

For Immediate Release

BEA Announces a Strong Growth of FY 2004 Profit of HKD2.4 Billion
Bank Reports New Record High for Profit Attributable to Shareholders

Hong Kong, 3rd February, 2005 – The Bank of East Asia Group and its subsidiaries (the “BEA Group”) have today announced a **consolidated profit attributable to shareholders** of HKD2,424 million for the year ended 31st December, 2004. This is a substantial rise of 26.1 per cent over the HKD1,922 million recorded in 2003, and represents a new record high for the BEA Group. Last year, the BEA Group’s net profit had surged 51 per cent - the second highest in the Bank’s history.

Basic earnings per share and **cash earnings per share** rose to HKD1.64 and HKD1.74, respectively, compared with corresponding figures of HKD1.32 and HKD1.42 per share posted for the previous year. **Return on average assets** increased to 1.2 per cent in 2004, while **return on average equity** rose to 11.9 per cent.

The Board of Directors proposed a **final dividend** of HKD0.80 per share, compared with the HKD0.62 declared for 2003. Combined with the interim dividend of HKD0.28 per share, this brings the total dividend to HKD1.08 per share for 2004, or an increase of 27 per cent over the HKD0.85 per share for 2003.

The local economy showed marked signs of improvement in 2004 with increased activity in the property market, higher consumer confidence, reduced unemployment, and an influx of visiting Mainland tourists. Although competition in the banking industry remained fierce in 2004, the BEA Group continued to grow and expand. **Total operating income** for 2004 was up by 1.8 per cent to HKD5,496 million, while **total operating profit after provisions** rose to HKD2,503 million, a modest growth of 5.5 per cent compared with previous year.

Due in large part to careful management of assets and liabilities, **net interest income** for the BEA Group rose 0.9 per cent to HKD3,628 million, from HKD3,596 million registered in 2003. **Non-interest income** increased by HKD68 million, or 3.8 per cent, from the previous year, as the BEA Group diversified its fee-based income sources and benefited from an overall improvement in the securities market.

Total operating expenses was up by 7.7 per cent to HKD2,720 million from the corresponding figure of HKD2,526 million in 2003. The rise in operating expenses was largely due to the BEA Group’s business expansion initiatives that involved increases in staff costs and advertising and promotion expenses. The **cost-to-income ratio** rose from 46.8 per cent in 2003 to 49.5 per cent in 2004.

The combined effect of the economic upturn and the precautionary measures undertaken by the BEA Group to minimise losses on loans and advances contributed to an improvement in asset quality. As of 31st December, 2004, **non-performing loans ratio** dropped by half to 1.2 per cent from 2.5 per cent on the same date in 2003. During 2004, the **net charge for bad and doubtful debts** also decreased substantially by HKD226 million to HKD273 million, or 45.3 per cent, as compared to 2003.

Total consolidated assets at the end of 2004 amounted to HKD210 billion, representing a rise of 6.0 per cent from HKD198 billion the previous year. **Total deposits** reached HKD168 billion, an increase of 4.3 per cent. As of 31st December, 2004, **total capital resources** grew by 7.3 per cent to HKD26 billion.

The **capital adequacy ratio** stood at 16.2 per cent at 2004 year-end, while the **average liquidity ratio** for the year was 44.4 per cent. The **loan-to-deposit ratio** was 69.8 per cent, compared to 63.9 percent reported at the end of 2003.

The past year did present challenges to the banking industry. With high liquidity and intense competition within the industry, net interest margins remained under pressure. However, the BEA Group continued to perform well, despite the difficulties in Hong Kong's operating environment.

Dr. David K.P. Li, the BEA Group's Chairman and Chief Executive attributed the Bank's business success in large part to its proven growth strategy implemented five years ago. Dr. Li said, "The Bank of East Asia has embarked on a strategy to diversify geographically, and develop non-interest income streams. That foresight has allowed this Bank to continue to deliver higher returns to shareholders."

Dr. Li stated that three factors have contributed to the BEA Group's rise in net profit. He said that the improving economy enabled BEA to write back a large portion of the provisions for bad and doubtful debts and to revalue properties held for investment. Secondly, BEA increased its net interest income despite keen competition for loans, with gains made from its operations on the Mainland and overseas offsetting any local declines. Thirdly, Dr. Li said that although rising U.S. interest rates and abundant liquidity in Hong Kong pointed to a difficult debt market, strong gains in fee-based income allowed BEA to record another rise in non-interest income.

Dr. Li did concede that BEA's expenses have been higher than normal in recent times. He stated that these are due to the investments that the Bank is making in its future. "We are optimistic that our cost-to-income targets will be achieved in the near to medium term, as these investments mature."

In addition to important investments in personnel, Dr. Li also mentioned that the Bank had made excellent progress on its Branch Rationalisation and Renewal programmes, optimising the branch network's efficiency as sales and distribution points. In addition, BEA opened nine new SupremeGold Centres last year, bringing the total number of centres to 23.

The first phase of BEA's Core Banking System went live in early 2005. Dr Li said "The new system will allow us to manage product campaigns more effectively, roll out new products more quickly, and better analyse the risk profile of our business." BEA's much-anticipated centralisation project is also entering final stage, consolidating various back office operations spread across Hong Kong into the newly named BEA Tower Millennium City 5 in Kwun Tong.

China continues to be an important market for the BEA Group, and there were many achievements for the Bank on the Mainland last year. In addition to its Shanghai, Dalian, Guangzhou, Shenzhen, and Zhuhai branches, which have all received licences to conduct Renminbi business with local companies in China, BEA's Xi'an and Xiamen branches have also been approved to receive such Renminbi licence.

"In the second half of 2004, we opened a new branch in Chengdu and a new sub-branch at Luohu in Shenzhen, bringing our total number of outlets in China to 18," Dr. Li added. "This past

week, we received approval for a new branch in Hangzhou, and to set up a representative office in Suzhou." BEA's investments on the Mainland are delivering strong results, with the Bank's China Division reporting a 50 per cent rise in its loan portfolio, and a 43 per cent rise in net profit for 2004.

BEA's international operations also posted impressive results, with net profits rising 21 per cent in 2004, compared with a drop of 10 per cent in the previous year. Dr. Li also stated that BEA was investing more capital in overseas operations, not only to expand its business, but also to ensure that the Bank achieved the highest compliance standards.

The business developments of major subsidiaries such as Tricor Group have also contributed to the BEA Group's overall growth. In October 2004, Tricor acquired PricewaterhouseCoopers' corporate service business in Singapore as part of its strategy to become the leading regional player in the corporate service business.

In his closing remarks, Dr. Li was very optimistic about BEA's performance in the coming year. "We are very well prepared for the future," he said. As Hong Kong's emerges from its prolonged deflationary period, and as China undergoes further market liberalisation in line with its WTO commitments, conditions are ripe for BEA. "We are well on our way to achieving our vision to be the preferred bank linking Hong Kong, Mainland China, Taiwan, and Overseas Chinese," concluded Dr. Li.

For more information on the BEA Group, please visit www.hkbea.com.

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For press enquiries, please contact:

Mr. Chan Kay-cheung
Executive Director & Deputy Chief Executive, BEA

Tel.: 2842 3203

Mr. Daniel Wan
General Manager & Chief Financial Officer, BEA

Tel.: 2842 3328