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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 2024 FINAL RESULTS

SUMMARY OF RESULTS

The Board of Directors of the Bank is pleased to announce the audited results (Note 1(a)) of the Group for the year ended 31 December 2024. 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 2024 annual accounts.

Consolidated Income Statement

For the year ended 31 December 2024

| | Notes | 2024 HK\$ Mn | 2023 HK\$ Mn |
|---|-------|-----------------|-----------------|
| Interest income | 4 | 39,809 | 39,685 |
| Interest income calculated using the effective interest method | | 37,163 | 36,788 |
| Related interest income | | 2,646 | 2,897 |
| Interest expense | 5 | (23,280) | (22,811) |
| Net interest income | | 16,529 | 16,874 |
| Fee and commission income | 6 | 3,648 | 3,361 |
| Fee and commission expense | | (846) | (721) |
| Net fee and commission income | | 2,802 | 2,640 |
| Net trading profit | 7 | 1,421 | 1,225 |
| Net result on financial instruments at FVTPL | 8 | (35) | (262) |
| Net result on financial assets measured at FVOCI | 9 | (38) | (26) |
| Net loss on sale of financial assets measured at amortised cost | | (104) | (22) |
| Net hedging profit | 10 | 92 | 30 |
| Other operating income | 11 | 312 | 287 |
| Non-interest income | | 4,450 | 3,872 |
| Operating income | | 20,979 | 20,746 |
| Operating expenses | 12 | (9,634) | (9,432) |
| Operating profit before impairment losses | | 11,345 | 11,314 |
| Impairment losses on financial instruments | 13 | (5,497) | (5,483) |
| Impairment losses on associate | | (94) | (726) |
| Impairment losses on other assets | | (2) | (6) |
| Impairment losses | | (5,593) | (6,215) |
| Operating profit after impairment losses | | 5,752 | 5,099 |
| Net profit on sale of assets held for sale | 14 | 22 | 2 |
| Net loss on disposal of subsidiaries/associates | | - | (12) |
| Net profit on disposal of fixed assets | 15 | 16 | 14 |
| Valuation losses on investment properties | | (145) | (86) |
| Share of profits less losses of associates and joint ventures | | 195 | 293 |
| Profit for the year before taxation | | 5,840 | 5,310 |
| Income tax | 16 | (1,211) | (1,174) |
| Profit for the year | | 4,629 | 4,136 |

Consolidated Income Statement (continued)

| | | <u>2024</u> | <u>2023</u> |
|---------------------------|--------------|---------------------|---------------------|
| | <i>Notes</i> | HK\$ Mn | HK\$ Mn |
| Attributable to: | | | |
| Owners of the parent | | 4,608 | 4,118 |
| Non-controlling interests | | <u>21</u> | <u>18</u> |
| Profit for the year | | <u><u>4,629</u></u> | <u><u>4,136</u></u> |
| Earnings per share | | | |
| Basic | 1(b) | HK\$1.52 | HK\$1.32 |
| Diluted | 1(b) | HK\$1.52 | HK\$1.32 |
| Dividends per share | | HK\$0.69 | HK\$0.54 |

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

| | 2024 | 2023 |
|--|---------|---------|
| | HK\$ Mn | HK\$ Mn |
| Net profit | 4,629 | 4,136 |
| Other comprehensive income for the year: | | |
| Items that will not be reclassified to income statement: | | |
| Premises: | | |
| - unrealised surplus on revaluation of premises | 11 | 13 |
| - deferred taxes | 5 | 2 |
| Fair value reserve (equity instruments): | | |
| - net change in fair value | 40 | 120 |
| - deferred taxes | 7 | - |
| Liability credit reserve: | | |
| - net change in fair value attributable to Group's own credit risk | (5) | (13) |
| - deferred taxes | 1 | 2 |
| Items that may be reclassified subsequently to income statement: | | |
| Fair value reserve (debt instruments): | | |
| - net change in fair value | 1,086 | 760 |
| - amount transferred to income statement on disposal | 93 | 82 |
| - deferred taxes | (199) | (134) |
| Hedging reserve (cash flow hedges): | | |
| - effective portion of changes in fair value of hedging instruments | (28) | - |
| - amount transferred to income statement | 4 | - |
| - deferred taxes | 4 | - |
| Share of changes in equity of associates and joint ventures | 50 | 51 |
| Exchange differences arising from translation of accounts/disposal of overseas, Macau and Taiwan branches, subsidiaries, associates and joint ventures | (1,145) | (723) |
| Other comprehensive income | (76) | 160 |
| Total comprehensive income | 4,553 | 4,296 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 4,532 | 4,278 |
| Non-controlling interests | 21 | 18 |
| | 4,553 | 4,296 |

Consolidated Statement of Financial Position

As at 31 December 2024

| | | 2024 | 2023 |
|--|-------|----------------|----------------|
| | Notes | HK\$ Mn | HK\$ Mn |
| ASSETS | | | |
| Cash and balances with banks | | 41,304 | 45,903 |
| Placements with and advances to banks | | 37,705 | 43,691 |
| Trade bills | | 1,456 | 373 |
| Trading assets | 17 | 207 | 3,049 |
| Derivative assets | 23 | 6,227 | 9,056 |
| Loans and advances to customers | 18 | 527,829 | 526,984 |
| Investment securities | 19 | 190,783 | 167,270 |
| Investments in associates and joint ventures | 20 | 8,448 | 8,384 |
| Fixed assets | | 12,971 | 13,493 |
| - Investment properties | | 4,979 | 5,105 |
| - Other properties and equipment | | 7,298 | 7,603 |
| - Right-of-use assets | | 694 | 785 |
| Goodwill and intangible assets | | 1,836 | 1,852 |
| Deferred tax assets | | 1,600 | 1,836 |
| Other assets | 21 | 47,393 | 38,470 |
| Total Assets | | 877,759 | 860,361 |
| EQUITY AND LIABILITIES | | | |
| Deposits and balances of banks | | 24,157 | 25,619 |
| - Designated at fair value through profit or loss | | - | 3,199 |
| - At amortised cost | | 24,157 | 22,420 |
| Deposits from customers | | 643,093 | 628,598 |
| - Demand deposits and current accounts | | 65,685 | 65,643 |
| - Savings deposits | | 134,908 | 118,163 |
| - Time, call and notice deposits | | 442,500 | 444,792 |
| Trading liabilities | | 66 | - |
| Derivative liabilities | 23 | 5,796 | 4,007 |
| Certificates of deposit issued | | 21,578 | 27,618 |
| - Designated at fair value through profit or loss | | 705 | 9,415 |
| - At amortised cost | | 20,873 | 18,203 |
| Current taxation | | 1,870 | 1,602 |
| Debt securities issued | | 387 | 844 |
| - Designated at fair value through profit or loss | | 232 | 688 |
| - At amortised cost | | 155 | 156 |
| Deferred tax liabilities | | 685 | 468 |
| Other liabilities | | 51,299 | 47,312 |
| Loan capital – at amortised cost | | 23,089 | 15,967 |
| Total Liabilities | | 772,020 | 752,035 |
| Share capital | 1(c) | 42,060 | 41,915 |
| Reserves | 24 | 58,383 | 56,058 |
| Total equity attributable to owners of the parent | | 100,443 | 97,973 |
| Additional equity instruments | | 5,021 | 10,090 |
| Non-controlling interests | | 275 | 263 |
| Total Equity | | 105,739 | 108,326 |
| Total Equity and Liabilities | | 877,759 | 860,361 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

| | Share capital | General reserve | Revaluation reserve of bank premises | Capital reserve | Exchange revaluation reserve | Fair value reserve | Hedging reserve | Liability credit reserve | Other reserves ³ | Retained profits | Total | Additional equity instruments | Non-controlling interests | Total equity |
|---|---------------|-----------------|--------------------------------------|-----------------|------------------------------|--------------------|-----------------|--------------------------|-----------------------------|------------------|---------|-------------------------------|---------------------------|--------------|
| | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn |
| At 1 January 2024 | 41,915 | 13,658 | 2,270 | 1,034 | (2,545) | 1,338 | - | 4 | 5,154 | 35,145 | 97,973 | 10,090 | 263 | 108,326 |
| Changes in equity | | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 4,608 | 4,608 | - | 21 | 4,629 |
| Other comprehensive income | - | - | 16 | - | (1,145) | 1,027 | (20) | (4) | 50 | - | (76) | - | - | (76) |
| Total comprehensive income | - | - | 16 | - | (1,145) | 1,027 | (20) | (4) | 50 | 4,608 | 4,532 | - | 21 | 4,553 |
| Shares issued in lieu of dividend (Note 1(c)) | 145 | - | - | - | - | - | - | - | - | - | 145 | - | - | 145 |
| Equity settled share-based transaction | - | - | - | 22 | - | - | - | - | - | - | 22 | - | - | 22 |
| Transfer | - | - | - | (39) | - | - | - | - | 22 | 17 | - | - | - | - |
| Distribution/Dividends declared or approved during the year | - | - | - | - | - | - | - | - | - | (1,886) | (1,886) | - | (9) | (1,895) |
| Redemption of additional equity instruments ¹ | - | - | - | - | - | - | - | - | - | - | - | (5,069) | - | (5,069) |
| Share buy-back ² | - | - | - | - | - | - | - | - | - | (343) | (343) | - | - | (343) |
| At 31 December 2024 | 42,060 | 13,658 | 2,286 | 1,017 | (3,690) | 2,365 | (20) | - | 5,226 | 37,541 | 100,443 | 5,021 | 275 | 105,739 |
| At 1 January 2023 | 41,856 | 13,658 | 2,255 | 1,045 | (1,822) | 510 | - | 15 | 5,105 | 33,365 | 95,987 | 10,090 | 269 | 106,346 |
| Changes in equity | | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 4,118 | 4,118 | - | 18 | 4,136 |
| Other comprehensive income | - | - | 15 | - | (723) | 828 | - | (11) | 51 | - | 160 | - | - | 160 |
| Total comprehensive income | - | - | 15 | - | (723) | 828 | - | (11) | 51 | 4,118 | 4,278 | - | 18 | 4,296 |
| Shares issued in lieu of dividend (Note 1(c)) | 59 | - | - | - | - | - | - | - | - | - | 59 | - | - | 59 |
| Equity settled share-based transaction | - | - | - | 24 | - | - | - | - | - | - | 24 | - | - | 24 |
| Transfer | - | - | - | (35) | - | - | - | - | (2) | 37 | - | - | - | - |
| Distribution/Dividends declared or approved during the year | - | - | - | - | - | - | - | - | - | (2,008) | (2,008) | - | (24) | (2,032) |
| Share buy-back ² | - | - | - | - | - | - | - | - | - | (367) | (367) | - | - | (367) |
| At 31 December 2023 | 41,915 | 13,658 | 2,270 | 1,034 | (2,545) | 1,338 | - | 4 | 5,154 | 35,145 | 97,973 | 10,090 | 263 | 108,326 |

Notes: 1. During the year, the Bank fully redeemed the HK\$5,069 million (US\$ 650 million) Additional Tier 1 capital securities issued in 2019.

2. During the year, the Bank bought back 35 million (2023: 36 million) issued shares on the Stock Exchange at a total consideration of HK\$342 million (2023: HK\$366 million). Together with the direct transaction cost of approximately HK\$1 million (2023: HK\$1 million), a total amount of HK\$343 million (2023: HK\$367 million) was accounted for as a deduction from retained profits. For details of the share buy-back, please refer to Note 1(c).

3. Other reserves include statutory reserve and other reserves.

Consolidated Cash Flow Statement
For the year ended 31 December 2024

| | 2024 | 2023 |
|--|---------------|-----------------|
| Notes | HK\$ Mn | HK\$ Mn |
| OPERATING ACTIVITIES | | |
| Profit for the year before taxation | 5,840 | 5,310 |
| Adjustments for: | | |
| Charge for impairment losses on financial instruments | 5,497 | 5,483 |
| Charge for impairment losses on associate | 94 | 726 |
| Charge for impairment losses on other assets | 2 | 6 |
| Share of profits less losses of associates and joint ventures | (195) | (293) |
| Net loss on sale of financial assets measured at amortised cost | 104 | 22 |
| Net loss on sale of debt securities measured at FVOCI | 54 | 60 |
| Net loss on disposal of subsidiaries and associates | - | 12 |
| Net profit on sale of assets held for sale | (22) | (2) |
| Net profit on disposal of fixed assets | (16) | (14) |
| Interest expense on debt securities issued | 16 | 51 |
| Interest expense on loan capital issued | 1,404 | 949 |
| Interest expense on lease liabilities | 31 | 29 |
| Depreciation on bank premises, furniture, fixtures and equipment | 596 | 547 |
| Depreciation on right-of-use assets | 266 | 260 |
| Dividend income from equity securities measured at FVOCI | 9 (16) | (34) |
| Amortisation of intangible assets | 13 | 13 |
| Amortisation of premium/discount on debt securities and loan capital issued | 34 | 11 |
| Revaluation (gains)/losses on debt securities and loan capital issued | (24) | 201 |
| Valuation losses on investment properties | 145 | 86 |
| Equity settled share-based payment expenses | 12 22 | 24 |
| | <u>13,845</u> | <u>13,447</u> |
| Decrease/(increase) in operating assets: | | |
| Cash and balances with banks with original maturity beyond three months | 905 | 1,533 |
| Placements with and advances to banks with original maturity beyond three months | 2,000 | (4,028) |
| Trade bills | (1,084) | 156 |
| Trading assets | 2,776 | (2,728) |
| Derivative assets | 2,805 | 2,036 |
| Loans and advances to customers | (5,357) | 10,778 |
| Debt investment securities measured at amortised cost | (19,574) | 5,187 |
| Investment securities measured at FVOCI | (591) | (17,193) |
| Debt investment securities mandatorily measured at FVTPL | 857 | 1,194 |
| Non-trading equity securities mandatorily measured at FVTPL | 10 | 95 |
| Other assets | (9,614) | 182 |
| (Decrease)/increase in operating liabilities: | | |
| Deposits and balances of banks | (1,462) | 141 |
| Deposits from customers | 14,495 | (19,495) |
| Certificates of deposit issued | (6,047) | (5,056) |
| Trading liabilities | 66 | (5) |
| Derivative liabilities | 1,789 | (138) |
| Other liabilities | 3,999 | (2,727) |
| Exchange adjustments | 83 | 453 |
| NET CASH OUTFLOW FROM OPERATIONS | <u>(99)</u> | <u>(16,168)</u> |
| Income tax paid | | |
| Hong Kong profits tax paid | (197) | (261) |
| Outside Hong Kong profits tax paid | (462) | (489) |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(758)</u> | <u>(16,918)</u> |

Consolidated Cash Flow Statement (continued)

| | 2024 | 2023 |
|---|----------------|-----------------|
| Notes | HK\$ Mn | HK\$ Mn |
| INVESTING ACTIVITIES | | |
| Dividends received from associates and joint ventures | - | 71 |
| Dividends received from equity securities measured at FVOCI | 16 | 34 |
| Purchase of fixed assets | (537) | (680) |
| Proceeds from disposal of other properties and equipment | 135 | 42 |
| Proceeds from sale of assets held for sale | 68 | 22 |
| NET CASH USED IN INVESTING ACTIVITIES | (318) | (511) |
| FINANCING ACTIVITIES | | |
| Ordinary dividends paid | (1,156) | (1,377) |
| Distribution to Additional Tier 1 issue holders | (594) | (596) |
| Payment for repurchase of shares | (343) | (367) |
| Issue of loan capital | 8,864 | 3,893 |
| Capital element of lease rentals paid | (255) | (245) |
| Interest element of lease rentals paid | (29) | (29) |
| Redemption of debt securities issued | (467) | (2,090) |
| Redemption of loan capital | (1,594) | - |
| Redemption of additional equity instruments | (5,069) | - |
| Interest paid on debt securities issued | (19) | (58) |
| Interest paid on loan capital | (1,380) | (873) |
| NET CASH USED IN FINANCING ACTIVITIES | (2,042) | (1,742) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (3,118) | (19,171) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 92,134 | 112,149 |
| Effect of foreign exchange rate changes | (1,146) | (844) |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 87,870 | 92,134 |
| | | |
| Cash flows from operating activities included: | | |
| Interest received | 39,570 | 39,022 |
| Interest paid | 22,481 | 20,771 |
| Dividend received | 9 | 10 |

Notes to the Financial Statements

1. (a) The financial information relating to the years ended 31 December 2024 and 2023 included in this announcement of 2024 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 31 December 2023 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 31 December 2024 in due course.

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

- (b) (i) The calculation of basic earnings per share is based on the consolidated profit for the year attributable to owners of the parent of HK\$4,014 million (2023: HK\$3,522 million) after accounting for the distribution of HK\$594 million (2023: HK\$596 million) to Additional Tier 1 issue holders, and on the weighted average of 2,639 million ordinary shares outstanding during the year (2023: 2,668 million).
- (ii) The calculation of diluted earnings per share is the same as the calculation of basic earnings per share, except that the weighted average of ordinary shares is adjusted for the effects of all dilutive potential shares. For the year ended 31 December 2024, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,639 million (2023: 2,668 million).

(c) Share Capital

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

| | 2024 | | 2023 | |
|---|--------------------------|---------------|--------------------------|---------------|
| | No. of shares Million | HK\$ Mn | No. of shares Million | HK\$ Mn |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 January | 2,650 | 41,915 | 2,680 | 41,856 |
| Shares issued in lieu of dividend | 15 | 145 | 6 | 59 |
| Share repurchased and cancelled | (35) | - | (36) | - |
| At 31 December | <u>2,630</u> | <u>42,060</u> | <u>2,650</u> | <u>41,915</u> |

Share buy-back

In 2024, 34,602,200 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$342 million and 35,432,000 shares were cancelled (including 829,800 shares repurchased in 2023), representing 1.31% and 1.34% of the ordinary shares in issue at the beginning of the year, respectively.

In 2023, 35,940,800 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$366 million and 35,797,200 shares were cancelled (including 686,200 shares repurchased in 2022), representing 1.34% and 1.34% of the ordinary shares in issue at the beginning of the year, respectively. The remaining 829,800 shares repurchased in 2023 were cancelled on 8 January 2024.

Below table shows the details of the shares repurchased and cancelled during 2024.

(c) Share Capital (continued)

| Month | Number of shares | Highest price per share HK\$ | Lowest price per share HK\$ | Average price per share HK\$ | Aggregate consideration HK\$ Mn |
|---------------------------------|-------------------|---------------------------------|--------------------------------|---------------------------------|------------------------------------|
| Share repurchased: | | | | | |
| <i>On-market share buy-back</i> | | | | | |
| - February 2024 | 3,936,200 | 10.04 | 9.29 | 9.80 | 39 |
| - March 2024 | 1,538,400 | 10.06 | 9.53 | 9.85 | 15 |
| - April 2024 | 2,908,400 | 9.95 | 9.01 | 9.43 | 27 |
| - May 2024 | 4,757,200 | 10.96 | 9.90 | 10.38 | 49 |
| - June 2024 | 2,902,400 | 10.42 | 9.59 | 9.90 | 29 |
| - July 2024 | 2,995,400 | 10.26 | 9.70 | 9.95 | 30 |
| - August 2024 | 2,209,200 | 9.93 | 9.57 | 9.83 | 22 |
| - September 2024 | 6,992,600 | 9.93 | 9.19 | 9.52 | 66 |
| - October 2024 | 6,362,400 | 10.66 | 9.90 | 10.20 | 65 |
| | <u>34,602,200</u> | | | | <u>342</u> |
| Share cancelled | 35,432,000 | | | | |

Staff Share Option Schemes

Pursuant to the approved Staff Share Option Schemes (the "Schemes"), options to purchase ordinary shares in the Bank were granted to eligible employees. Except as provided otherwise in the rules of the relevant Scheme(s), share options granted under 2016 Scheme and 2021 Scheme will be exercisable during the period beginning on the Vesting Date and ending on the fifth anniversary of the Vesting Date.

There were no options exercised and shares issued under the Schemes during the years 2024 and 2023.

2. Distribution/Dividends

(a) Dividends payable to equity owners of the parent attributable to the year

| | 2024 HK\$ Mn | 2023 HK\$ Mn |
|---|-----------------|-----------------|
| Interim dividend declared and paid of HK\$0.31 per share on 2,631 million shares (2023: HK\$0.36 per share on 2,658 million shares) | 816 | 957 |
| Second interim dividend of HK\$0.38 per share on 2,630 million shares (2023: HK\$0.18 per share on 2,650 million shares) | 999 | 477 |
| | <u>1,815</u> | <u>1,434</u> |

The total dividends attributable to the year is HK\$0.69 per share (2023: HK\$0.54 per share). The second interim dividend has not been recognised as a liability at the end of the reporting period.

2. Distribution/Dividends (continued)

- (b) Dividends payable to equity owners of the parent attributable to the previous financial year, approved and paid during the year

| | 2024 | 2023 |
|--|---------|---------|
| | HK\$ Mn | HK\$ Mn |
| Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.18 per share on 2,645 million shares (2023: HK\$0.17 per share on 2,677 million shares) | 476 | 455 |

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

| | 2024 | 2023 |
|--|---------|---------|
| | HK\$ Mn | HK\$ Mn |
| Distribution paid on the Additional Tier 1 capital instruments | 594 | 596 |

3. Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. Interest Income

| | 2024 | 2023 |
|---|---------|---------|
| | HK\$ Mn | HK\$ Mn |
| Loans, placements with banks, and trade bills | 30,032 | 31,179 |
| Investment securities | | |
| - measured at amortised cost or FVOCI | 9,662 | 8,269 |
| - mandatorily measured at FVTPL | 79 | 141 |
| Trading assets | 36 | 96 |
| | 39,809 | 39,685 |

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

The above included interest income of HK\$37,163 million (2023: HK\$36,788 million), before hedging effect, for financial assets that are not recognised at FVTPL.

5. Interest Expense

| | 2024 | 2023 |
|--|---------------|---------------|
| | HK\$ Mn | HK\$ Mn |
| Customer deposits and deposits of banks | | |
| - at amortised cost | 20,555 | 19,914 |
| - designated at FVTPL | 57 | 202 |
| Certificates of deposit and debt securities issued | | |
| - at amortised cost | 805 | 581 |
| - designated at FVTPL | 239 | 914 |
| Subordinated notes carried at amortised cost | 1,438 | 960 |
| Lease liabilities | 31 | 29 |
| Other borrowings | 155 | 211 |
| | <u>23,280</u> | <u>22,811</u> |

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

The above included interest expense of HK\$22,712 million (2023: HK\$21,491 million), before hedging effect, for financial liabilities that are not recognised at FVTPL.

6. Fee and Commission Income

Fee and commission income is disaggregated by services:

| | 2024 | 2023 |
|--|--------------|--------------|
| | HK\$ Mn | HK\$ Mn |
| Credit cards | 831 | 759 |
| Loans, overdrafts and guarantees | 823 | 888 |
| Sale of third party insurance policies | 596 | 528 |
| Securities brokerage | 225 | 141 |
| Other retail banking services | 213 | 208 |
| Investment products | 205 | 162 |
| Trust and other fiduciary activities | 170 | 177 |
| Trade finance | 131 | 96 |
| Others | 454 | 402 |
| Total fee and commission income | <u>3,648</u> | <u>3,361</u> |

For fee income and expense arising from financial assets and financial liabilities not measured at FVTPL, the Group earned fee and commission income of HK\$716 million (2023: HK\$751 million) which were included in above loan, overdrafts and guarantees and trade finance categories, and recognised relevant expenses of HK\$5 million (2023: HK\$8 million) under fee and commission expenses. These figures excluded amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

For fee income and expense arising from trust and other fiduciary activities, the Group earned fee and commission income of HK\$170 million (2023: HK\$177 million) as stated above and recognised relevant expenses of HK\$17 million (2023: HK\$19million) under fee and commission expenses.

7. Net Trading Profit

| | 2024 | 2023 |
|---|--------------|--------------|
| | HK\$ Mn | HK\$ Mn |
| Profit on dealing in foreign currencies and funding swaps | 619 | 382 |
| Profit on trading securities | 132 | 22 |
| Net gain on derivatives | 661 | 811 |
| Dividend income from trading equity securities | 9 | 10 |
| | <u>1,421</u> | <u>1,225</u> |

8. Net Result on Financial Instruments at FVTPL

| | 2024 | 2023 |
|---|-------------|--------------|
| | HK\$ Mn | HK\$ Mn |
| Net loss from financial instruments designated at FVTPL | (90) | (263) |
| Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading profit) | 55 | 1 |
| | <u>(35)</u> | <u>(262)</u> |

9. Net Result on Financial Assets Measured at FVOCI

| | 2024 | 2023 |
|--|-------------|-------------|
| | HK\$ Mn | HK\$ Mn |
| Net loss on sale of debt securities | (54) | (60) |
| Dividend income from equity securities | 16 | 34 |
| | <u>(38)</u> | <u>(26)</u> |

10. Net Hedging Profit

| | 2024 | 2023 |
|-------------------|-----------|-----------|
| | HK\$ Mn | HK\$ Mn |
| Fair value hedges | 92 | 30 |
| Cash flow hedges | - | - |
| | <u>92</u> | <u>30</u> |

11. Other Operating Income

| | 2024 | 2023 |
|--------------------------------|------------|------------|
| | HK\$ Mn | HK\$ Mn |
| Rental from safe deposit boxes | 122 | 117 |
| Rental income on properties | 117 | 129 |
| Others | 73 | 41 |
| | <u>312</u> | <u>287</u> |

12. Operating Expenses

| | 2024 HK\$ Mn | 2023 HK\$ Mn |
|--|-----------------|-----------------|
| Contributions to defined contribution plan * | | |
| - Hong Kong | 216 | 191 |
| - Outside Hong Kong | 234 | 223 |
| Equity settled share-based payment expenses | 22 | 24 |
| Salaries and other staff costs | 5,144 | 5,007 |
| Total staff costs | <u>5,616</u> | <u>5,445</u> |
| Premises and equipment expenses excluding depreciation | | |
| - Expenses relating to short-term leases | 10 | 8 |
| - Expenses relating to low value assets | 7 | 10 |
| - Variable lease payments not included in the measurement of lease liabilities | 1 | 1 |
| - Maintenance, repairs and others | 768 | 739 |
| Total premises and equipment expenses excluding depreciation | <u>786</u> | <u>758</u> |
| Depreciation and amortisation | <u>875</u> | <u>820</u> |
| Other operating expenses | | |
| - Internet platform charges | 540 | 560 |
| - Legal and professional fees | 491 | 457 |
| - Communications, stationery and printing | 304 | 295 |
| - Advertising and business promotion expenses | 256 | 294 |
| - Others | 766 | 803 |
| Total other operating expenses | <u>2,357</u> | <u>2,409</u> |
| Total operating expenses ** | <u>9,634</u> | <u>9,432</u> |

Notes:

* Forfeited contributions totalling HK\$26 million (2023: HK\$27 million) were utilised to reduce the Group's contribution during the year. There were no forfeited contributions available for reducing future contributions at the year end (2023: Nil).

** Included direct operating expenses of HK\$10 million (2023: HK\$10 million) in respect of investment properties which generated rental income during the year.

13. Impairment Losses on Financial Instruments

| | 2024 HK\$ Mn | 2023 HK\$ Mn |
|---------------------------------|-----------------|-----------------|
| Loans and advances to customers | 5,152 | 5,164 |
| Debt securities | 330 | 211 |
| Others | 15 | 108 |
| | <u>5,497</u> | <u>5,483</u> |

14. Net Profit on Sale of Assets Held for Sale

| | 2024 | 2023 |
|---|-----------|----------|
| | HK\$ Mn | HK\$ Mn |
| Net profit/(loss) on sale of properties | 21 | (2) |
| Net profit on sale of disposal groups | 1 | 4 |
| | <u>22</u> | <u>2</u> |

15. Net Profit on Disposal of Fixed Assets

| | 2024 | 2023 |
|--|-----------|-----------|
| | HK\$ Mn | HK\$ Mn |
| Net profit on disposal of bank premises, furniture, fixtures and equipment | 15 | 14 |
| Net profit on termination of lease | 1 | - |
| | <u>16</u> | <u>14</u> |

16. Income Tax

Taxation in the consolidated income statement represents:

| | 2024 | 2023 |
|---|--------------|--------------|
| | HK\$ Mn | HK\$ Mn |
| Current tax – Hong Kong | | |
| Tax for the year | 710 | 482 |
| Over-provision in respect of prior years | (63) | (63) |
| | <u>647</u> | <u>419</u> |
| Current tax – outside Hong Kong | | |
| Tax for the year | 495 | 693 |
| Over-provision in respect of prior years | (147) | (17) |
| | <u>348</u> | <u>676</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | 216 | 79 |
| | <u>1,211</u> | <u>1,174</u> |

The provision for Hong Kong profits tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year.

Taxation for overseas, Macau and Taiwan branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

17. Trading Assets

| | 2024 | 2023 |
|-------------------|------------|--------------|
| | HK\$ Mn | HK\$ Mn |
| Debt securities | - | 2,764 |
| Equity securities | 53 | 285 |
| Investment funds | 154 | - |
| | <u>207</u> | <u>3,049</u> |

18. Loans and Advances to Customers

(a) Loans and Advances to Customers

| | 2024 | 2023 |
|--|----------------|----------------|
| | HK\$ Mn | HK\$ Mn |
| Gross carrying amount before impairment allowances | 532,931 | 532,111 |
| Less: Impairment allowances | (5,102) | (5,127) |
| | <u>527,829</u> | <u>526,984</u> |

(b) Loans and Advances to Customers – by Industry Sectors

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

| | 2024 | | 2023 | |
|---|-------------------|--|-------------------|--|
| | Gross advances | % of gross advances covered by collateral | Gross advances | % of gross advances covered by collateral |
| | HK\$ Mn | % | HK\$ Mn | % |
| Loans for use in Hong Kong | | | | |
| Industrial, commercial and financial | | | | |
| - Property development | 20,317 | 62.87 | 28,590 | 59.39 |
| - Property investment | 39,520 | 92.24 | 50,155 | 92.35 |
| - Financial concerns | 13,148 | 47.41 | 14,171 | 54.48 |
| - Stockbrokers | 1,437 | 72.92 | 1,218 | 91.77 |
| - Wholesale and retail trade | 8,940 | 44.72 | 5,996 | 53.85 |
| - Manufacturing | 4,169 | 29.80 | 3,219 | 39.40 |
| - Transport and transport equipment | 3,766 | 19.38 | 4,106 | 50.05 |
| - Recreational activities | 132 | 99.42 | 108 | 99.41 |
| - Information technology | 3,465 | 48.90 | 2,093 | 63.13 |
| - Others | 30,000 | 52.68 | 20,868 | 54.76 |
| Sub-total | <u>124,894</u> | 64.14 | <u>130,524</u> | 70.14 |
| Individuals | | | | |
| - Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 1,131 | 97.98 | 1,081 | 99.10 |
| - Loans for the purchase of other residential properties | 98,966 | 99.06 | 96,147 | 99.53 |
| - Credit card advances | 3,501 | 0.00 | 4,740 | 0.00 |
| - Others | 22,502 | 62.98 | 20,555 | 58.71 |
| Sub-total | <u>126,100</u> | 89.86 | <u>122,523</u> | 88.83 |
| Total loans for use in Hong Kong | 250,994 | 77.06 | 253,047 | 79.19 |
| Trade finance | 6,889 | 24.79 | 5,592 | 32.97 |
| Loans for use outside Hong Kong (Note) | 275,048 | 31.44 | 273,472 | 35.82 |
| Total advances to customers | <u>532,931</u> | 52.84 | <u>532,111</u> | 56.41 |

18. Loans and Advances to Customers (continued)

(b) Loans and Advances to Customers – by Industry Sectors (continued)

Note: Loans for use outside Hong Kong include the following loans for use in Chinese Mainland and loans for use outside Hong Kong and Chinese Mainland.

| | 2024 | | 2023 | |
|--|----------------|---|----------------|---|
| | Gross advances | % of gross advances covered by collateral | Gross advances | % of gross advances covered by collateral |
| | HK\$ Mn | % | HK\$ Mn | % |
| Loans for use in Chinese Mainland | | | | |
| Industrial, commercial and financial | | | | |
| - Property development | 21,473 | 51.91 | 29,598 | 43.16 |
| - Property investment | 6,016 | 71.40 | 7,796 | 67.72 |
| - Financial concerns | 44,808 | 13.92 | 43,746 | 10.19 |
| - Stockbrokers | - | - | 440 | 100.00 |
| - Wholesale and retail trade | 13,177 | 6.06 | 8,509 | 10.42 |
| - Manufacturing | 16,002 | 1.47 | 14,255 | 7.35 |
| - Transport and transport equipment | 1,949 | 75.70 | 1,921 | 61.89 |
| - Recreational activities | 298 | 0.00 | - | - |
| - Information technology | 2,389 | 1.08 | 1,194 | 0.74 |
| - Others | 25,644 | 10.59 | 18,123 | 14.07 |
| Sub-total | <u>131,756</u> | 20.44 | <u>125,582</u> | 22.80 |
| Individuals | | | | |
| - Loans for the purchase of other residential properties | 8,277 | 99.74 | 10,398 | 99.96 |
| - Credit card advances | 2,923 | 0.00 | 3,825 | 0.00 |
| - Others | 16,243 | 1.81 | 18,552 | 3.67 |
| Sub-total | <u>27,443</u> | 31.16 | <u>32,775</u> | 33.79 |
| Total loans for use in Chinese Mainland | <u>159,199</u> | 22.29 | <u>158,357</u> | 25.08 |

18. Loans and Advances to Customers (continued)

(b) Loans and Advances to Customers – by Industry Sectors (continued)

| | 2024 | | 2023 | |
|---|----------------|---|----------------|---|
| | Gross advances | % of gross advances covered by collateral | Gross advances | % of gross advances covered by collateral |
| | HK\$ Mn | % | HK\$ Mn | % |
| Loans for use outside Hong Kong and Chinese Mainland | | | | |
| Industrial, commercial and financial | | | | |
| - Property development | 6,298 | 64.05 | 8,239 | 50.27 |
| - Property investment | 26,676 | 77.20 | 33,696 | 77.20 |
| - Financial concerns | 13,739 | 63.34 | 14,109 | 73.80 |
| - Wholesale and retail trade | 4,697 | 13.06 | 4,808 | 15.39 |
| - Manufacturing | 13,860 | 1.25 | 15,032 | 1.41 |
| - Transport and transport equipment | 5,287 | 19.72 | 2,693 | 44.13 |
| - Recreational activities | 1,149 | 43.75 | 885 | 80.27 |
| - Information technology | 7,248 | 3.34 | 4,741 | 3.66 |
| - Others | 33,779 | 35.80 | 27,536 | 40.97 |
| Sub-total | <u>112,733</u> | 42.58 | <u>111,739</u> | 49.11 |
| Individuals | | | | |
| - Loans for the purchase of other residential properties | 2,816 | 100.00 | 3,297 | 99.91 |
| - Credit card advances | 2 | 0.00 | 1 | 0.00 |
| - Others | 298 | 64.28 | 78 | 99.65 |
| Sub-total | <u>3,116</u> | 96.52 | <u>3,376</u> | 99.86 |
| Total loans for use outside Hong Kong and Chinese Mainland | <u>115,849</u> | 44.03 | <u>115,115</u> | 50.60 |
| Total loans for use outside Hong Kong | <u>275,048</u> | 31.44 | <u>273,472</u> | 35.82 |

18. Loans and Advances to Customers (continued)

(b) Loans and Advances to Customers – by Industry Sectors (continued)

Individually impaired loans, as well as relevant information, in respect of industry sectors which constitute not less than 10% of total loans and advances to customers are as follows:

| | 2024 | 2023 |
|--|---------|---------|
| | HK\$ Mn | HK\$ Mn |
| (i) Property development (<i>Note</i>) | | |
| a. Individually impaired loans | 8,424 | 7,581 |
| b. Specific provisions | 2,206 | 2,162 |
| c. Collective provisions | 127 | 404 |
| d. New provision charged to income statement | 2,788 | 2,157 |
| e. Written off | 2,841 | 3,934 |
| (ii) Property investment | | |
| a. Individually impaired loans | 3,464 | 4,094 |
| b. Specific provisions | 582 | 441 |
| c. Collective provisions | 57 | 67 |
| d. New provision charged to income statement | 918 | 227 |
| e. Written off | 426 | 910 |
| (iii) Loans for purchase of other residential properties | | |
| a. Individually impaired loans | 453 | 359 |
| b. Specific provisions | 9 | 12 |
| c. Collective provisions | 25 | 25 |
| d. New provision charged to income statement | 21 | 17 |
| e. Written off | 1 | 1 |
| (iv) Financial concerns | | |
| a. Individually impaired loans | 229 | 640 |
| b. Specific provisions | 128 | 50 |
| c. Collective provisions | 72 | 121 |
| d. New provision charged to income statement | 342 | 140 |
| e. Written off | 249 | 45 |

Note: As at 31 December 2024, amount of loans and advances to the property development sector constitutes 9.0% of total loans and advances to customers (2023: 12.5%).

The specific provisions represent lifetime expected credit loss provisions for credit impaired (Stage 3) exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired (Stage 1 and Stage 2) exposures.

18. Loans and Advances to Customers (continued)

(c) Loans and Advances to Customers – by Geographical Areas

The information concerning the breakdown of the gross amount of advances to customers by geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 22 which is prepared in a manner consistent with the way in which information is reported internally to the Group's Senior Management. The specific provisions represent lifetime expected credit loss provisions for credit impaired (Stage 3) exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired (Stage 1 and Stage 2) exposures.

| | 2024 | | | | |
|--------------------------------------|-----------------------------------|---|--------------------------------------|------------------------|--------------------------|
| | Total advances to customers | Advances overdue for over three months | Impaired advances to customers | Specific provisions | Collective provisions |
| | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn |
| Hong Kong | 239,272 | 3,180 | 6,824 | 1,834 | 353 |
| Chinese Mainland | 188,654 | 3,163 | 6,938 | 1,964 | 561 |
| Other Asian Countries and Regions | 34,585 | 221 | 272 | 135 | 95 |
| Others | 70,420 | 245 | 459 | 21 | 139 |
| Total | 532,931 | 6,809 | 14,493 | 3,954 | 1,148 |
| | | | | | |
| % of total advances to customers | | | <u>2.72%</u> | | |
| | | | | | |
| | 2023 | | | | |
| | Total advances to customers | Advances overdue for over three months | Impaired advances to customers | Specific provisions | Collective provisions |
| | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn |
| Hong Kong | 251,929 | 2,329 | 4,863 | 825 | 215 |
| Chinese Mainland | 174,954 | 5,393 | 8,567 | 2,648 | 1,072 |
| Other Asian Countries and Regions | 31,279 | 61 | 111 | 31 | 121 |
| Others | 73,949 | 297 | 793 | 32 | 183 |
| Total | 532,111 | 8,080 | 14,334 | 3,536 | 1,591 |
| | | | | | |
| % of total advances to customers | | | <u>2.69%</u> | | |

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

19. Investment Securities

| | 2024 | | | | | |
|--|---|------------------------------------|--------------------|----------------------|---------------------|----------------|
| | Treasury bills (including Exchange Fund Bills) | Certificates of deposit held | Debt securities | Equity securities | Investment funds | Total |
| | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn |
| Investment securities measured at amortised cost | | | | | | |
| Gross carrying amount before impairment allowances | 2,566 | 544 | 27,660 | - | - | 30,770 |
| Less: Impairment allowances | - | - | (927) | - | - | (927) |
| | <u>2,566</u> | <u>544</u> | <u>26,733</u> | <u>-</u> | <u>-</u> | <u>29,843</u> |
| Investment securities measured at FVOCI | 30,020 | - | 127,928 | 999 | - | 158,947 |
| Investment securities mandatorily measured at FVTPL | - | - | 1,219 | 1 | 773 | 1,993 |
| | <u>32,586</u> | <u>544</u> | <u>155,880</u> | <u>1,000</u> | <u>773</u> | <u>190,783</u> |
| | 2023 | | | | | |
| | Treasury bills (including Exchange Fund Bills) | Certificates of deposit held | Debt securities | Equity securities | Investment funds | Total |
| | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn |
| Investment securities measured at amortised cost | | | | | | |
| Gross carrying amount before impairment allowances | 2,660 | 1,103 | 8,099 | - | - | 11,862 |
| Less: Impairment allowances | - | - | (672) | - | - | (672) |
| | <u>2,660</u> | <u>1,103</u> | <u>7,427</u> | <u>-</u> | <u>-</u> | <u>11,190</u> |
| Investment securities measured at FVOCI | 27,914 | - | 124,347 | 959 | - | 153,220 |
| Investment securities mandatorily measured at FVTPL | - | - | 2,076 | - | 784 | 2,860 |
| | <u>30,574</u> | <u>1,103</u> | <u>133,850</u> | <u>959</u> | <u>784</u> | <u>167,270</u> |

Equity Securities Designated at FVOCI

| | 2024 | | 2023 | |
|---|------------|----------------------------------|------------|----------------------------------|
| | Fair value | Dividend income recognised | Fair value | Dividend income recognised |
| | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn |
| Equity investments held for long-term strategic purposes | <u>999</u> | <u>16</u> | <u>959</u> | <u>34</u> |

As at 31 December 2024, equity securities designated at FVOCI amounting to HK\$999 million (2023: HK\$959 million) were held for long-term strategic purposes, of which HK\$807 million (2023: HK\$809 million) was attributable to the fair value of the Bank's investment in China UnionPay Co., Ltd. None of these strategic investments was disposed of during 2024 and 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

20. Investments in Associates and Joint Ventures

| | 2024 | 2023 |
|-----------------------------|---------------|--------------|
| | HK\$ Mn | HK\$ Mn |
| Share of net assets | 9,629 | 9,469 |
| Goodwill | 438 | 440 |
| | <u>10,067</u> | <u>9,909</u> |
| Less: Impairment allowances | (1,619) | (1,525) |
| | <u>8,448</u> | <u>8,384</u> |

In 2024, the Group recognised an impairment loss of HK\$94 million for its investment in an unlisted associate operating in Chinese Mainland as a result of decrease in value-in-use ("VIU") of the investment (2023: no impairment charge). At 31 December 2024, the investment's assessed recoverable amount of HK\$100 million (representing the estimated fair value less costs of disposal) was higher than the investment carrying value of HK\$90 million. The fair value (categorised as Level 3 valuation) was measured under market-comparable approach with reference to multiples of comparable listed companies, adjusted for a marketability discount to reflect the fact that the shares are not actively traded.

Update on impairment assessment of the Group's investment in AFFIN Bank Berhad ("AFFIN")

At 31 December 2024, the fair value of the Group's investment in AFFIN based on the quoted market price had been persistently below the carrying amount. As a result, the Group performed an impairment test on the investment using a VIU methodology and this demonstrated that the recoverable amount of the investment was HK\$3,675 million. The recoverable amount was higher than the carrying value of HK\$3,323 million and no further impairment charge was recognised (2023: HK\$726 million). The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management for the next five years and extrapolating in perpetuity using a long-term growth rate of 3% to derive a terminal value. Discount rate of 11.57% (2023: 12.03%), which is based on a Capital Asset Pricing Model calculation for AFFIN, is used in the VIU calculation.

The following table illustrates the impact on VIU of reasonably possible changes to key assumptions. This reflects the sensitivity of the VIU to each key assumption on its own and it is possible that more than one favourable and/or unfavourable change may occur at the same time.

| | Favourable change | | Unfavourable change | |
|-----------------------|-------------------|---------|---------------------|---------------------|
| | Increase in | | Decrease in | |
| | VIU | VIU | VIU | VIU |
| | HK\$ Mn | HK\$ Mn | HK\$ Mn | HK\$ Mn |
| At 31 December 2024 | | | | |
| Discount rate | -50 bps | 242 | 3,917 | +50 bps (215) 3,460 |
| Long-term growth rate | +50 bps | 19 | 3,694 | -50 bps (17) 3,658 |
| Expected cash flows | +10% | 368 | 4,043 | -10% (367) 3,308 |

21. Other Assets

| | <u>2024</u> | <u>2023</u> |
|--|---------------|---------------|
| | HK\$ Mn | HK\$ Mn |
| Accrued interest | 4,439 | 4,200 |
| Customer liabilities under acceptances | 32,817 | 26,771 |
| Other accounts | <u>10,601</u> | <u>7,776</u> |
| Gross carrying amount before impairment allowances | 47,857 | 38,747 |
| Less: Impairment allowances | <u>(479)</u> | <u>(292)</u> |
| | <u>47,378</u> | <u>38,455</u> |
| | | |
| Assets held for sale | 15 | 15 |
| | <u>47,393</u> | <u>38,470</u> |

22. 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 eight reportable segments.

Hong Kong operations divided into the following five reportable segments.

Personal banking includes branch operations, personal internet banking, consumer finance, property loans, MPF business, and credit card business.

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

Treasury markets include treasury operations and securities dealing.

Wealth management includes private banking business, investment products & advisory and securities & futures broking.

Others mainly include trust business carried out by subsidiaries operating in Hong Kong and other supporting units of Hong Kong operations.

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

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

Corporate management absorbs the regulatory capital cost of loan capital issued by the Bank and receives, from Hong Kong operations, the interest income on business activities funded by capital instruments issued by the Bank.

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

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

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

22. Segment Reporting (continued)

| | 2024 | | | | | | | | | | |
|---|----------------------|-------------------|------------------|-------------------|---------|---------|-----------------------------|---------------------------------------|----------------------|---------------------------|---------|
| | Hong Kong operations | | | | | | Chinese Mainland operations | Overseas, Macau and Taiwan operations | Corporate management | Inter-segment elimination | Total |
| | Personal banking | Wholesale banking | Treasury markets | Wealth management | Others | Total | | | | | |
| 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) | 5,678 | 2,735 | 1,514 | 368 | (236) | 10,059 | 3,845 | 2,635 | (10) | - | 16,529 |
| Non-interest income/(expense) | 1,336 | 601 | 108 | 688 | 337 | 3,070 | 1,234 | 173 | - | (27) | 4,450 |
| Operating income/ (expense) | 7,014 | 3,336 | 1,622 | 1,056 | 101 | 13,129 | 5,079 | 2,808 | (10) | (27) | 20,979 |
| Operating expenses | (1,746) | (499) | (193) | (420) | (2,570) | (5,428) | (3,376) | (857) | - | 27 | (9,634) |
| Operating profit/(loss) before impairment losses | 5,268 | 2,837 | 1,429 | 636 | (2,469) | 7,701 | 1,703 | 1,951 | (10) | - | 11,345 |
| Impairment losses on financial instruments | (147) | (3,214) | (63) | (346) | (1) | (3,771) | (1,557) | (169) | - | - | (5,497) |
| Impairment losses on associate | - | - | - | - | - | - | (94) | - | - | - | (94) |
| Impairment losses on other assets | - | - | - | - | - | - | (2) | - | - | - | (2) |
| Operating profit/(loss) after impairment losses | 5,121 | (377) | 1,366 | 290 | (2,470) | 3,930 | 50 | 1,782 | (10) | - | 5,752 |
| Net profit on sale of assets held for sale | - | - | - | - | - | - | 21 | 1 | - | - | 22 |
| Net profit on disposal of fixed assets | - | - | - | - | - | - | 16 | - | - | - | 16 |
| Valuation losses on investment properties | - | - | - | - | (145) | (145) | - | - | - | - | (145) |
| Share of profits less losses of associates and joint ventures | - | - | - | - | (3) | (3) | (23) | 221 | - | - | 195 |
| Profit/(loss) before taxation | 5,121 | (377) | 1,366 | 290 | (2,618) | 3,782 | 64 | 2,004 | (10) | - | 5,840 |
| Depreciation for the year | (207) | (22) | (11) | (9) | (220) | (469) | (332) | (61) | - | - | (862) |
| Segment assets | 124,403 | 147,833 | 250,180 | 16,480 | 12,427 | 551,323 | 242,878 | 127,701 | - | (52,606) | 869,296 |
| Investments in associates and joint ventures | - | - | - | - | 44 | 44 | 3,598 | 4,806 | - | - | 8,448 |
| Other assets – Assets held for sale | - | - | - | - | 15 | 15 | - | - | - | - | 15 |
| Total assets | 124,403 | 147,833 | 250,180 | 16,480 | 12,486 | 551,382 | 246,476 | 132,507 | - | (52,606) | 877,759 |
| Total liabilities | 361,929 | 42,612 | 49,125 | 33,622 | 3,578 | 490,866 | 218,836 | 114,439 | - | (52,121) | 772,020 |
| Capital expenditure incurred during the year | 251 | 28 | - | 9 | 157 | 445 | 266 | 30 | - | - | 741 |

22. Segment Reporting (continued)

| | 2023 | | | | | | | | | | |
|---|----------------------|-------------------|------------------|-------------------|---------|---------|-----------------------------|---------------------------------------|----------------------|---------------------------|---------|
| | Hong Kong operations | | | | | | Chinese Mainland operations | Overseas, Macau and Taiwan operations | Corporate management | Inter-segment elimination | Total |
| | Personal banking | Wholesale banking | Treasury markets | Wealth management | Others | Total | | | | | |
| 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) | 5,653 | 2,888 | 1,352 | 387 | (251) | 10,029 | 4,082 | 2,637 | 126 | - | 16,874 |
| Non-interest income/(expense) | 1,189 | 676 | (42) | 554 | 345 | 2,722 | 978 | 202 | - | (30) | 3,872 |
| Operating income | 6,842 | 3,564 | 1,310 | 941 | 94 | 12,751 | 5,060 | 2,839 | 126 | (30) | 20,746 |
| Operating expenses | (1,792) | (485) | (194) | (399) | (2,378) | (5,248) | (3,409) | (805) | - | 30 | (9,432) |
| Operating profit/(loss) before impairment losses | 5,050 | 3,079 | 1,116 | 542 | (2,284) | 7,503 | 1,651 | 2,034 | 126 | - | 11,314 |
| (Charge for)/write back of impairment losses on financial instruments | (128) | (3,652) | 95 | (261) | (3) | (3,949) | (1,657) | 123 | - | - | (5,483) |
| Impairment losses on associate | - | - | - | - | - | - | - | (726) | - | - | (726) |
| Impairment losses on other assets | - | - | - | - | - | - | (6) | - | - | - | (6) |
| Operating profit/(loss) after impairment losses | 4,922 | (573) | 1,211 | 281 | (2,287) | 3,554 | (12) | 1,431 | 126 | - | 5,099 |
| Net profit/(loss) on sale of asset held for sales | - | - | - | - | 4 | 4 | (2) | - | - | - | 2 |
| Net profit/(loss) on disposal of subsidiaries/associates | - | - | - | - | 1 | 1 | - | (13) | - | - | (12) |
| Net profit/(loss) on disposal of fixed assets | (4) | - | - | - | 1 | (3) | 17 | - | - | - | 14 |
| Valuation losses on investment properties | - | - | - | - | (84) | (84) | - | (2) | - | - | (86) |
| Share of profits less losses of associates and joint ventures | - | - | - | - | (9) | (9) | 51 | 251 | - | - | 293 |
| Profit/(loss) before taxation | 4,918 | (573) | 1,211 | 281 | (2,374) | 3,463 | 54 | 1,667 | 126 | - | 5,310 |
| Depreciation for the year | (207) | (19) | (12) | (9) | (206) | (453) | (295) | (59) | - | - | (807) |
| Segment assets | 124,381 | 150,293 | 233,644 | 17,488 | 11,299 | 537,105 | 231,335 | 128,647 | - | (45,125) | 851,962 |
| Investments in associates and joint ventures | - | - | - | - | 48 | 48 | 3,843 | 4,493 | - | - | 8,384 |
| Other assets – Assets held for sale | - | - | - | - | 15 | 15 | - | - | - | - | 15 |
| Total assets | 124,381 | 150,293 | 233,644 | 17,488 | 11,362 | 537,168 | 235,178 | 133,140 | - | (45,125) | 860,361 |
| Total liabilities | 358,753 | 41,148 | 37,547 | 33,026 | 3,139 | 473,613 | 206,654 | 116,422 | - | (44,654) | 752,035 |
| Capital expenditure incurred during the year | 225 | 26 | 12 | 11 | 245 | 519 | 457 | 32 | - | - | 1,008 |

23. Off-Balance Sheet Exposures

(a) Contingent Liabilities and Commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

| | 2024 | 2023 |
|---|----------------|----------------|
| | HK\$ Mn | HK\$ Mn |
| Contingent liabilities | | |
| Direct credit substitutes | 3,085 | 3,522 |
| Transaction-related contingencies | 6,776 | 3,927 |
| Trade-related contingencies | 6,051 | 7,741 |
| | <u>15,912</u> | <u>15,190</u> |
| Commitments | | |
| Commitments that are unconditionally cancellable without prior notice | 280,189 | 332,203 |
| Other commitments with an original maturity | | |
| - up to 1 year | 4,150 | 2,531 |
| - over 1 year | 27,272 | 25,168 |
| | <u>311,611</u> | <u>359,902</u> |
| Total | <u>327,523</u> | <u>375,092</u> |
| Credit risk-weighted amounts | <u>19,525</u> | <u>17,458</u> |

(b) Derivatives

| | 2024 | 2023 |
|--------------------------------|----------------|----------------|
| | HK\$ Mn | HK\$ Mn |
| Fair value of derivatives | | |
| Assets | | |
| Exchange rate contracts | 5,010 | 1,650 |
| Interest rate contracts | 933 | 7,307 |
| Equity contracts | 284 | 99 |
| | <u>6,227</u> | <u>9,056</u> |
| Liabilities | | |
| Exchange rate contracts | 4,287 | 1,733 |
| Interest rate contracts | 1,230 | 2,169 |
| Equity contracts | 279 | 105 |
| | <u>5,796</u> | <u>4,007</u> |
| Notional amount of derivatives | | |
| Exchange rate contracts | 493,956 | 314,909 |
| Interest rate contracts | 306,516 | 318,824 |
| Equity contracts | 12,055 | 6,245 |
| | <u>812,527</u> | <u>639,978</u> |

24. Reserves

| | 2024 | 2023 |
|--------------------------------------|---------------|---------------|
| | HK\$ Mn | HK\$ Mn |
| General reserve | 13,658 | 13,658 |
| Revaluation reserve on bank premises | 2,286 | 2,270 |
| Capital reserve | 1,017 | 1,034 |
| Exchange revaluation reserve | (3,690) | (2,545) |
| Fair value reserve | 2,365 | 1,338 |
| Hedging reserve | (20) | - |
| Liability credit reserve | - | 4 |
| Other reserves | 5,226 | 5,154 |
| Retained profits (<i>Note</i>) | 37,541 | 35,145 |
| | <u>58,383</u> | <u>56,058</u> |
| Dividends declared, not provided for | <u>999</u> | <u>477</u> |

Note: A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 31 December 2024, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$2,586 million (2023: HK\$2,138 million).

Unaudited Supplementary Financial Information

A. Capital Adequacy

| | 2024 | 2023 |
|------------------------------------|---------|---------|
| | HK\$ Mn | HK\$ Mn |
| Capital base | | |
| - Common Equity Tier 1 capital | 85,828 | 83,590 |
| - Additional Tier 1 capital | 5,021 | 10,090 |
| - Total Tier 1 capital | 90,849 | 93,680 |
| - Tier 2 capital | 17,523 | 12,682 |
| - Total capital | 108,372 | 106,362 |
| Risk-weighted assets by risk type | | |
| - Credit risk | 431,236 | 430,128 |
| - Market risk | 4,878 | 3,758 |
| - Operational risk | 40,572 | 35,221 |
| - Capital floor adjustment | 12,180 | 16,579 |
| | 488,866 | 485,686 |
| Less: Deductions | (2,767) | (2,829) |
| | 486,099 | 482,857 |
| | 2024 | 2023 |
| | % | % |
| Common Equity Tier 1 capital ratio | 17.7 | 17.3 |
| Tier 1 capital ratio | 18.7 | 19.4 |
| Total capital ratio | 22.3 | 22.0 |

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

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and securities and insurance companies that are authorised and supervised by a regulator and 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 Common Equity Tier 1 capital subject to the thresholds as determined in accordance with Part 3 of the Capital Rules.

Unaudited Supplementary Financial Information (continued)

A. Capital Adequacy (continued)

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

For the purpose of compliance with the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) 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. Leverage Ratio

| | <u>2024</u> HK\$ Mn | <u>2023</u> HK\$ Mn |
|----------------------|------------------------|------------------------|
| Total Tier 1 capital | 90,849 | 93,680 |
| Exposure measure | 928,662 | 907,840 |
| | <u>2024</u> % | <u>2023</u> % |
| Leverage ratio | 9.8 | 10.3 |

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

Unaudited Supplementary Financial Information (continued)

C. Liquidity Position

Liquidity coverage ratio

| | <u>2024</u> | <u>2023</u> |
|----------------------------------|-------------|-------------|
| | % | % |
| Average liquidity coverage ratio | | |
| - First quarter | 213.1 | 182.9 |
| - Second quarter | 271.0 | 208.9 |
| - Third quarter | 247.0 | 191.4 |
| - Fourth quarter | 204.6 | 201.5 |

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

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

Net stable funding ratio

| | <u>2024</u> | <u>2023</u> |
|--------------------------------|-------------|-------------|
| | HK\$ Mn | HK\$ Mn |
| Total available stable funding | 594,979 | 589,018 |
| Total required stable funding | 471,563 | 469,180 |
| | <u>2024</u> | <u>2023</u> |
| | % | % |
| Net stable funding ratio | 126.2 | 125.5 |

The net stable funding ratio is calculated in accordance with the Banking (Liquidity) Rules. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

Unaudited Supplementary Financial Information (continued)

D. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances to customers

| | 2024 | | 2023 | |
|---|--------------|----------------------------------|--------------|----------------------------------|
| | 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 | 873 | 0.2 | 3,039 | 0.6 |
| - 1 year or less but over 6 months | 1,866 | 0.3 | 2,772 | 0.5 |
| - Over 1 year | 4,070 | 0.8 | 2,269 | 0.4 |
| | <u>6,809</u> | <u>1.3</u> | <u>8,080</u> | <u>1.5</u> |
| Rescheduled advances to customers | 1,382 | 0.2 | 1,002 | 0.2 |
| Total overdue and rescheduled advances | <u>8,191</u> | <u>1.5</u> | <u>9,082</u> | <u>1.7</u> |
| Covered portion of overdue advances | <u>3,502</u> | <u>0.7</u> | <u>3,958</u> | <u>0.7</u> |
| Uncovered portion of overdue advances | <u>3,307</u> | <u>0.6</u> | <u>4,122</u> | <u>0.8</u> |
| Current market value of collateral held against the covered portion of overdue advances | <u>6,232</u> | | <u>7,201</u> | |
| Specific provisions made on advances overdue for more than 3 months | <u>1,875</u> | | <u>2,262</u> | |

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

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

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

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

- "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

Unaudited Supplementary Financial Information (continued)

D. Overdue, Rescheduled and Repossessed Assets (continued)

(b) Overdue and rescheduled advances to banks

| | 2024 HK\$ Mn | 2023 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

| | 2024 | | |
|--|--------------------------------|-------------------------------|-----------------------------|
| | Accrued interest HK\$ Mn | Debt securities HK\$ Mn | Other assets* HK\$ Mn |
| Other assets overdue for | | | |
| - 6 months or less but over 3 months | 79 | - | - |
| - 1 year or less but over 6 months | 71 | 39 | - |
| - Over 1 year | 483 | 1,055 | - |
| | 633 | 1,094 | - |
| Rescheduled assets | 50 | - | - |
| Total other overdue and rescheduled assets | 683 | 1,094 | - |
| Specific provisions made on other assets overdue for more than 3 months | 287 | 1,063 | - |

| | 2023 | | |
|--|--------------------------------|-------------------------------|-----------------------------|
| | Accrued Interest HK\$ Mn | Debt Securities HK\$ Mn | Other assets* HK\$ Mn |
| Other assets overdue for | | | |
| - 6 months or less but over 3 months | 44 | 374 | - |
| - 1 year or less but over 6 months | 140 | 144 | - |
| - Over 1 year | 181 | 319 | - |
| | 365 | 837 | - |
| Rescheduled assets | 26 | - | - |
| Total other overdue and rescheduled assets | 391 | 837 | - |
| Specific provisions made on other assets overdue for more than 3 months | 119 | 576 | - |

* Other assets refer to trade bills and receivables.

Unaudited Supplementary Financial Information (continued)

D. Overdue, Rescheduled and Repossessed Assets (continued)

(d) Repossessed assets

| | <u>2024</u> | <u>2023</u> |
|---|--------------|--------------|
| | HK\$ Mn | HK\$ Mn |
| Reposessed land and buildings (<i>Note</i>) | 1,368 | 1,703 |
| Reposessed vehicles and equipment | 10 | 1 |
| Reposessed machines | - | - |
| Total reposessed assets | <u>1,378</u> | <u>1,704</u> |

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

Note: For the year ended 31 December 2024, the reposessed assets included HK\$76 million (2023: Nil) relating to properties that were contracted for sale but not yet completed.

E. Banking Disclosure Statement

Additional information disclosures for this year which are prepared in accordance with the Banking (Disclosure) Rules, the disclosure requirements in Part 6 of Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and disclosure templates issued by the HKMA can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

STATEMENT OF COMPLIANCE

- (1) In preparing the accounts for 2024, the Bank has fully complied with the Banking (Disclosure) Rules and the disclosure requirements in Part 6 of Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules.
- (2) The Group is committed to maintaining high standards of corporate governance and considers such commitment essential in balancing the interests of shareholders, customers, employees and other relevant stakeholders, and in upholding accountability and transparency.
- (3) Throughout the financial year ended 31 December 2024, the Bank has complied with all code provisions set out in the CG Code.
- (4) During the financial year ended 31 December 2024, the Bank has followed the modules on CG-1, CG-5, Guidance on Empowerment of INEDs and the circular on Bank Culture Reform.

SECOND INTERIM DIVIDEND

The Board has declared a second interim dividend for the year ended 31 December 2024 of HK\$0.38 per Share (the **"2024 Second Interim Dividend"**) (2023 Second Interim Dividend: HK\$0.18 per Share), which, together with the 2024 interim dividend of HK\$0.31 per Share paid in October 2024, will constitute a total dividend of HK\$0.69 per Share for the full year (2023 full-year dividend: HK\$0.54 per Share). The 2024 Second Interim Dividend will be paid on or about Thursday, 10 April 2025 in cash, with an option to receive new, fully paid Shares in lieu of cash dividend at the market value (except for adjustments for fractions) equal to the total amount of the dividend that such shareholder would otherwise be entitled to receive in cash (the **"Scrip Dividend Scheme"**), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Tuesday, 11 March 2025. For the purpose of calculating the number of new Shares to be allotted under the Scrip Dividend Scheme, the market value of the new Shares means the average closing price of the Shares on the Stock Exchange from Wednesday, 5 March 2025 (being the first day that the Shares will be traded ex-dividend) to Tuesday, 11 March 2025 (both days inclusive). The listing document containing details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Wednesday, 19 March 2025.

The Scrip Dividend Scheme is conditional upon 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 will be sent to shareholders by ordinary mail on or about Thursday, 10 April 2025.

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 2024 Second Interim Dividend, the Register of Members of the Bank will be closed from Friday, 7 March 2025 to Tuesday, 11 March 2025 (both days inclusive). In order to qualify for the 2024 Second Interim Dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:00pm on Thursday, 6 March 2025.
- (b) For the purpose of determining shareholders who are entitled to attend and vote at the 2025 AGM, the Register of Members of the Bank will be closed from Tuesday, 6 May 2025 to Friday, 9 May 2025 (both days inclusive). In order to qualify for attending and voting at the 2025 AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:00pm on Friday, 2 May 2025.

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

On-market Share Buy-back

During the year ended 31 December 2024, the Bank bought back a total of 34,602,200 Shares on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$342.23 million. Details of the Shares bought back are set out below:

| Month (2024) | No. of Shares bought back | Purchase price per Share | | Aggregate consideration (excluding expenses) (HK\$) |
|--------------|---------------------------|--------------------------|---------------|---|
| | | Highest (HK\$) | Lowest (HK\$) | |
| February | 3,936,200 | 10.04 | 9.29 | 38,555,994 |
| March | 1,538,400 | 10.06 | 9.53 | 15,157,712 |
| April | 2,908,400 | 9.95 | 9.01 | 27,439,096 |
| May | 4,757,200 | 10.96 | 9.90 | 49,398,680 |
| June | 2,902,400 | 10.42 | 9.59 | 28,724,456 |
| July | 2,995,400 | 10.26 | 9.70 | 29,794,038 |
| August | 2,209,200 | 9.93 | 9.57 | 21,712,558 |
| September | 6,992,600 | 9.93 | 9.19 | 66,565,826 |
| October | 6,362,400 | 10.66 | 9.90 | 64,885,306 |
| Total | 34,602,200 | | | 342,233,666 |

All Shares bought back have been cancelled during 2024.

Out of the 34,602,200 Shares bought back:

- 10,553,400 Shares were bought back pursuant to the general mandate granted by the shareholders at the 2023 AGM held on 11 May 2023 at an aggregate consideration of approximately HK\$103.26 million; and
- the remaining 24,048,800 Shares were bought back pursuant to the general mandate granted by the shareholders at the 2024 AGM held on 10 May 2024 at an aggregate consideration of approximately HK\$238.97 million.

The on-market share buy-backs were conducted in the interest of the Bank and its shareholders as a whole. The share buy-backs may lead to an enhancement of the Bank's return on equity and book value per Share.

Redemption of Capital Securities

On 19 September 2024 (the First Optional Redemption Date), the Bank completed the redemption of the 5.875% Additional Tier 1 Undated Capital Securities (the "**Capital Securities**") with a face value of US\$650 million in full at par. The Capital Securities were issued by the Bank under its US\$6,000,000,000 Medium Term Note Programme and listed on the Stock Exchange in September 2019.

Save for the on-market share buy-backs and the redemption of the Capital Securities as disclosed herein, there was no purchase, sale or redemption by the Bank or any of its subsidiaries, of the listed securities of the Bank during the year ended 31 December 2024.

EXECUTIVE CHAIRMAN'S STATEMENT

The global economy demonstrated strong resilience in 2024, with growth surpassing expectations amidst heightened uncertainty caused by regional conflicts and geopolitical tensions.

The economies of the Chinese Mainland and Hong Kong experienced steady growth, driven by robust export performance. Meanwhile, local financial markets enjoyed a resurgence in September, responding to a series of support measures announced by the Central Government.

The US economy maintained its strength with interest rates peaking during the year. Meanwhile, the economies of Europe and some other parts of the world faced challenges.

The China commercial real estate ("**CRE**") sector continued to consolidate during the year, although pressure on the sector was tempered by targeted policy measures from the Central Government. In Hong Kong, the unwinding of the interest rate cycle should ease pressure on CRE in the medium term, provided that interest rates continue their downward trajectory.

Against this backdrop, BEA's core operations generated solid returns. The Bank achieved diversified income growth. Net profit grew by 11.9%, and earnings per share increased by 15%.

Strategic Focus

During 2024, Hong Kong further solidified its role as China's international financial centre for both individuals and businesses.

People flows between the Chinese Mainland and Hong Kong continued to expand, with Hong Kong's talent schemes attracting skilled cross-boundary applicants. Meanwhile, Mainland businesses are entering Hong Kong at an accelerating pace and leveraging the financial expertise of the territory.

Building on these trends, BEA has developed the OneBank strategy to deliver a seamless cross-boundary banking experience for clients. OneBank focuses the capabilities of our entire Group to maximise opportunities as Hong Kong further integrates into the GBA and enhances connectivity with other key cities where we have a presence.

Under OneBank, BEA's cross-boundary retail banking operations registered a marked jump in new-to-bank accounts and AUM. A key driver of this increase has been the Bank's comprehensive wealth management offering, which has garnered significant traction amongst customers. Meanwhile, our successful bancassurance partnership with AIA Group Limited provides our clients with a diverse range of insurance products to meet all needs.

Our wholesale banking operations have been focused on meeting the capital-raising and transaction-banking needs of corporates. During the past year, wholesale banking achieved robust double-digit non-CRE income growth by deploying tailored strategies to cater for clients across a broad range of sectors.

Our international operations continued to perform well. Through the interconnectivity of our OneBank approach, we not only strengthened our reach but also enhanced the diversity of services we were able to offer our clients.

Another important aspect of our appeal to clients is our suite of digital tools. The Bank's revamped BEA Mobile app and BEA Corporate Online digital banking platform experienced notable customer adoption in Hong Kong. In October, we launched BEA SmarTrade, a stock-trading app with new and enhanced capabilities. With additional features slated to come online in the coming months for all our digital platforms, we expect growth in digital revenues to outpace all other channels.

The GBA is also home to BEA's Global Service Centre. Over the past year, the Centre was upgraded to provide centralised support and expedite turnaround times for Operations, Contact Centre, Compliance, and Digital and Data services. The eventual aim is to utilise the local fintech talent base in order to provide highly automated and cost-efficient support for all of BEA's global operations.

Artificial intelligence ("AI") and fintech solutions continue to transform the banking industry. BEA's fintech collaboration platform, **BEAST**, with its strategic locations in Shenzhen and Hong Kong, empowers the Bank to remain at the forefront of emerging technological advancements. By leveraging this platform, BEA has successfully developed a number of fintech use cases across diverse areas, including AI-driven analytics and operations, digitalised omni-channel services, and enhanced risk and compliance management.

Outlook

The Central Government is proactively pursuing measures to rebalance the economy and enhance self-sufficiency while reducing reliance on exports. Apart from well-publicised efforts to secure supply chains and attain technology autonomy, we expect that the authorities will continue implementing stimulus measures to stabilise the real estate market and drive domestic consumption.

Hong Kong occupies a distinct position in the Chinese Mainland's future development. Whether it be investment diversification for individuals, or fundraising for Chinese corporates, Hong Kong stands as the premier and preferred financial centre for Chinese capital. The territory possesses many strengths and is poised to reap the benefits of the Mainland's stimulus programmes, expansion of overseas investment, and the ongoing internationalisation of the Chinese yuan.

Going forward, the Bank will actively seek new opportunities while continuing to manage risks prudently and maintaining a robust balance sheet. We intend to leverage our unique OneBank platform to play a pivotal role in facilitating the cross-boundary flow of people, payments, and commerce. We will continue to centralise, streamline, and digitalise all aspects of our activities in our pursuit of becoming a truly seamless and frictionless cross-boundary bank.

The Bank recognises technology as an ongoing journey and an integral component of its banking business. We expect that all future customer interactions and bank operations will be digitally enhanced and increasingly AI-enabled. This will enable more refined and timely personalisation and rapid turnaround times, fulfilling our commitment to serve our customers' holistic banking needs.

In closing, I take pleasure in thanking the Bank's Board of Directors and the directors of subsidiaries and associated companies for their invaluable contributions during the past year. Their diverse experience, spanning various industries and regions, is a great strength for our Group.

Furthermore, I thank our shareholders for the ongoing trust they place in us. I am also very grateful to the Bank's international partners, in particular Criteria Caixa S.A. and Sumitomo Mitsui Banking Corporation, for their unwavering support and for the excellent working relationship that we enjoy with them.

I also deeply appreciate the loyalty and trust of our clients, and my colleagues and I pledge that we shall continue to help them achieve their goals.

Lastly, I extend my heartfelt thanks to all my colleagues throughout the Group, who dedicate themselves tirelessly each and every day to upholding our mission to serve our stakeholders. Their unwavering commitment and initiative have been instrumental to our success.

David LI Kwok-po
Executive Chairman

Hong Kong, 20 February 2025

REPORT OF THE CO-CHIEF EXECUTIVES

FINANCIAL REVIEW

Financial Performance

The operating environment for the banking industry was complex in 2024. Despite lingering concerns over geopolitical tensions, investment sentiment picked up in the second half of the year driven by the onset of the US interest rate easing cycle, and a broad range of stimulus measures announced by the Central and local governments.

In 2024, BEA and its subsidiaries earned a profit attributable to owners of the parent of HK\$4,608 million, representing an increase of 11.9% compared with the HK\$4,118 million earned in 2023.

Basic earnings per share were HK\$1.52 in 2024, compared to HK\$1.32 the previous year. The return on average assets increased by 0.1 percentage points to 0.5%, while the return on average equity increased by 0.4 percentage points to 4.0%.

Core business was resilient. Pre-provision operating profit ("**PPOP**") was held stable at HK\$11,345 million, despite the challenging external conditions.

Net interest income decreased by HK\$345 million, or 2.0%, to HK\$16,529 million. With the reduction in interest rates, the NIM narrowed by 5 basis points year-on-year, from 2.14% to 2.09%.

Net fee and commission income increased by 6.2% year-on-year to HK\$2,802 million. This was driven by increased investment activities and third-party insurance sales.

Net trading and hedging results and net results from other financial instruments grew by HK\$391 million, or 41.3%, to HK\$1,336 million. Non-interest income rose by 14.9% to HK\$4,450 million.

Overall, total operating income was held stable at HK\$20,979 million.

Operating expenses rose by HK\$202 million, or 2.1%, to HK\$9,634 million. The Bank continued to invest in talent and digital capabilities while realising efficiency gains from its transformation initiatives. The cost-to-income ratio for 2024 increased by 0.4 percentage points to 45.9%.

Impairment losses on financial instruments were HK\$5,497 million. Group's impaired loan ratio stood at 2.72% at the end of December 2024, up from 2.69% at the end of December 2023.

Financial Position

The Group remains focused on risk management and portfolio diversification. Gross advances to customers increased by 0.2% to HK\$532,931 million. Total consolidated assets of the Group stood at HK\$877,759 million at the end of December 2024, representing an increase of HK\$17,398 million, or 2.0%, compared to HK\$860,361 million at the end of 2023.

Total deposits from customers increased by 2.3% to HK\$643,093 million. Of the total, demand deposits and current account balances increased by HK\$42 million, or 0.1%; savings deposits increased by HK\$16,745 million, or 14.2%; and time deposits decreased by HK\$2,292 million, or 0.5%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, amounted to HK\$664,671 million.

The loan-to-deposit ratio stood at 80.2% at the end of December 2024, compared to 81.1% at the end of 2023.

The Group continued its on-market share buyback programme. During 2024, 34,602,200 shares were repurchased on the Stock Exchange for a total consideration of HK\$342 million.

Total equity attributable to owners of the parent rose by 2.5% to HK\$100,443 million at the end of 2024.

As at 31 December 2024, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio remained solid at 22.3%, 18.7%, and 17.7%, respectively. The average liquidity coverage ratio for the quarter ended 31 December 2024 was 204.6%, well above the statutory minimum of 100%.

MAJOR RECOGNITION

The Bank of East Asia, Limited

Private Banking Awards 2024

Hong Kong's Best for Sustainability
Euromoney

China Wealth Awards 2023

Best Private Bank – GBA (Silver Award)
Asian Private Banker

Financial Institution Awards 2024

Bank of the Year – Outstanding Performance
Premium Segment Client Service – Outstanding Performance
Customer Engagement – Excellence Performance
SME Engagement (Greater Bay Area) – Outstanding Performance
Bloomberg Businessweek (Chinese Edition)

Finance Services Awards of Excellence 2024

Award of Excellence – Retail Banking
Award of Excellence – Digital Personal Banking
Award of Excellence – Financial Marketing and Brand Strategy
The Hong Kong Economic Journal

Global Brand Awards 2024

Best Retail Bank of the Year – Hong Kong
Best Digital Banking – Hong Kong
Best Bank for Customer Experience – Hong Kong
Global Brands Magazine

Best SME's Partner Award

Gold Award
Hong Kong General Chamber of Small and Medium Business

Hong Kong Green and Sustainable Finance Awards 2024

Outstanding Award for Green and Sustainable Loan Structuring Advisor (Industrial Sector)
– Visionary Green Loan Framework
HKQAA

The Bank of East Asia (China) Limited

World's Best Consumer Digital Banks 2024

Global Best User Experience (UX) Design
Best User Experience (UX) Design in Asia-Pacific
Best Innovation in Asia-Pacific China
Best User Experience (UX) Design in Asia-Pacific China
Best Online Product Offerings in Asia-Pacific China
Global Finance

The 2024 Annual Conference Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Alliance (GBA-GFA)

Outstanding Green Financial Projects – Excellence Award

The Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Alliance

2024 China Financial Development Forum & 15th China Golden Tripod Award Ceremony

Five Articles on Finance "Annual Outstanding Green Finance Case"

National Business Daily

Bank of East Asia (Trustees) Limited

2024 MPF Scheme Ratings and Awards

Gold Ratings – BEA (MPF) Value Scheme

5 Year Consecutive Gold Rated Scheme – BEA (MPF) Value Scheme

MPF Ratings Limited

BEA Union Investment Management Limited

Fund of the Year House Awards 2023

Asia Fixed Income – Best-In-Class

《Benchmark》

2023 Refinitiv Lipper Fund Awards

BEA (MPF) Value Scheme – BEA Balanced (10 years)

Lipper

Professional Investment Awards 2024

Performance Awards – Global Equity (3 Years & 10 Years)

Performance Awards – Global Aggregate Bonds (10 Years)

Performance Awards – China A-Share (5 Years & 10 Years)

Investment Insights & Mandates

The Sixth Plenary Meeting Green Investment Principles (GIP) for the Belt and Road

Best Green Transaction Award – BU Asia Impact Bond Fund

Green Investment Principles

BUSINESS REVIEW

Economic Review

The global economy expanded steadily in 2024, supported by advances in technology, easing inflation, and rate-cutting by central banks. Meanwhile, global labour markets remained resilient, with low unemployment contributing to sustained economic momentum. These positive developments bolstered global exports, private consumption, and corporate investment, alleviating fears of a global recession. As corporate profits posted robust gains and with expectations for further monetary loosening ahead, financial markets responded positively.

Despite this resilience, downside risks persist. Global inflation continues to exceed policy targets and has proven sticky, even after passing its peak. Following the global election super-cycle in 2024, trade policy uncertainty is set to rise, potentially weighing on global trade and investment flows. Moreover, the fallout from conflicts in Europe and the Middle East continues to destabilise international relations.

At the beginning of the year, the International Monetary Fund (IMF) forecasted that the global economy would grow by 3.2% in 2024 after growing by 3.3% in 2023, with inflation softening from 6.7% to 5.7%.

In the Chinese Mainland, the economy continued to register steady growth in 2024, even though low base effects faded. Improved external demand underpinned growth. Policies promoting the trade-in of consumer goods and equipment renewal stimulated industrial production and manufacturing investment. In September 2024, the top leadership sent a clear message to markets that the government authorities would stabilise growth through a comprehensive plan to support the economy, housing market, and stock market, thereby reviving market confidence. Overall, these efforts helped the Chinese Mainland economy achieve the growth target of 5.0% in 2024, a slight moderation from 5.2% in 2023.

In Hong Kong, the rebound in merchandise exports contributed to moderate growth in 2024. However, private consumption was weak due to asset market consolidation and the absence of policy support, such as consumption vouchers and more generous tax breaks. Signs of bottoming out in the property market emerged toward the end of 2024. The SAR Government's decision to lift all demand-side management measures and ease mortgage rules, along with declining interest rates, led to rising transactions and stabilising prices. In 2024, the Hong Kong economy grew by 2.5%.

Looking ahead to 2025, the global economy is expected to maintain moderate growth, with the IMF forecasting that the global economy will grow by 3.3%. However, the recovery path may be uneven due to risks arising from escalating trade protectionism and persistent geopolitical tensions. Stretched valuations also make financial markets vulnerable to shifts in sentiment and capital flows.

Notwithstanding the uncertain external environment, the Chinese Mainland has pledged stronger policy support to bolster domestic demand and stabilise asset markets in 2025. There is ample policy space for the authorities to implement further monetary easing and increase fiscal spending. A well-diversified trade network and rapid developments in advanced technology have strengthened the Chinese Mainland's economic resilience. Overall, we expect the Mainland economy to grow by around 4.8% in 2025.

For Hong Kong, positive spill-over from the Chinese Mainland's stimulus policies, ongoing reductions in global interest rates, and further recovery of inbound tourism will collectively underpin the economy in 2025. Leveraging a supportive policy backdrop and improved market confidence, Hong Kong's property market is expected to stabilise further in 2025. We forecast that the Hong Kong economy will reach on-trend growth of around 2.5% in 2025.

Business – Hong Kong

The Bank's Hong Kong operations proved resilient in 2024, with profit before tax rising 9.2% to HK\$3,782 million.

Operating income rose, driven by double-digit growth in non-interest income on the back of improved trading gains, and increases in investment activities and insurance sales. Net interest income was stable, as we took a prudent approach to lending and proactively minimising risk exposure in the face of subdued business activity.

Expenses were well contained, increasing by 3.5%. Efficiency gains from our digitalisation and transformation initiatives supported continuing investments in talent and technology capabilities.

Overall, PPOP showed year-on-year improvement.

Asset quality remained a major focus. Full-year impairment on financial instruments totalled HK\$3,771 million, 4.5% lower than in 2023.

While we believe that the financial condition of Mainland property developers stabilised, the effects of elevated interest rates has started to become more noticeable for those in Hong Kong. We remain vigilant and manage exposures actively.

The loan balance held stable at a similar level to the prior year. Deposits were also managed closely to optimise funding costs.

Business development focused on diversifying the client portfolio and exploring new cross-boundary growth opportunities, particularly in Beijing, Shanghai, and the GBA. Under the OneBank initiative, BEA Hong Kong worked closely with their counterparts in the Chinese Mainland and overseas to provide seamless cross-border solutions to customers. Retail banking leveraged the opportunities from the diverse wealth management product offering. Wholesale banking meanwhile, focused on the maturing financing needs of corporates expanding across the region.

The launch of our new suite of digital apps reinforced our customer offering and enhanced our omni-channel delivery of customer-centric banking services. Meanwhile, the centralisation of mid- and back-office tasks to our Global Services Centres in Guangzhou and Shenzhen allows us to streamline workflows, execute straight-through processing, and accelerate digitalisation through adoption of the latest technology and AI-enabled tools. Centralised operations not only enhance our efficiency but also offer scalability to cope with increasing business needs on demand.

Retail Banking

The Bank's retail operations delivered solid performance, with a 2.5% year-on-year rise in operating income, supported by a 13.7% increase in net fee and commission income. Despite the pressure on NIM, net interest income held up well, reflecting our effective management of the deposit portfolio.

Retail wealth business was a key contributor to non-interest income growth, driven by higher income from the sales of unit trusts and fixed income products. Bancassurance continued to demonstrate strong growth in annualised new premiums. Additionally, the MPF business reported growth in AUM and higher associated fee income.

The revamped BEA Mobile app garnered a very positive response from users, driving adoption of the platform and higher revenue. This complemented our efforts to migrate physical transactions online, and now 84% of retail transactions are conducted through unmanned channels.

During 2024, the Bank launched a series of SupremeGold and SupremeGold Private campaigns and initiatives, leading to double-digit growth in both client bases and bringing in a meaningful contribution to new AUM, current account and savings account ("**CASA**") deposit, and fee income.

We recorded strong customer intake from the Chinese Mainland, leading to 64.7% growth in the southbound cross-boundary client base. As part of our OneBank approach, a new feature in BEA Mobile allows customers to view their onshore and offshore BEA account balances directly within the app. Meanwhile, the new SupremeGold Centre in Harbour City opened in June catering to the wealth management needs of affluent customers.

Looking forward, our focus remains on enhancing digital banking services and transforming our branch network to uplift retail wealth sales capabilities. We also aim to expand partnerships with Chinese Mainland banks to foster growth in cross-boundary business.

Wholesale Banking

Wholesale Banking continued to face a challenging operating environment with muted loan demand impacting interest income and credit-related fee income. Additional impairments on Chinese Mainland and Hong Kong commercial real estate ("**CRE**") accounts also weighed on the performance.

Double-digit year-on-year growth in the average CASA balances lowered funding costs, offsetting some of the drop in loan interest income. Meanwhile, treasury products, trade services products, and insurance products all recorded growth.

We continue to pursue strategies to generate robust underlying results that shall future-proof our business.

First, we are diversifying the loan portfolio. The non-CRE loan balance increased by 34.9%, with a focus on growing lending to a wider client base including trading, manufacturing, and strategic sectors.

Second, expanding our OneBank approach. We are leveraging our unique dual platform capabilities to service both our customers' onshore and offshore financing needs, deepening our ties with them across different geographical locations. In 2024, this customer segment recorded offshore revenue growth of 24%.

Third, growing the number of customers holding operating accounts with the bank. Through enhancing our capabilities in payments and cash management, primarily delivered via the revamped BEA Corporate Online platform, we recorded strong increases in both average balance of CASA deposits and volume of transactions through this channel. This contributed to the doubling of digital revenues for Wholesale Banking.

Finally, supporting small and medium enterprises ("**SMEs**"). We are committed to providing banking services to this important pillar of the community. We have recently revamped our operations and are taking a differentiated approach to catering to the diverse needs of this segment. This includes enhancing our service by introducing streamlined approval processes, leading to faster turnaround times. Recognising our commitment to SMEs, we are proud to have won the Best SME's Partner Award presented by the Hong Kong General Chamber of Small and Medium Businesses for 17 consecutive years.

Wealth Management

Private Banking produced a 13.1% year-on-year increase in operating income, with revenue growth from a wide range of wealth management products. Business was also supported by the second half resurgence in investment trading, arising from the interest rate easing cycle, volatility in the markets, and governmental stimulus measures in the Chinese Mainland. Against this backdrop, both the number of private banking customers and our AUM increased.

Non-interest income saw year-on-year growth of 32.9%. Investment product revenues rose by 22.6%, showing positive performances across diverse asset classes amidst improved market sentiment. Income from the sale of insurance products more than doubled, fuelled by robust demand for wealth planning solutions including Universal Life and Savings Plan.

Key initiatives to enhance capabilities and improve the customer experience achieved pleasing results. The bank's proprietary open architecture discretionary portfolio management platform and managed advisory service, developed over the past two years, are gaining momentum and improving the customer experience through personalised investment recommendations. Meanwhile, the digitalised nature of these platforms offers scalability to efficiently handle long-term client and AUM growth.

The Singapore Wealth Management Centre was officially established in early 2024. This strengthens the investment opportunities that we can offer to our clients, and allows us to expand our presence in South-East Asia and tap into the rise in private wealth in the region.

The launch of our new digital trading platform, BEA SmarTrade, in Q3 2024 has been well-received by clients. Customers can now trade Hong Kong, US, and China A-shares with ease through this new app. The launch was also well-timed to capture the surging trading volumes from the market rebound.

Looking ahead, BEA Hong Kong is preparing for a change in the business environment arising from the decrease in interest rates, renewing appetites for borrowing and investments. Furthermore, we are focused on growing and diversifying our client base by leveraging our improved capabilities to serve cross-boundary customer needs. By enriching our product suite and all-round services, we are striving to become our customers' trusted and preferred banking partner.

Business – Chinese Mainland

In 2024, even though the macroeconomic landscape presented ongoing challenges, BEA China continued to grow with PPOP rising by 2.7% year-on-year to HK\$1,789 million. BEA China's refocused strategy bolstered its financial performance amid evolving market dynamics.

While net interest income decreased by 5.8% to HK\$3,835 million primarily due to a compression in NIM with heightened competition and declining market interest rates, this was counterbalanced by a notable 26.0% increase in non-interest income to HK\$1,240 million, driven by strong fee income growth from trade finance, syndicated loans, treasury, and wealth management services.

Operating expenses were largely flat and contained at HK\$3,286 million. The cost-to-income ratio improved with strict cost discipline and a productivity uplift driven by the Bank's ongoing digital transformation and process automation initiatives.

Impairment losses on financial instruments declined by 6.1% to HK\$1,557 million, with the impaired loan ratio stable at 2.8%, reflecting our commitment to prudent risk management. Despite the depreciation of the renminbi by about 2% year-on-year, BEA China posted a rise in net profit of HK\$119 million to HK\$175 million.

Total loans and advances increased by 3.8% to HK\$147 billion while total deposits were up by 4.7% to HK\$165 billion.

During the period under review, BEA China continued to advance its strategies for the wholesale and personal banking segments while enhancing cross-boundary cooperation with the Group under the OneBank initiative.

The wholesale banking portfolio grew as BEA China successfully increased the proportion of non-property related loans to 84% from 78% a year ago. This rise reflected a drive to diversify the lending base and tap expanding opportunities across various strategic sectors. BEA China also remained committed to climate change adaptation and strengthening its green and sustainable finance ("GSF") portfolio, which accounted for 16.9% of the total wholesale banking portfolio at year-end.

Wholesale banking's non-interest income saw a significant year-on-year increase of 24.7%. This growth was largely due to BEA China's leading position in syndicated loan origination among foreign banks, coupled with steady expansion in treasury sales. The trade finance business also provided a reliable source of fee income and low-cost deposits. In 2024, BEA China introduced a digital supply chain platform, enhancing customer experience with quicker and more convenient online supply chain finance solutions.

On the personal banking side, the Group's targeted approach of serving the growing affluent market in the GBA and other tier-1 cities delivered promising results. BEA China recorded strong growth in affluent customer numbers and AUM.

Non-interest income from the affluent segment increased by 20.8% year-on-year, driven by enhanced frontline capabilities through training and technology, which contributed to improved sales of wealth management products.

BEA China strategically adjusted its exposure to mortgage and credit card lending given market uncertainties. The internet lending portfolio contracted due to slowing consumer spending and subdued sentiment. BEA China's approach to lending to the mass retail segment is underpinned by rigorous risk and portfolio management.

It continues to centralise, streamline, and automate back-end processes, while strengthening its future-ready infrastructure via cutting-edge digital and artificial intelligence projects to further enhance customer service and efficiency.

BEA China maintains a strong network presence on the Chinese Mainland, with 29 branches and 31 sub-branches covering 38 cities as at the end of 2024. In the GBA, BEA China operates 19 outlets and will continue to leverage the Group's extensive network to capture future opportunities.

Business – Overseas, Macau, and Taiwan

In 2024, the Bank's overseas, Macau, and Taiwan branches continued to register solid results despite elevated geopolitical risks and continued deglobalisation.

Following an all-time high one year ago, the PPOP of overseas, Macau, and Taiwan branches decreased by 4.0% to HK\$1,994 million, primarily due to higher operating expenses related to investments in technology and digital transformation aimed at driving competitiveness. The cost-to-income ratio rose to 29.1%, compared to 26.9% in the previous year.

Net profit after tax fell by 12.0% to HK\$1,397 million, mainly attributable to the year-on-year change in expected credit loss. Meanwhile, with the implementation of stringent portfolio and asset quality management, the impaired loan ratio remained stable at 1.13%, compared to 1.10% at the end of last year.

Operations in the US and the UK delivered consistent results despite heightened credit risk within the CRE sector. The branches will continue to reduce CRE exposure and focus on selected industries with sound prospects.

While Singapore Branch's revenue and profit declined from the record results of the previous year primarily due to a compression in NIM, the Branch is well-positioned to capitalise on the growing business and trade flows among China, Singapore, and other ASEAN countries.

Taiwan Branch registered moderate profit growth and maintained a prudent approach to new business.

Macau Branch has been proactively managing its asset quality and leveraging growing cross-boundary business in the GBA.

All branches have continued to align with the Group's ESG strategies, actively pursuing green and sustainable financing opportunities in local markets.

Looking ahead, the OneBank initiative will remain a key focus for overseas, Macau, and Taiwan branches. They will actively seek to strengthen collaboration with other business units within the Bank to deepen relationships with established corporates and explore more cross-border business opportunities. The branches remain committed to optimising risk-weighted assets, enhancing returns, and maintaining tight cost discipline.

BEA Union Investment

In 2024, capital preservation and risk mitigation continued to be the top priorities for many investors. We have launched a global bond fund that focuses on short duration bonds, aiming to deliver consistent dividend distributions. Our global multi-asset strategy is also optimised to prioritise risk control while maximising risk-adjusted returns through diversification. As at 31 December 2024, our assets under management and advisory stood at US\$ 7.6 billion, reflecting our strong commitment to effective asset management.

As a signatory of the UN Principles for Responsible Investment (PRI), BEA Union Investment is dedicated to advancing its ESG investing efforts. In 2024, we issued our inaugural PRI report on responsible investment activities, and our Asia Impact Bond Fund was selected as the winner of the Green Investment Principles Best Green Finance Transaction Award.

Looking ahead, we will continue to assist our clients in navigating dynamic market conditions by leveraging our expertise to provide optimal investment solutions that balance risk and return.

Our People

As at 31 December 2024, the BEA Group employed 7,880 people:

| | As at 31 December 2024 | As at 30 June 2024 | As at 31 December 2023 |
|------------------|---------------------------|-----------------------|---------------------------|
| Hong Kong | 4,564 | 4,683 | 4,672 |
| Chinese Mainland | 2,766 | 2,852 | 2,906 |
| Macau and Taiwan | 118 | 116 | 118 |
| Overseas | 432 | 441 | 444 |
| Total | <u>7,880</u> | <u>8,092</u> | <u>8,140</u> |

People are integral to the Bank's transformation and sustainability, and we continuously invest in various initiatives to establish a progressive and agile workforce that embraces and implements change.

To transform the people function, we have focused on strategic hires. We believe that, with the right talent, we can underpin the Bank's growth, innovation initiatives, and compliance with banking regulations, as well as build a strong candidate pipeline for future goals.

In addition, we are transforming the workforce of the Bank. By bringing in change leaders in senior management roles, we empower our staff to be the drivers of our transformation initiatives and be capable of navigating the dynamic environment. Through strategic workforce planning, we are making good progress in rightsizing and adjusting the organisation structure. We adopt robust people planning through headcount governance, front-to-bank ratio monitoring, talent attraction and retention, capacity building and cultural training, and HR operations modernisation. The empowered workforce can leverage our transformed organisation and ensure that we are fit for the future.

We are committed to upholding a performance-driven culture based on merit and competency. To foster collaboration across the Bank and to demonstrate "leading by example", a peer evaluation exercise has been introduced and extended to all senior managers and above. To further institutionalise this culture and embody our OneBank strategy, we will launch a standardised grading structure to align the hierarchy across the Group, with effect from 1 January 2025.

We prioritise workforce stability and engagement, which in turn fosters innovation and drives business performance and service excellence. We benchmark peer compensation and benefits regularly to ensure market competitiveness and minimise talent gaps due to attrition. An employee survey is conducted on an annual basis. Our 2024 Employee Survey achieved a remarkable 99% response rate, with 91% of employees reporting that they feel positively engaged at BEA and have a favourable view of the Bank's progress on its ESG performance.

The Bank recognises that a future-ready workforce is essential for sustained success. We actively invest in our staff's capabilities through structured training frameworks and development initiatives. These programmes focus on upskilling and reskilling employees to capitalise on emerging opportunities in areas such as technology and data analytics, GSF, and cross-boundary business expansion. Our GBA Learning Accelerator, a multi-tiered programme, trained over 300 GBA specialists and 20 GBA elites in 2024, equipping them with the knowledge to excel in this dynamic region. The Climate Fresk Workshop effectively raised awareness about climate change and inspired innovative solutions amongst our employees. We have also introduced several micro-learning programmes that delves into the intricacies of AI and Generative AI and their opportunities and limitations in the banking industry.

A core component of our talent strategy is the deliberate cultivation of homegrown talent and future leaders. In 2024, we enhanced our Group Management Trainee Programme by incorporating 5-month attachments in the Chinese Mainland and visits to overseas branches, fostering a OneBank perspective. We also offer Functional Trainee Programmes, such as our Wholesale Banking Trainee programme and Audit Trainee programme, designed to address specific talent needs across our various divisions. To sustain a strong leadership pipeline, we continue to invest in the Future Leaders Accelerator Programme, with a new cohort in 2024. This programme provides a structured development approach to elevate the leadership capacities and essential skills of high-potential staff members, reinforcing our commitment to developing the next generation of leaders of the Bank.

2024 marked BEA's 105th anniversary. To celebrate this milestone, a bank-wide sports carnival was held in West Kowloon Art Park, Hong Kong. Some 4,000 employees, together with family and friends, immersed themselves in a range of family-friendly activities and themed workshops for a fun day. We also hosted the 2024 BEA divisional cup, a year-long sports initiative, where teams competed for the honour of their division while making new friends over table tennis, snooker, bowling, badminton, and even futsal, e-sports, and mahjong.

As we progress on our journey, we remain devoted to building an inclusive and collaborative workplace where every employee is encouraged to share their views and hone their skills.

SUSTAINABILITY

Guided by our vision to be the sustainability leader among financial institutions in Greater China and beyond and informed by our ESG strategy framework, BEA integrates sustainability principles into its business and operations across the Group.

In 2024, the Group conducted its first double materiality assessment, evaluating the financial materiality of its ESG topics in line with the new IFRS Sustainability Disclosure Standards. Through this process, the Group identified a number of strategic priorities including sustainable finance and climate-related risk and resilience, which highlight BEA's most significant areas of sustainability-related impacts, risks, and opportunities over the short to medium-term.

Growing our Business Responsibly

BEA has committed to achieving net zero operational emissions by 2030 and net zero financed emissions by 2050.

During the reporting period, BEA completed the measurement of financed emissions associated with the Group's carbon-intensive sector portfolios, providing a more comprehensive understanding of the indirect impacts of our lending and investment activities. New emissions reduction targets were set for the Automotive Manufacturing and Steel sectors, supplementing existing targets for the Power and Energy (Oil & Gas) sectors. Together, these targets outline a clear path towards decarbonising significant portions of the Group's portfolios.

In addition to setting targets, the Group has begun developing detailed customer engagement approaches to encourage customers to reduce their own emissions. Meanwhile, to better understand the physical and transition risks applicable to our customers, the Group has rolled out an enhanced climate risk assessment process for corporate customers.

Operating our Business Responsibly

As we work towards our target to achieve net zero operational emissions by 2030, we remain increasingly focused on implementing our strategy. During the year under review, energy audits and desktop surveys carried out on the 20 most energy-intensive premises across our markets have identified specific opportunities to more than halve our emissions between the baseline year of 2019 and 2030. Building on these findings, we have drafted a Net Zero Operations Execution Plan, which will act as a long-term blueprint for implementing energy-saving and reduction measures across all sites until 2035.

Serving our Community Responsibly

For more than a century, BEA has contributed positively to society by championing community initiatives in education, social welfare, and environmental stewardship. In 2024, BEA continued its partnership with the Hong Kong Youth Arts Foundation to host the Beyond Environmental Arts Festival ("BEA Festival"). Centred on the theme of climate change, the third BEA Festival attracted over 2,500 participants, including 250 staff volunteers and 850 teachers and students from 16 schools.

BEA also continued to enhance end-of-life care and support the wellbeing of Hong Kong's ageing population through the "Palliative Care for the Elderly" programme, which we run in partnership with "la Caixa" Banking Foundation and The Salvation Army Hong Kong and Macau Territory. The programme has participated in a years-long policy advocacy campaign, including engagement with representatives from numerous HKSAR Government bodies, that has spurred changes to legislation enabling terminally ill patients living in residential care home to die in place with dignity.

In the Chinese Mainland, the Shanghai Soong Ching Ling Foundation – BEA Charity Fund has been actively working to improve educational opportunities in rural areas for 15 years. In 2024, the Fund's "Green Firefly Project" established four new Firefly Centres in rural schools, integrating advanced technology and cleaner energy solutions to create modern, digitalised spaces where children can come together to learn.

RISK MANAGEMENT

Approach to Risk

We recognise that a sound risk culture is the foundation of our strength. To this end, we maintain a prudent and proactive risk management framework that supports risk awareness, proper behaviour, and sound judgement in relation to risk-taking. All employees are responsible for the management of risk.

The following principles guide the Group's risk appetite and determine how its business and risks are managed. Further details on the Group's management of principal risks are set out in Note 43 of "Notes to the Financial Statements".

Risk and Return

The Group's risk appetite is used to guide its business plan. The level of return generated through business activities is in line with the risk taken and in alignment with strategic plans, business outlooks, and risk management policies, with an aim to generate sustainable earnings.

Capital Adequacy

The Group is committed to maintaining a sound capital position defined by regulatory and internal capital ratios after taking into account the Bank's dividend policy and the need to meet capital requirements. The Group, and each of its members, expect to maintain a robust capital adequacy position that supports the growth of business activities.

Liquidity & Funding Management

The Group is committed to having sufficient funds to continue business and operations under crisis scenarios on a Group basis, with the ability to meet all obligations as they come due.

Regulatory Compliance

The Group strives to deliver fair treatment to customers and ensures that operations are conducted with integrity and in compliance with all applicable legal and regulatory requirements. The Group will not tolerate negative conduct risk outcomes that go against the spirit of the law and regulatory requirements, and is committed to developing and promoting a sound corporate culture and incentivising proper staff behaviour.

Operational Resilience

The Group is committed to being operationally resilient and maintaining critical operations through disruptions under severe but plausible scenarios including pandemics, cyber incidents, technology failures, and natural disasters.

Cybersecurity

The Group strives to adapt to the rapid pace of technological change to improve the Bank's services for clients and enhance customer experience, and is committed to continually strengthening cybersecurity capabilities including identification, prevention, detection, and response to address the ever-evolving cyber threat landscape and protect our critical information assets and systems from external malicious attacks.

Reputation

The Group does not tolerate any controllable activity that could cause material damage to its reputation, and protects its reputation with an established process of managing reputation risk and by dealing with potential threats to its reputation proactively and minimising the effects of reputation risk events.

ESG Risks Including Climate Risk

The Group recognises the importance of sustainability to long-term business success and therefore considers environmental and social concerns when extending financing to customers, making investments, and conducting operations. This strategic direction guides the Group towards supporting companies and projects that positively impact the environment and society, while complying with local regulations and standards of governance. The Group is committed to managing and mitigating environmental, social, and governance risks, including climate risk, in a manner that is strategically aligned with its Sustainability Vision and Mission Statements, and reducing carbon emissions in its business and operations.

Model Risk

The Group is committed to maintaining good model quality while embracing the adoption of AI models to enhance its operations and performance. The Group ensures that all of its models are implemented under controlled conditions, incorporating certain level of human-in-the-loop oversight.

Risk Management Framework

The Group has established a robust risk governance and management framework that ensures appropriate oversight of, and accountability for, the effective management of risk.

This framework enables the Board and Senior Management to administer risk management-related responsibilities with appropriate delegation, checks and balances.

The key aspects of the framework, principal risks and principal uncertainties are outlined below.

Enterprise Risk Management

The Group manages risk on a Group-wide basis within an Enterprise Risk Management ("ERM") framework. The ERM framework spans multiple risk types and focuses on optimising the balance and interaction of the different types of risk, and the balance between risk and return.

The ERM framework provides an effective and efficient approach to governance and oversight within the organisation, and helps the Group monitor and mitigate risk during the course of carrying out the Group's strategies.

Further, the ERM framework promotes risk awareness throughout the organisation and facilitates better operational and strategic decision-making, promoting a strong risk culture and ensuring that operations are compatible with the nature and level of risk that stakeholders are willing to take.

Risk Governance

The Board of Directors has ultimate responsibility for the effective management of risk. It approves risk appetite, risk policies that govern the execution of strategies, procedures and limits.

The Risk Committee stands at the highest level of the Group's risk governance structure under the Board. It provides direct oversight of the formulation of the Group's risk appetite and ensures that the Group's risk appetite is reflected in the policies and procedures that Senior Management adopts to execute business functions.

Risk management committees have been established throughout the Group, and with the assistance of these committees the Risk Committee regularly reviews the Group's ERM framework and ensures that all important risk-related tasks are performed according to established policies and with appropriate resources.

Three Lines of Defence

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

| | |
|-----------------------------------|--|
| The First Line of Defence | Comprises the Risk Owners, who are heads of business units or support units of the Bank Group, together with staff under their purview. They are responsible for the day-to-day management of risk within their units, including establishing and executing specific risk-control mechanisms and detailed procedures. |
| The Second Line of Defence | Consists of the Risk Controllers, who are designated staff responsible for setting out a risk management governance framework, monitoring risks independently, and supporting the management committees in their oversight of risk management for the Bank Group. |
| The Third Line of Defence | Internal Audit Division, which is responsible for providing assurance as to the effectiveness of the Group's risk management framework, including risk-governance arrangements. |

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

Principal Risks

The Group faces a variety of risks that could affect its franchise, operations, and financial health. The principal risks identified by the Group and how they are managed are set out in the following table.

| Principal risk type | How it is managed |
|----------------------------|--|
| Credit Risk | The Group has established control limits, delegated lending authorities, underwriting criteria, monitoring processes, internal rating structures, recovery procedures, and provisioning policies, and these are set out in the Group's policies, guidelines, and manuals in line with regulatory requirements and above all, to address the market situations. |
| Interest Rate Risk | The Group has established control limits and assesses the gap risk, basis risk, and options risk primarily through the monitoring of repricing mismatches and the impact of changes in interest rates on earnings and economic value. |
| Market Risk | The Group measures and monitors potential loss due to adverse price movements and market volatility in accordance with the control limits set out in the Group's policies, guidelines, and manuals. |
| Liquidity Risk | The Group conducts cash-flow analysis to monitor funding needs and has a contingency funding plan in place that clearly stipulates the procedures and mitigating actions required to meet liquidity needs in crisis situations. |
| Operational Risk | The Group has established and implemented a framework that defines the standards, processes, and internal controls for managing operational risks against risk appetite through various tools and systems in a cost-effective manner. |
| Reputation Risk | The Group identifies, assesses, monitors, mitigates, and controls reputation risk systematically. Specific procedures and guidelines are in place to facilitate timely and effective communication with various stakeholders in order to defuse any potential reputation-risk incidents. |
| Strategic Risk | The Group formulates and updates its strategic plan (covering a period of five years) annually to set strategic goals and objectives, evaluate strategic positions and develop appropriate strategies according to the changing external environment and internal capabilities. |
| Legal Risk | The Group has adopted comprehensive policies, guidelines, and manuals. Qualified internal personnel and/or external professionals are engaged to provide advice and training courses. |
| Compliance Risk | The Group has established various policies, guidelines, and manuals to ensure compliance with legal and regulatory requirements. A risk-based approach is in place to complement the management of compliance risk. |
| Technology Risk | The Group strengthens cybersecurity awareness of all staff through comprehensive training programmes and further mitigates technology risk by implementing a range of control measures. |

Risk Appetite

Risk Appetite is set by the Board, and defines the accepted and tolerated levels of risk and return from an enterprise-wide perspective. The Risk Appetite Statement consists of qualitative statements and quantitative metrics, covering financial risks and non-financial risks.

Risk Profile

The Risk Profile report provides both a point-in-time view and a forward-looking assessment of the suite of risk categories, as well as an assessment of their potential impact on the Group's financial results, reputation, and business sustainability.

Key Developments

The business environment of the BEA Group faced multiple headwinds and challenges in 2024, including downturns in the Hong Kong and Chinese Mainland real estate sectors, as well as global economic uncertainties stemming from a tight monetary environment and geopolitical tensions. At the same time, cyberattacks and fraud cases have been on the rise around the globe.

In response to these challenges, we have actively managed the associated risks, with enhanced risk management in the following areas in 2024:

- In addition to continuous efforts to enhance credit monitoring and special assets management, we held additional internal training and credit discussion forums to bolster risk awareness among the first and second lines of defence of the Bank Group. These initiatives are designed to inform staff of the latest credit strategies and underscore the importance of customer sector diversification and thorough cash flow analysis during the credit assessment process to accurately evaluate borrowers' repayment capabilities.
- We constantly review the Operational Risk Management Framework to manage material operational risk, assure sustainability, and enhance incident management and third-party risk management capabilities. The Operational Resilience Framework is developed to set out the core principles and standards to govern resilience-related controls. Operational resilience parameters include critical operations, tolerance for disruptions, and severe but plausible scenarios. Through continuously performing process mapping and scenario testing, we are able to enhance our resilience by transforming various operational procedures, mitigating the vulnerabilities identified, and revising business continuity plans.
- We work collaboratively with other stakeholders to enhance anti-fraud controls and strengthen integrity management amidst a constantly evolving threat landscape, including the implementation of initiatives and enhancement measures proposed by the HKMA, the Hong Kong Police Force, and the Independent Commission Against Corruption ("**ICAC**"). For instance, we have strengthened our systems for payment card protection, extended the suspicious proxy alert model to other channels, and participated in the Financial Intelligence Evaluation Sharing Tool, the Banking Industry Integrity Charter, and the Anti-Scam Consumer Protection Charter 2.0.
- Complementing the detection and protection control measures, we continue to enhance our data backup arrangements as proposed by the HKMA and Hong Kong Association of Banks ("**HKAB**"), and perform regular testing to address the risk of destructive cyberattacks.
- The risk appetite statement is aligned strategically with the Group's Sustainability Vision and Mission Statements, and continuous efforts have been made to expand green and sustainable lending to support customers to realise their transition plans to a low-carbon economy. Furthermore, under the Group's GSF framework, sector policies have been developed to establish a consistent bank-wide stance towards lending to high carbon-emitting sectors.

Principal Uncertainties

During 2024, the Group identified a number of emerging risks. The key uncertainties currently facing the Group and the mitigating measures implemented are set out below.

| Principal Uncertainties | Mitigating Measures |
|---|--|
| Macro-economy | |
| <p>Global economic recovery is progressing at a moderate pace, with some regions experiencing slower than expected growth. Major central banks have begun to ease monetary policies since the latter half of 2024, alongside gradual disinflation in advanced economies. Despite the stimulating effect of interest rate cuts, international growth remains hampered by geopolitical tensions and regional conflicts, which have negatively affected global trade flows, business and consumer confidence, as well as asset market performance.</p> <p>Looking ahead, while further monetary easing is expected to continue in 2025, the pace is largely uncertain and dependent on the progress of disinflation. Amidst persistent geopolitical tensions and the intensification of protectionist trade policies in certain jurisdictions, global economic growth is likely to remain under pressure. Enhanced policy support may be needed to bolster growth and maintain economic stability.</p> | <p>We will continue to closely monitor the market situation and our portfolios in order to manage risk exposure.</p> <p>From a credit risk perspective, we continue to identify potential adverse events and develop methods to mitigate the impact on BEA's capital adequacy and asset quality. Such measures include enhanced credit control on loan exposures, thematic reviews on high-risk sectors, and stress testing on capital adequacy and loan-loss allowances. We remain alert to developments in the property sector, closely monitor our CRE exposures amid ongoing market volatility, and stay vigilant in our credit strategies to counter potential risks arising from probable adversities like intensified US-China trade tensions and slower than expected monetary easing measures and economic recovery.</p> <p>The Group's lending appetite has become highly selective, with prudent and proactive credit management adopted to control loan asset quality.</p> <p>From a market and interest rate risks perspective, we continue to assess trends, manage exposure, perform hedging scenario analysis and stress-testing, review our risk-taking strategy, and formulate mitigating actions as necessary.</p> <p>From a compliance risk perspective, we continue to track the development of relevant sanction regimes and mitigate risk exposure where appropriate.</p> |
| Cybersecurity Risk | |
| <p>Cybersecurity risk is a key focus area for regulators and the banking industry as this risk evolves rapidly. Attackers are constantly seeking more sophisticated and efficient ways to undermine banks' cybersecurity and operations.</p> | <p>The Group takes a multi-pronged approach to tackle cybersecurity risk and improve cyber resilience:</p> <ul style="list-style-type: none">• Engage external consultants to assess the Group's cybersecurity controls against relevant information security standards and emerging risks to identify and implement necessary improvements• Enhance the Group's cybersecurity capabilities according to the suggestions from the Intelligence-led Cyber Attack Simulation Testing ("iCAST") based on the HKMA's Cyber Resilience Assessment Framework ("C-RAF")• Analyse different intelligence sources to monitor the latest worldwide threats and emerging risks from the use of advanced technologies like generative artificial intelligence and distributed ledger technology, as well as establish industry-wide collaborations and share cyber threat |

intelligence on the Cyber Intelligence Sharing Platform ("**CISP**") managed by HKAB

- Maintain a proper incident response management process, including cybersecurity insurance
- Enhance cyber and information security training programmes to promote security awareness among staff and improve security practices
- Regularly report to Directors in Risk Committee meetings

Fraud Risk

As the digitalisation of financial services accelerates worldwide, the banking industry is experiencing an inevitable increase in the risk of fraud. Fraudsters are increasingly employing deceptive tactics to achieve unlawful financial gains.

The Bank adopts a multi-pronged approach to mitigate the risk:

- Identify and assess, in a systematic and timely manner, potential fraud risks that could impact the Bank
- Work with the HKMA, Hong Kong Police Force, and other financial institutions to share information about emerging threats and best practices
- Monitor trends and developments in fraudulent techniques, and regularly enhance or adjust the Bank's fraud monitoring systems and remediation process as needed
- Promote customer awareness and education to prevent fraud and scam

ESG and Climate-related Risks

Climate change poses both short and long-term risks to the banking industry. "Physical risk" refers to the impacts of weather and climate-related events, which could lead to disruptions to the business and operations of banks and their clients. "Transition risk" refers to the risk related to the adjustment process towards a low-carbon economy, which can be prompted by policy, legal, technology, and market changes as climate change mitigation and adaptation measures are adopted.

To manage the potential risks from ESG and climate-related risks, and cultivate strong awareness throughout the Group, we have:

- Adopted a new climate risk assessment mechanism and an internal scorecard to evaluate the physical and transition risk of our customers and investees
 - Conducted regular climate risk stress test
 - Introduced quantitative risk appetite statements and spatial maps to monitor and report on the Group's risk tolerance and portfolio exposure to physical risk
 - Developed a climate risk heat map framework and climate risk radar to assess and report physical and transition risk to the Board and Senior Management
 - Integrated ESG/climate risk considerations when deriving the internal Pillar 2 capital requirement, and incorporated greenness together with ESG/climate risk/greenwashing risk assessment for new green/ESG-themed products and services
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COMPLIANCE

Compliance is an integral part of the Group's corporate governance regime, and the Group is committed to upholding the highest standards in all jurisdictions in which it operates.

The Compliance Division is responsible for overseeing the regulatory compliance framework and monitoring compliance risks for the Group, communicating new regulatory requirements to relevant units, delivering compliance advice on the implementation of regulations, conducting regulatory compliance reviews using a risk-based approach, and regularly reporting compliance matters to the Group's management committees.

Any significant compliance issues, including those related to anti-money laundering ("**AML**") and counter-financing of terrorism ("**CFT**"), are also reported to the Risk Committee and the Board of Directors via the management committees. Through the support of the risk and compliance function established in the Bank's business and support units, which acts as the first line of defence against regulatory non-compliance, a comprehensive and efficient compliance risk management framework is maintained.

The Group is fully prepared to meet the demands of an evolving regulatory environment (including those related to AML, CFT, Anti-Bribery and Corruption and Fraud), international standards and regulatory changes in jurisdictions where the Group has a presence, cross-border business, investment and insurance sales practices, customer protection (particularly in a digital environment), personal data protection, and all other relevant requirements.

By order of the Board
Adrian David LI Man-kiu
Co-Chief Executive

Brian David LI Man-bun
Co-Chief Executive

Hong Kong, 20 February 2025

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

[#] Executive Director

* Non-executive Director

** Independent Non-executive Director

GLOSSARY

詞彙

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| 2016 Scheme 「2016 計劃」 | Staff Share Option Scheme approved by the shareholders of the Bank on 8 April 2016 and adopted on 19 April 2016 於 2016 年 4 月 8 日經股東批准及於 2016 年 4 月 19 日採納的僱員認股權計劃 |
| 2021 Scheme 「2021 計劃」 | Staff Share Option Scheme approved by the shareholders of the Bank on 6 May 2021 and adopted on 6 May 2021 於 2021 年 5 月 6 日經股東批准及於 2021 年 5 月 6 日採納的僱員認股權計劃 |
| 2024 AGM 「2024 股東周年常會」 | An AGM of the Bank held in the Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Friday, 10 May 2024 at 11:30 a.m. 本行於 2024 年 5 月 10 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 |
| 2025 AGM 「2025 股東周年常會」 | An AGM of the Bank to be held in the Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Friday, 9 May 2025 at 11:30 a.m. or any adjournment thereof 本行將於 2025 年 5 月 9 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 |
| AUM 「管理資產」 | Assets under management 管理資產 |
| Bank or BEA 「本行」或「東亞銀行」 | The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong 東亞銀行有限公司，於香港註冊成立的有限公司 |
| Bank Culture Reform 「銀行企業文化改革」 | Bank Culture Reform as elaborated in the circular issued by the HKMA on 2 March 2017 金管局於 2017 年 3 月 2 日發出之通告所闡述的銀行企業文化改革 |
| Bank Group or BEA Group or Group 「集團」或「東亞銀行集團」或「本集團」 | The Bank and its subsidiaries 東亞銀行及其附屬公司 |
| Banking Ordinance 「《銀行業條例》」 | The Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 《銀行業條例》（香港法例第 155 章） |
| BEA 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 |
| 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 金管局頒布之《銀行業（資本）規則》 |

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| CG Code 「《企業管治守則》」 | Corporate Governance Code, Appendix C1 to the Listing Rules 《上市規則》附錄 C1 內所載的《企業管治守則》 |
| 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 《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 《穩健的薪酬制度指引》 |
| China or PRC 「中國」 | The People's Republic of China 中華人民共和國 |
| Companies Ordinance 「《公司條例》」 | The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 《公司條例》（香港法例第 622 章） |
| Director(s) 「董事」 | Includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require 包括任何任職本行（或文義另有所指的實體）董事職位的人士（不論其職銜如何） |
| ESG 「環境、社會及管治」 | Environmental, social, and governance 環境、社會及管治 |
| FVOCI 「通過其他全面收益以反映公平價值」 | Fair value through other comprehensive income 通過其他全面收益以反映公平價值 |
| FVTPL 「通過損益以反映公平價值」 | Fair value through profit or loss 通過損益以反映公平價值 |
| GBA 「大灣區」 | Guangdong-Hong Kong-Macao Greater Bay Area 粵港澳大灣區 |
| Guidance on Empowerment of INEDs 「提升獨立非執行董事的專業能力指引」 | The guidance on Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong, issued by the HKMA 金管局頒布之提升香港銀行業獨立非執行董事的專業能力指引 |
| HK\$ or HKD 「港幣」 | Hong Kong dollar, the lawful currency of Hong Kong 香港法定貨幣港幣 |
| HK\$ Mn 「港幣百萬元」 | HK\$ Million 港幣百萬元 |
| HKAS 「香港會計準則」 | Hong Kong Accounting Standards 香港會計準則 |
| HKFRS 「香港財務報告準則」 | Hong Kong Financial Reporting Standards 香港財務報告準則 |
| HKICPA 「香港會計師公會」 | Hong Kong Institute of Certified Public Accountants 香港會計師公會 |

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| HKMA 「金管局」 | Hong Kong Monetary Authority 香港金融管理局 |
| Hong Kong or HK or HKSAR 「香港」 | Hong Kong Special Administrative Region of the People's Republic of China 中華人民共和國香港特別行政區 |
| LCR 「流動性覆蓋比率」 | Liquidity Coverage Ratio 流動性覆蓋比率 |
| Listing Rules 「《上市規則》」 | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 《香港聯合交易所有限公司證券上市規則》 |
| MPF 「強積金」 | Mandatory Provident Fund 強制性公積金 |
| NIM 「淨息差」 | Net interest margin 淨息差 |
| Senior Management 「高層管理人員」 | The Co-Chief Executives and Deputy Chief Executives of the Bank 本行的聯席行政總裁及副行政總裁 |
| Share(s) 「股」或「股份」 | Ordinary share(s) of the Bank 本行普通股 |
| Stock Exchange 「聯交所」 | The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司 |
| US\$ or USD 「美元」 | United States dollar, the lawful currency of the United States of America 美國法定貨幣美元 |