

For Immediate Release

BEA Announces Profit of HK\$930 Million for the First Half of 2008

Hong Kong, 5th August, 2008 – The Bank of East Asia and its subsidiaries (the “BEA Group”) have today announced a **profit after tax** of HK\$930 million for the six months ended 30th June, 2008. This figure represents a decrease of 51.3 percent from the figure reported a year ago and can be largely attributed to weakness in the global financial markets during the first half of this year.

Basic earnings per share dropped to HK\$0.54, compared with HK\$1.20 for the first half of 2007. **Return on average assets** and **return on average equity** were 0.5 percent and 5.4 percent respectively for the first half of this year.

The BEA Group’s Board of Directors has recommended an **interim dividend** of HK\$0.23 per share, a decrease of 52.1 percent over the interim dividend of HK\$0.48 per share paid to shareholders a year ago.

Due in large part to a further write-down of HK\$1.31 billion on the value of collateralised debt obligations (“CDOs”), the BEA Group’s **total operating income** amounted to HK\$3,816 million, or a 14.8 percent decline over the HK\$4,478 million recorded for the same period last year.

Nevertheless, the Group’s core business continued to grow in line with expectations. Strong loan growth and BEA’s aggressive business development programme on the mainland helped lift **net interest income** by HK\$721 million or 26.1 percent to HK\$3,483 million for the first six months of this year.

Non-interest income dropped to HK\$333 million, a decrease of 80.6 percent over the first half of 2007, mainly due to the revaluation loss recorded on CDOs and a decrease in net trading profits. Excluding these factors, non-interest income would have been about HK\$2,108 million, or 20.2% higher than a year ago.

Continued expansion of the Group’s activities resulted in a 26.9 percent increase in **total operating expenses** to HK\$2,764 million over the corresponding figure for last year. The **cost-to-income ratio** consequently rose to 72.4 percent for the first half of this year from 48.7 percent for the first half of 2007.

Total operating profit before impairment losses for the first six months of 2008 amounted to HK\$1,052 million, a decrease of HK\$1,247 million or 54.2 percent from the same period last year.

The Group’s **net interest margin** for the first half of 2008 has slightly narrowed by 2 basis points to 1.91 percent.

The Group's ratio of **impaired loans to total advances** to customers stood at 0.5 percent and **operating profit after impairment allowances** for the first six months of 2008 dropped to HK\$737 million, a decrease of HK\$1,542 million or 67.7 percent over the same period last year.

Total profit after taxation decreased to HK\$930 million for the first half of 2008, down 51.3 percent from the HK\$1,911 million recorded for the first half of 2007. Excluding losses on CDOs, equity investments, and structured investment vehicles, profit after taxation would have been HK\$2,617 million, or 34.7% higher than a year ago. **Profit attributable to equity holders of the Group** totalled HK\$894 million, a decrease of 52.4 percent.

As at 30th June, 2008, **total consolidated assets** of the BEA Group amounted to HK\$396.7 billion or growth of 15.6 percent over the figure reported for the period from 1st January to 30th June, 2007 and a 0.7 percent increase over the figure reported for the year ended 31st December, 2007.

Total deposits grew by 27.9 percent to HK\$308.1 billion during the reporting period, while **total loan balances** rose to HK\$245.4 billion or a 21 percent increase over the HK\$202.9 billion reported a year ago. **Total equity attributed to equity holders** was HK\$33.7 billion as at the end of June 2008.

According to Dr. David K. P. Li, Chairman & Chief Executive of the BEA Group, the Group's earnings have been impacted by sluggish growth, continuing turmoil in debt markets, and falling equity markets during the first half of this year. "Nevertheless, we remain confident in our future earnings, as our core business continues to grow in line with our expectations," he added.

In addition to increasing net interest income, BEA generated 24 percent more from recurrent fees and commissions. "This performance clearly demonstrates that we are building on our past achievements, and maintaining the growth momentum of our core business," said Dr. Li.

In Hong Kong, BEA experienced a surge in loan growth during the first quarter. Aggressive promotion enabled BEA to expand its aggregate credit card base during the first half of the year while the number of Cyberbanking and Corporate Cyberbanking customers also steadily increased.

Formed in April 2007, BEA Union Investment Management Limited is already having a positive impact on the Group's wealth management business. "We have focussed on new mutual funds for retail investors, new mandates from top-tier Asian institutional investors, as well as new product ideas for Mandatory Provident Fund business," said Dr. Li.

BEA has also expanded its insurance business. BEA Life Limited, a wholly-owned subsidiary of the Bank, commenced operations in January of this year. Income earned from insurance premiums in the first half of 2008 has already exceeded the income earned for all of 2007.

On the mainland, BEA continued to build on its market leading position during the first half of 2008, maintaining its aggressive branch development programme and further expanding its product range. As at the end of July 2008, the branch network stood at 60 outlets, up from 50 at the end of last year.

BEA's wholly-owned subsidiary, The Bank of East Asia (China) Limited ("BEA China") became the first foreign-owned bank to issue debit cards on the mainland, which will enhance BEA's ability to attract RMB deposits. As wealth management is a key growth area for BEA's mainland business, BEA China launched private banking services in Shanghai, Beijing, Guangzhou, and Shenzhen in the second quarter. "Our ambitious development programme for our mainland business is on track. We are creating a well-integrated service platform that will drive our profit growth going forward," said Dr. Li.

Overseas, The Bank of East Asia (U.S.A.) N.A. opened two new branches in Los Angeles County and South San Francisco. In addition to opening a new office in the UK, Tricor Group completed its acquisition of a major corporate services group in Malaysia making the Tricor Malaysia the leading corporate services practice in the country.

Dr. Li commented that the difficulties encountered by the financial sector will not adversely impact BEA's growth targets. He said, "We remain focussed on executing our proven strategy. We have a leading market position on the mainland. Our Wealth Management Division is building a powerful franchise. We are a valued business partner for companies throughout the world. We continue to make our own opportunities and to expand our business. I have no doubt that we will soon return to our record-setting performance as global efforts to stabilise financial markets take effect."

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For press enquiries, please contact:

Mr. Daniel Wan
General Manager & Group Chief Financial Officer, BEA
Tel.: (852) 3608 0088

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