

For Immediate Release

BEA Reports Profit of HK\$4.22 Billion for FY2007

Bank Leverages Strength in Hong Kong and China to Post Double-Digit Growth

Hong Kong, 15th February, 2008 – The Bank of East Asia (“BEA”) and its subsidiaries (collectively, the “BEA Group”) today announce **profit after taxation** of HK\$4,221 million for the year ended 31st December, 2007. This figure represents an increase of HK\$735 million or 21.1 percent over the net profit of HK\$3,486 million earned in 2006.

Basic earnings per share rose to HK\$2.65, compared to HK\$2.24 per share in 2006. **Return on assets** and **return on equity** were 1.2 percent and 14.6 percent respectively for 2007.

The Board of Directors has proposed a **final dividend** of HK\$1.18 per share. A final dividend of HK\$1.03 per share was paid to shareholders last year. The total dividend for 2007, including the interim dividend of HK\$0.48 per share, amounts to HK\$1.66 per share, an increase of 13.7 percent over the total dividend for 2006.

Total operating income for 2007 was HK\$8,814 million, an increase of 16.5 percent over the HK\$7,564 million recorded in 2006.

Bolstered by strong loan demand in Hong Kong and on the mainland, **net interest income** grew by 19.6 percent to HK\$5,977 million compared to the HK\$4,999 million reported for last year. **Total non-interest income** also grew, rising 10.6 percent to HK\$2,837 million for 2007, due in large part to an increase in net fee and commission income and net trading profits.

As the BEA Group’s growth strategy requires continued investment, particularly on the mainland, **total operating expenses** rose expectedly, to HK\$4,691 million, an increase of 35.4 percent over the HK\$3,465 million recorded in 2006. The **cost to income ratio** rose from 45.8 percent in 2006 to 53.2 percent in 2007.

Total operating profit before impairment losses was HK\$4,123 million in 2007, an increase of HK\$24 million or 0.6 percent over the HK\$4,099 million reported for the previous year. The BEA Group’s **net interest margin** dropped by 12 basis points to 1.9 percent for 2007.

The overall asset quality of the BEA Group’s portfolio was excellent in 2007. As of 31st December, 2007, the **impaired loan ratio** stood at 0.6 percent and **impairment losses on loans and advances** decreased by HK\$27 million or 11.2 percent.

Profit for the year before taxation rose to HK\$5,185 million, or an increase of 21.7 percent over the HK\$4,260 million recorded in 2006. **Total profit after taxation** amounted to HK\$4,221 million and **profit attributable to equity holders** climbed to HK\$4,144 million, a 20.6 percent increase from the previous year.

As at 31st December, 2007, the BEA Group's **total consolidated assets** totalled HK\$394 billion, growth of 33.9 percent or HK\$99.8 billion over the HK\$294.2 billion reported for the previous year. **Total deposits** increased by 36.9 percent to HK\$296.4 billion in 2007 and **total loan balances** stood at HK\$218.2 billion, 31.3 percent above the total in 2006. **Total equity** rose to HK\$30.4 billion at the end of 2007.

Dr. David K.P. Li, Chairman & Chief Executive of BEA, said, "Having built a leading position on the mainland and in Hong Kong, we were well prepared to take advantage of the excellent business opportunities available to us. As a result, we delivered double-digit growth from our core business operations."

BEA's revenues in Hong Kong improved last year, despite higher operating costs due to rising wages and inflationary pressures. The Bank actively continued its Branch Rationalisation Programme, opening four new branches, expanding two branches, and relocating three others to more prominent sites. BEA also made great strides in the development of its wealth management business, opening 10 new SupremeGold Centres last year. As at the end of January 2008, the Bank's local network consisted of 91 branches and 45 SupremeGold Centres.

BEA also increased fee and commission income by more than 37 percent, aided by contributions from the BEA Group's subsidiaries including Tricor Group, Blue Cross, and East Asia Securities. "East Asia Securities recorded an exceptionally good year in terms of stock brokerage income, with bottom-line net profit increasing by some 140 percent," said Dr. Li.

BEA also expanded its asset management capabilities both locally and regionally last year with the establishment of BEA Union Investment Management Limited. "As we reported in our interim results, we recorded an exceptional gain of over HK\$400 million Hong Kong dollars when we injected our asset management company into our new joint venture with Union Asset Management Holding of Germany," stated Dr. Li.

As one of the first foreign banks authorised to set up a locally incorporated subsidiary in China ("The Bank of East Asia (China) Limited" or "BEA China"), BEA immediately began expanding its network on the mainland last year. The BEA Group opened 19 new outlets on the mainland in 2007, and now operates 51 outlets.

“We managed our mainland business in line with our strategic goals, generating strong growth in deposits, loan balance, and profits,” said Dr. Li. Favourable economic conditions in 2007 enabled BEA China to expand its business rapidly. Although BEA enters 2008 with a cautious outlook, the Bank sees the current turmoil in financial markets as an opportunity to solidify its leadership position among foreign banks on the mainland.

In December, 2007, BEA received the Hong Kong Monetary Authority’s approval to adopt the more sophisticated approaches under the Basel II framework. The benefits of adopting the more sophisticated approaches are significant, including enhanced risk management, more efficient use of capital, and higher transparency in the disclosure of risk-related information.

BEA’s overseas branches also performed well in 2007. BEA’s wholly-owned subsidiary, The Bank of East Asia (U.S.A) N.A., opened two new branches in Brooklyn and Flushing in the New York area. Plans are also under way to open three new branches in the San Francisco Bay area and two new branches in Los Angeles. By the end of 2008, BEA plans to have 17 outlets in the United States.

In his concluding remarks, Dr. Li said, “Despite the fall-out from the American subprime crisis, our business remains on track for strong performance gains in future. Confidence in BEA and in its management was manifested over the past year with sizeable investments in BEA by both Criteria Caixa Corporation and The Bank of China (Hong Kong) Limited. We look forward to working with these and all our long-term shareholders to deliver real value to our investors.”

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BEA – Serving customers through one of Hong Kong’s largest banking networks, with over 130 branches and SupremeGold Centres around town