

For Immediate Release

## BEA Announces Profit of HK\$1,205 Million for the First Half of 2009, Up 47%

**Hong Kong, 25<sup>th</sup> August, 2009** – The Bank of East Asia and its subsidiaries (collectively, the “BEA Group”) have today announced a consolidated **profit after taxation** of HK\$1,205 million for the six months ended 30<sup>th</sup> June, 2009. This is a significant increase of HK\$384 million, or 46.8 percent, over the net profit of HK\$821 million reported for the same period in 2008.

**Basic earnings per share** rose to HK\$0.64, a rise of HK\$0.21 compared to the HK\$0.43 per share reported for the first six months of 2008. **Return on assets** and **return on equity** were 0.6 percent and 7.2 percent, respectively, for the first half of 2009.

The Board of Directors has recommended an **interim dividend** of HK\$0.28 per share, an increase of 33.3 percent over the interim dividend of HK\$0.21 per share paid to shareholders a year ago.

**Operating income** rose to HK\$4,951 million, which is 34.3 percent greater than the HK\$3,685 million recorded for the first half of last year.

Under a challenging business environment, the BEA Group recorded **net interest income** of HK\$3,234 million, a moderate decline of 7.2 percent from the same period last year. **Non-interest income** surged to HK\$1,717 million, 7.5 times higher than the HK\$202 million recorded for the same reporting period last year. The sharp rise is mainly due to an increase in trading profits, as well as a decrease in net loss from financial instruments designated at fair value through profit or loss.

The BEA Group instituted a series of measures to contain costs during the first half of the year, even as it continued to invest in the expansion of its branch operations on the Mainland. As a result, **operating expenses** rose by only 0.9 percent to HK\$3,041 million, compared to that recorded for the six months to December in 2008. The **cost-to-income ratio** fell from 75.0 percent for the first half of last year to 61.4 percent for the same period in 2009.

**Operating profit before impairment losses** for the first six months of 2009 rose by 107.2 percent to HK\$1,910 million, an increase of HK\$989 million over the first half of 2008.

The BEA Group’s **net interest margin** narrowed to 1.77 percent during the first six months of this year, down 14 basis points compared to the same period last year.

Due to the unstable global economic environment, BEA registered **impairment losses** of HK\$493 million for the first half of 2009, an increase of 56.2 percent compared to the same period last year. However, overall loan quality remained satisfactory, with the **impaired loan ratio** standing at 1.0 percent as of the end of June 2009. **Operating profit after impairment losses** for the first six months of this year rose to HK\$1,417 million, an increase of HK\$811 million, or 133.8 percent, over the corresponding period in 2008.

**Profit after taxation** rose to HK\$1,205 million for the first six months of 2009, while **profit attributable to owners of the parent** totalled HK\$1,169 million, 49.0 percent above the figure reported last year.

As of 30<sup>th</sup> June, 2009, **total consolidated assets** of the BEA Group amounted to HK\$411.9 billion, a marginal decrease of 0.8 percent from the figure reported as of 31<sup>st</sup> December, 2008.

**Total deposits** fell by 1.7 percent from HK\$329.3 billion at 31<sup>st</sup> December, 2008 to HK\$323.7 billion as of 30<sup>th</sup> June this year; while **total advances to customers** amounted to HK\$231.4 billion, up from HK\$230.3 billion at the end of December 2008. **Total equity attributable to owners of the parent** stood at HK\$33.6 billion as of the end of June 2009.

As of 30<sup>th</sup> June, 2009, BEA Group's **capital adequacy ratio** stood at 13.0 percent, slightly lower than the 13.8 per cent as of the end of December 2008. The **average liquidity ratio** was 43.8 percent for the six months ended 30<sup>th</sup> June, 2009, compared to 38.8 percent for the same period last year.

According to Dr. David K.P. Li, Chairman & Chief Executive of the BEA Group, while BEA's business has been impacted by the fall-out from the financial tsunami, the Bank was able to take good advantage of a number of opportunities.

Through product diversification and customisation, BEA has seen the number and value of its local property loans business rise. "The rebound in the property market during the first half of 2009 provided us with the opportunity to replenish our mortgage loan book with new business at better yields," Dr. Li said.

Despite weakened consumer sentiment, BEA succeeded in raising card receivables during the first half of the year. The Bank also successfully launched a new premium card product, the BEA World MasterCard, for affluent customers in Hong Kong.

BEA has also acted quickly to implement the recommendations of the Hong Kong Monetary Authority on the selling of investment products. In order to ensure that investors are fully informed and protected throughout the process of purchasing investment products, an advanced Secure Voice Recording Solution was put in place for audio-recording in all local branches well before the implementation deadline set for the end of June this year.

The improving credit environment led to a gradual revival of lending business in the second quarter. As a consequence, BEA registered healthy growth in corporate loan volume for the first half of this year. The Bank was an active participant in the Hong Kong Government's Special Loan Guarantee Scheme for small and medium enterprises. In addition, BEA was one of the first banks to offer Renminbi trade settlement services, which provides greater flexibility plus reduced exchange rate risk and trade costs for clients involved in cross-boundary transactions.

Anticipating greater demand for conservative asset classes and prudent approaches to diversification, the Bank launched the BEA Global Bond Fund in May.

BEA's wholly owned subsidiary bank on the Mainland, The Bank of East Asia (China) Limited ("BEA China"), experienced a slight drop in business during the first six months of 2009. Dr. Li remarked: "BEA China's performance was affected by the extraordinary measures that the Central People's Government took to stimulate the economy in the wake of the financial tsunami. As has been well reported, total Mainland bank lending surged dramatically in the first half, and helped to lift the entire economy.

"In this easy credit environment, BEA China management took a conservative approach to new lending, and focussed on asset quality," he added. This focus on asset quality is reflected in the fact that, despite the financial crisis, BEA China's impaired loan ratio remains very low at 0.3 percent. "The immediate crisis has passed, and the government is once again focussing on the quality of growth. The new environment is very favourable to BEA China, and management expects to meet its performance targets by the end of this year," he revealed.

In June, BEA China became the first locally-incorporated foreign bank on the Mainland to issue Renminbi-denominated bonds to retail investors in Hong Kong. To serve its growing customer base, BEA China also opened four new sub-branches and one automatic self-service centre, bringing the BEA Group's network on the Mainland to 71 outlets.

In addition, the acquisition of AIG Wealth Management Services (Taiwan) Limited (renamed BEA Wealth Management Services (Taiwan) Limited) in June gives the Bank a solid base for further growth in Taiwan and the rest of Greater China.

Dr. Li stated that throughout the financial turmoil, BEA has continued to invest where it sees growth opportunities.

Dr. Li said: "The slowdown in economic activity will no doubt affect our business going forward. Nevertheless, with our new management team in place, I am confident that the BEA Group is in a very strong position to take advantage of emerging growth opportunities. We have a proven track record, and an excellent foundation for future success."

– End –

For press enquiries, please contact:

Mr. William Cheng  
General Manager & Group Chief Financial Officer  
The Bank of East Asia  
Tel.: (852) 3608 0088  
Email: [chengwcm@hkbea.com](mailto:chengwcm@hkbea.com)

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