

**For Immediate Release**

**BEA Announces Record-Setting Results for Second Straight Year**  
*The Bank Reports Profit of HKD2.79 Billion for FY2005*

**Hong Kong, 10<sup>th</sup> February, 2006** – The Bank of East Asia and its subsidiaries (the “BEA Group”) today announced that the BEA Group earned a **profit after taxation** of HKD2,786 million for the year ended 31<sup>st</sup> December, 2005. This represents a rise of HKD414 million, or 17 per cent, compared to the net profit of HKD2,372 million recorded in 2004. The 2005 earnings are a new record high for the Group.

**Basic earnings per share** rose to HKD1.83, compared to HKD1.59 per share during the same period in 2004. **Return on average assets** and **return on average equity** stood at 1.3 per cent and 12.2 per cent, respectively, for 2005.

The Board of Directors recommended a **final dividend** of HKD0.93 per share, compared with the HKD0.80 per share declared for 2004. Combined with the interim dividend of HKD0.33 per share, this brings the total dividend to HKD1.26 per share for 2005, an increase of 16.7 per cent over the figure for 2004.

**Total operating income** for 2005 amounted to HKD5,953 million, a growth of 8.3 per cent over the HKD5,496 million recorded for 2004.

The BEA Group’s **net interest income** grew by 4.0 per cent to HKD3,760 million, from HKD3,614 million registered for 2004. **Total non-interest income** continued to perform well during 2005, with a rise of 16.5 per cent to HKD2,192 million.

**Total operating expenses** amounted to HKD2,988 million, an increase of 8.2 per cent compared to 2004. However, despite increased expenditures, the **cost-to-income ratio** fell slightly to 50.2 per cent in 2005.

**Total operating profit before impairment losses** for 2005 rose to HKD2,964 million, an increase of 8.4 per cent, or HKD230 million, over 2004. The Group’s **net interest margin** fell by ten basis points to 1.85 per cent for 2005 as a whole.

The BEA Group’s overall asset quality continued to improve in 2005. As of 31<sup>st</sup> December, 2005, the **impaired loan ratio** stood at 0.91 per cent. As a result of the healthy state of the Group’s asset quality, and due to new approaches to assessing loan impairment given the adoption of Hong Kong Accounting Standards No. 39, the Group’s **impairment losses and impairment allowances** versus net charge for bad and doubtful debt decreased by 48 per cent.

Following the relocation of its offices to BEA Tower in Kwun Tong, Kowloon, and taking advantage of favourable conditions in the property market, the BEA Group has stepped up its efforts to dispose of surplus bank properties. The Group closed three transactions and registered a **net profit on disposal of fixed assets** of HKD365 million. In addition, BEA recorded a **valuation gain on investment properties** of HKD234 million during 2005.

Consequently, the BEA Group’s **profit for the year before taxation** reached HKD3,213 million, or an increase of 15 per cent compared to 2004.

**Total profit after taxation** amounted to HKD2,786 million, whereas **profit attributable to equity holders of the Group** reached HKD2,749 million, a 17 per cent increase over 2004.

**Total consolidated assets** of the BEA Group at the end of December 2005 amounted to HKD239 billion, a growth of 14 per cent, or HKD28 billion, over the figure for 2004. **Total deposits** increased by 9 per cent to HKD182 billion during the reporting period. As of 31<sup>st</sup> December, 2005, **total loan balances** were HKD139 billion, an increase of 18 per cent compared with the same date in 2004. In addition, **total equity** stood at HKD24 billion as of the end of 2005.

Dr. David K.P. Li, Chairman and Chief Executive of the BEA Group, said: “Our 2005 results once again demonstrate the wisdom of our present business strategy.” Starting in 2000, the Bank began to devote greater resources to its operations on the Mainland and overseas. By expanding in these markets, BEA has created profitable synergies with its existing Hong Kong platform.

During 2005, BEA opened new branches in the cities of Hangzhou and Chongqing in China, and established new representative offices in Dongguan and Suzhou. In addition, BEA’s China network was expanded in Shenzhen and Shanghai. “We now have eleven branches, six sub-branches, and six representative offices on the Mainland,” stated Dr. Li.

With a total of 23 outlets throughout the country, BEA operates the largest network of any foreign bank under one name in China. “Our expansion in 2005 provides a strong platform for us to once again generate a significant increase in new business in 2006. We will continue to expand aggressively in China this year,” Dr. Li said.

Dr. Li also highlighted the Group’s expansion in other major markets. In particular, the BEA Group focused on its North American operations, opening new branches in Vancouver, Canada and Torrance, California. Dr. Li referred to the definitive agreement signed at the end of last year to acquire National American Bank, which has three branches in the San Francisco Bay area. The bank will be merged with The Bank of East Asia (U.S.A.) N.A. in the second quarter of this year.

With scheduled openings of two new branches in New York during the first half of this year, the Group will have twelve branches in the US, as well as six branches in Canada.

Since 2003, the Bank has formed business alliances with leading overseas banks. Such alliances enable customers of overseas bank partners to explore business opportunities in Greater China and channel those banks’ customers to BEA’s Hong Kong and Mainland networks. During the past year, the Bank has established agreements with four banks from India, Canada and Germany.

The BEA Group continued its strategy of diversifying revenue sources by expanding non-interest income, in order to provide more balanced and sustainable growth. Two of the Group’s main contributors in 2005 were Tricor Group, the BEA Group’s corporate services arm, and BEA’s Wealth Management Division.

Tricor recorded significant growth in revenue for the year. According to Dr. Li, “The company experienced strong local demand for its corporate compliance services, its IPO and share registration services, as well as its executive search work. Tricor’s overseas operations have also contributed to its total revenue.”

The company acquired the company secretarial business of Ernst & Young in the British Virgin Islands and acquired a substantial interest in the corporate services business of PricewaterhouseCoopers in Thailand. It also completed the acquisition of a reputable corporate services practice in Malaysia. Tricor now operates from ten cities throughout the region, and it has a very strong presence in Southeast Asia and in China.

In response to the strong market demand for linked deposits, BEA's Wealth Management Division launched over 30 different linked deposit products in the past year. The Division also won approval to distribute selected structured products through branches on the Mainland and in Macau, which has significantly increased its base of potential customers.

Dr. Li also shared the key achievements of the Group's card business in 2005. Total cardholder sales volume increased by 44.3 percent year-on-year, while total merchant sales volume increased by 34.7 percent. The number of active cards rose by 19.8 percent, compared with the number of cards in use at the end of last year.

In his speech, Dr. Li also touched upon BEA's cost-to-income ratio. "Despite the continuing high level of spending necessary to expand the Bank's China and overseas operations, plus the demands of Tricor's ongoing growth, the Group's cost-to-income ratio fell during 2005." Dr. Li further commented that it is unrealistic to expect that the BEA Group will match the low cost-to-income ratios posted by purely local banking operations. He believed that the Group's results justify its investments.

"The investments we are making give BEA a unique long-term advantage, for both shareholders and customers alike," Dr. Li concluded.

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