include credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, strategic risk, legal risk, money laundering and terrorist financing risk, and technology risk. Measures have been formulated and taken to manage and mitigate these risks. Moreover, the risk factors are taken into consideration when formulating the Group’s risk appetite statement.

Risk	Description	Management Measures
Credit	Risk of default by a customer or counterparty in a transaction, arising from counterparty risks from loans and advances and trading activities, and issuer risks from securities business	- Establishment of comprehensive policies, guidelines, and manuals to set out credit control limits, credit underwriting criteria, a credit monitoring process, an internal rating structure, credit recovery procedures and a provisioning policy - Procedures related to collateral for loans and advances granted by the Group
Interest rate	Risk of negative impact on the Group’s earnings or economic value due to adverse movements in interest rates	- 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 levels of re-pricing risk, basis risk, options risk, and yield curve risk
Market	Risk of adverse price movements arising from all market risk-sensitive financial instruments, including debt securities, foreign exchange contracts, equity, and derivative instruments, as well as from structured products	- 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 of being unable to meet obligations as they fall due arising from expected and unexpected current and future cash flow and collateral needs, or accessing financial resources at excessive cost	- 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 set out operational risk incident reporting, control self-assessment, key risk indicators, and insurance policies - Business continuity plan in place to prepare for emergency situations
Reputation	Risk that the Group's reputation is damaged by events that result in negative publicity about the Group's business practices, conduct, or financial condition. Such negative publicity, whether true or not, may impair public confidence in the Bank Group and may result in costly litigation or a decline in customers, business, and/or revenue.	- Establishment of various policies, guidelines, manuals, and codes to ensure compliance with applicable laws, rules, and regulation, and to ensure that the Bank Group maintains a high standard of corporate governance, which in turn helps 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 Bank Group. - Establishment of guidelines for swift response to and management of unexpected incidents.

Risk	Description	Management Measures
Strategic	Risk of adverse impact on earnings or capital arising from bad business decisions or from improper implementation of good business decisions	- Establishment of comprehensive policies, guidelines, and manuals, to set out control limits - Projection of portfolio mix for optimal asset allocation to diversify risk and achieve returns that are commensurate with the risks taken - Projection of the Capital Adequacy Ratio and Internal Capital Adequacy Assessment Process to assess the level of capital needed to support the risks that the Group faces
Legal	Risk that unenforceable contracts, fraud cases, non-compliance with legal / regulatory requirements, lawsuits, or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions 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 including counsel and senior counsel for advice
Money laundering and terrorist financing	Risk arising from using the financial services provided by the Group: (a) to conceal or disguise the nature or source of proceeds derived from illegal activities; or (b) to obscure or disguise links between terrorists/terrorist organisations and their funding sources, regardless of whether the funds are from legitimate or illegitimate sources. Failure to prevent or deter the above-mentioned activities may result in fines and sanctions by regulators or damage to the reputation of the Group.	- Group Policy and relevant Guidelines on Anti-Money Laundering and Counter-Terrorist Financing to establish the governing principles and minimum standards to protect Group members and their businesses from being used to facilitate money laundering and terrorist financing - Establishment of Institutional Risk Assessment on money laundering / terrorist financing to identify, assess, and understand the relevant risk exposure of the Group, through individual assessment conducted by Group members - Institutional Risk Assessment to derive the residual risk that the Group is exposed to, after taking into consideration the inherent risks identified and the effectiveness of the existing control measures

Risk	Description	Management Measures
Technology	Risk of loss resulting from inadequate or faulty technical processes, people and computing systems; or unauthorised access or disruption to technology resources	- Establishment of a technology risk management framework, supported by comprehensive control policies, standards, guidelines, and procedures - Adoption of 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

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 align with market changes, statutory requirements, and best practices in risk management processes.

Stress testing is an integral part of our risk management. 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 financial positions, in particular, capital adequacy, profitability, and liquidity. Whenever necessary, a prompt management response will be developed and executed to mitigate potential impacts.

Principal Uncertainties

The key uncertainties facing the Group in the coming year and the mitigating measures are set out below:

Uncertainty	Description	Mitigating Measures
Economic conditions in the Group's major markets	The Group's major markets are Hong Kong and Mainland China. Downturn in economic conditions in the major markets can adversely affect: - the financial conditions and repayment ability of borrowers; - personal consumption and customer demand for banking products; and - collateral values.	- The business strategies take into consideration the economic conditions. - Economic trends are closely monitored. - The suitability of risk management policies and controls are reviewed on an ongoing basis.

Uncertainty	Description	Mitigating Measures
	The US Federal Reserve's December 2015 decision to begin raising interest rates may impact customers' debt servicing ability and property prices. In particular, the timing, frequency, and magnitude of US rate hikes may increase uncertainties concerning the pace of global economic recovery, deflation, and the foreign exchange market.	
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. - 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 may be more difficult to prevent in a digital environment.	- Control measures have been formulated to detect and prevent fraud. - The control measures will be reviewed and enhanced on an ongoing basis, taking into consideration the causes of the external fraud incidents and the changing technological environment.
Foreign exchange rate movement	A major challenge the Group faces in 2016 is the persistently strong US dollar. In particular, as the market expects more interest rate hikes in the US, volatility in foreign currency markets will increase.	- 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 on profit and loss and capital adequacy.

Uncertainty	Description	Mitigating Measures
	In addition, weakened economic growth in China and the abrupt devaluation of the RMB in August 2015 and subsequently have unnerved market sentiment, with some expecting the RMB to enter a period of high volatility. Unexpected fluctuations in foreign exchange rates could affect: - the value of the Group's foreign currency position (both on-balance sheet and off-balance sheet items); and - the wealth of the Group's customers and their repayment ability. In some cases, it will affect counterparty credit exposure of the derivative transactions.	- The Group closely observes market movements and will scrutinise its businesses in China and regularly review the profile of customers with exposure to China and the RMB.

Certificates of Deposit, Debt Securities Issued, and Loan Capital

In 2015, BEA issued floating rate certificates of deposit and debt securities with a face value of HK\$1,385 million, US\$290 million and EUR32 million; fixed rate certificates of deposit and debt securities with a face value of HK\$5,734 million, US\$786 million, CNY1,752 million, GBP728 million, SGD175 million, EUR85 million and JPY15,200 million; and zero coupon certificates of deposit and debt securities with a face value of HK\$3,060 million, US\$3,447 million, CNY6,965 million, GBP399 million and EUR161 million. The Group redeemed a quantity of certificates of deposit and debt securities amounting to HK\$88,932 million equivalent upon maturity.

At the end of December 2015, the face value of the outstanding certificates of deposit and debt securities issued was equivalent to HK\$50,949 million, with a carrying amount equivalent to HK\$50,874 million.

Maturity Profile of Certificates of Deposit and Debt Securities Issued

As at 31st December, 2015

(All expressed in millions of dollars)

	Total	Year of Maturity			
	<u>Face Value</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Floating Rate					
HKD	2,605	2,305	300		
USD	455	405	50		
EUR	32	32			
Fixed Rate (Note)					
HKD	7,965	5,451	1,531	683	300
USD	1,395	560	800	35	
CNY	1,602	1,502	100		
GBP	100	100			
SGD	225	175	50		
EUR	35	35			
CHF	100	100			
JPY	15,200	15,200			
Zero Coupon					
HKD	2,572	2,572			
USD	1,839	1,839			
CNY	1,455	1,200	255		
GBP	74	74			
Total Certificates of Deposit and Debt Securities issued in HKD equivalent					
	50,949	40,578	9,117	954	300

Note:

Associated interest rate swaps have been arranged in order to manage interest rate risk from long-term certificates of deposit and debt securities issued, if deemed necessary.

At the end of December 2015, the face value of the outstanding loan capital issued was equivalent to HK\$16,785 million, with a carrying amount equivalent to HK\$16,996 million.

Maturity Profile of Loan Capital

As at 31st December, 2015

(All expressed in millions of dollars)

	Total	Year of Maturity		
	<u>Face Value</u>	<u>2020</u>	<u>2022</u>	<u>2024</u>
USD (Notes 1 & 2)	1,600	600	500	500
SGD (Note 3)	800		800	
Total Loan Capital issued in HKD equivalent	16,785	4,650	8,260	3,875

Notes:

1. The US\$500 million loan capital that matures in 2022 will be callable on 4th May, 2017.
2. The US\$500 million loan capital that matures in 2024 will be callable on 20th November, 2019.
3. Callable on 13th September, 2017

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.

To address the growing compliance requirements, the compliance function of the Bank, which was upgraded from a department to a division in April 2015, is charged with the responsibility of overseeing and mitigating the 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 Senior Management. Any significant anti-money laundering and counter-terrorist financing issues 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 and designated compliance personnel of individual entities, which act as a 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 AML; the Foreign Account Tax Compliance Act of the United States of America; upcoming legislation on the implementation of the Common Reporting Standard on Automatic Exchange of Financial Account Information in Tax Matters as developed by the Organisation for Economic Co-operation and Development; as well as requirements for cross-border business, personal data protection, insurance and investment sales practices, and so forth, BEA expects compliance requirements to remain unavoidably high in the coming years.

David LI Kwok-po

Chairman & Chief Executive

Hong Kong, 15th February, 2016

As at the date of this announcement, the Board of Directors of the Bank comprises Dr. the Hon. Sir David LI Kwok-po[#] (Chairman & Chief Executive), Professor Arthur LI Kwok-cheung (Deputy Chairman), Dr. Allan WONG Chi-yun** (Deputy Chairman), Mr. WONG Chung-hin**, Mr. Aubrey LI Kwok-sing*, Mr. Winston LO Yau-lai**, Tan Sri Dr. KHOO Kay-peng**, Mr. Richard LI Tzar-kai**, Mr. Kenneth LO Chin-ming**, Mr. Eric LI Fook-chuen*, Mr. Stephen Charles LI Kwok-sze*, Mr. William DOO Wai-hoi**, Mr. KUOK Khoon-ean**, Mr. Valiant CHEUNG Kin-piu**, Dr. Isidro FAINÉ CASAS*, Dr. Peter LEE Ka-kit*, Mr. Adrian David LI Man-kiu[#] (Deputy Chief Executive), Mr. Brian David LI Man-bun[#] (Deputy Chief Executive), Mr. Daryl NG Win-kong** and Mr. Masayuki OKU*.*

[#] Executive Director

* Non-executive Director

** Independent Non-executive Director

GLOSSARY

詞彙

2016 AGM 「2016 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, 8 th April, 2016 at 11:30 a.m. or any adjournment thereof 本行將於 2016 年 4 月 8 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
AML 「反洗黑錢」	Anti-money laundering 反洗黑錢
ATM 「自動櫃員機」	Automated Teller Machine 自動櫃員機
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
Banking Ordinance 《銀行業條例》	Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 香港《銀行業條例》（香港法例第 155 章）
BEA China 「東亞中國」	The Bank of East Asia (China) Limited, a wholly-owned subsidiary of the Bank 東亞銀行(中國)有限公司，本行的全資附屬公司
BEA Hong Kong 「東亞香港」	The Bank's operations in Hong Kong 本行的香港業務
BEA Macau / Macau Branch 「澳門分行」	the Bank's branch operations in Macau 本行的澳門分行
BEA Taiwan 「台灣分行」	the Bank's branch operations in Taiwan 本行的台灣分行
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)》
CG Code 「《企業管治守則》」	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules 《上市規則》附錄 14 內所載的《企業管治守則》及《企業管治報告》
CG-1 「CG-1」	Supervisory Policy Manual CG-1 on Corporate Governance of Locally Incorporated Authorized Institutions, issued by the HKMA 金管局頒布之監管政策手冊 CG-1 內有關《本地註冊認可機構的企業管治》
CG-5 「CG-5」	Supervisory Policy Manual CG-5 on Guideline on a Sound Remuneration System, issued by the HKMA 金管局頒布之監管政策手冊 CG-5 內有關《穩健的薪酬制度指引》
CHF 「瑞士法郎」	Swiss franc 瑞士法定貨幣
China, Mainland, Mainland China, or PRC 「中國」或「內地」	People's Republic of China 中華人民共和國
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)
Credit Gain 「領達財務」	Credit Gain Finance Company Limited, a wholly-owned subsidiary of the Bank 領達財務有限公司，本行的全資附屬公司
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 包括任何擔任本行董事職位的人士（無論該人是以何職稱擔任該職位），或文義另有所指的人士
EUR 「歐羅」	Euro 歐羅區法定貨幣
GBP 「英鎊」	Pound sterling, the lawful currency of the UK 英國法定貨幣
GDP 「本地生產總值」	Gross domestic product 本地生產總值
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
HKEx 「香港交易所」	Hong Kong Exchanges and Clearing Limited 香港交易及結算所有限公司
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKICPA 「香港會計師公會」	Hong Kong Institute of Certified Public Accountants 香港會計師公會
HKMA 「金管局」	Hong Kong Monetary Authority 香港金融管理局
Hong Kong or HK 「香港」	Hong Kong Special Administrative Region of PRC 中華人民共和國香港特別行政區
JPY 「日圓」	Japanese yen 日本法定貨幣
Listing Rules 「《上市規則》」	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time) 聯交所《證券上市規則》，經不時修訂、修改或以其他方式補充
Management 「管理層」	the Chief Executive, Deputy Chief Executives and Division Heads of the Bank 本行的行政總裁、副行政總裁及處級主管
MPF 「強積金」	Mandatory Provident Fund 強制性公積金
PBOC 「人行」	The People's Bank of China 中國人民銀行
Senior Management 「高層管理人員」	the Deputy Chief Executives of the Bank 本行的副行政總裁
SGD 「新加坡元」	Singapore dollar, the lawful currency of Singapore 新加坡法定貨幣
SinoPac Securities 「永豐金證券」	SinoPac Securities Corporation 永豐金證券股份有限公司
SMBC 「三井住友銀行」	Sumitomo Mitsui Banking Corporation 三井住友銀行
Stock Exchange 「聯交所」	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司

Tricor or Tricor Holdings
「卓佳」或「卓佳集團」

Tricor Holdings Limited, a non-wholly-owned subsidiary of the Bank
卓佳集團有限公司，本行的非全資附屬公司

TWD
「新台幣」

Taiwan dollar, the lawful currency of Taiwan
台灣法定貨幣

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