

For Immediate Release

BEA Announces Strong Profits of HK\$2.64 Billion for 2009

Hong Kong, 11th February, 2010 – The Bank of East Asia and its subsidiaries (collectively, the “BEA Group”) have today announced that consolidated **profit after taxation** reached HK\$2,638 million for the year ended 31st December, 2009. This represents a strong rebound from the net profit of HK\$104 million recorded for 2008, when the Bank disposed of or wrote down its entire collateralised debt obligation (“CDO”) portfolio.

Basic earnings per share rose to HK\$1.36. **Return on average assets** and **return on average equity** were 0.63 percent and 7.67 percent, respectively, for 2009.

The Board of Directors has recommended a **final dividend** of HK\$0.48 per share, bringing the total dividend for the year to HK\$0.76 per share. The full-year dividend for 2008 was HK\$0.23 per share.

Total operating income surged to HK\$10,188 million, a rise of 57.8 percent compared to the HK\$6,457 million recorded for 2008.

Despite a challenging business environment in the wake of the financial tsunami, the BEA Group generated **net interest income** of HK\$6,747 million, a marginal decrease of 0.7 percent compared to the previous year. **Non-interest income** surged to HK\$3,441 million, aided by a 5.5 percent rise in **net fee and commission income** and strong trading profits.

Despite the sharp economic contraction in the first quarter of 2009, the BEA Group continued to invest for future growth and expand its mainland branch operations. **Total operating expenses** rose by 6.1 percent to HK\$6,129 million, compared to HK\$5,779 million for 2008. The **cost-to-income ratio** stood at 60.2 percent.

Operating profit before impairment losses increased to HK\$4,059 million, a rise of HK\$3,381 million compared to the figure reported for 2008.

The BEA Group’s **net interest margin** narrowed slightly to 1.80 percent in 2009, down 5 basis points from the previous year.

Due to the continuing deterioration in overseas credit markets throughout the year, BEA registered **impairment losses on loans and advances** of HK\$1,105 million for 2009, an increase of 98 percent over the previous year. This was partly offset by an improvement in **impairment losses on available-for-sale financial assets**, which shrank to HK\$14 million in 2009. The overall **impaired loan ratio** stood at 0.99 percent at the end of 2009. **Operating profit after impairment losses** for 2009 grew to HK\$2,918 million, an increase of 11.8 times over the position one year ago.

Total profit after taxation rose to HK\$2,638 million for 2009, while **profit attributable to owners of the parent** totalled HK\$2,565 million, compared to HK\$39 million for the previous year.

As of 31st December, 2009, the **total consolidated assets** of the BEA Group amounted to HK\$434.1 billion, an increase of 4.5 percent over the figure reported as of the same date in 2008.

Total customer deposits grew by 5.8 percent from HK\$323.8 billion in 2008 to HK\$342.5 billion in 2009, while **total advances to customers** amounted to HK\$247.7 billion, representing a rise of 7.5 percent from HK\$230.3 billion at the end of 2008. **Total equity attributable to owners of the parent** stood at HK\$35.2 billion at the end of 2009.

As of 31st December, 2009, the BEA Group's **capital adequacy ratio** stood at 13.3 percent, slightly lower than the 13.8 per cent reported as of the same date in 2008. The **average liquidity ratio** was 43.3 percent for the year ended 31st December, 2009, compared to 38.4 percent recorded in the previous year.

Speaking at today's press conference, Dr. David K.P. Li, Chairman & Chief Executive of the BEA Group, said: "2009 began with a sharp economic contraction, followed by a gradual recovery from the second quarter onward. The BEA Group adapted quickly to the new environment, focussing on areas of potential growth and allocating resources carefully. As a result, our core business has remained on a positive track."

By focussing on high quality local and mainland enterprises, the Bank recorded increased corporate loan volume and better pricing in 2009. The Bank also enjoyed substantial growth in the local small and medium size enterprise sector. Having introduced factoring services in the second half of 2009, the Bank expects further gains from this segment in 2010.

BEA's personal banking business also enjoyed a stronger year, as fees earned on credit card and loan services grew. The Bank continued to strengthen its branch network during 2009. As of 31st December, BEA operated a total of 90 branches and 51 SupremeGold Centres in Hong Kong.

Interest in investment products and advisory services picked up from the second quarter onward. The Bank launched two capital preservation-themed investment funds and offered additional choices under monthly fund subscription plans to meet rising demand. Riding on the recovery in global markets and improving investor sentiment, BEA's private banking business saw net profits grow by 33% year-on-year.

Beyond Hong Kong, Dr. Li noted that the mainland will continue to be the main growth engine for the global economy in 2010. The Bank of East Asia (China) Limited ("BEA China") is ideally positioned to benefit from closer cross-boundary financial ties between Hong Kong and the mainland.

BEA China is already taking advantage of newly-introduced measures that permit Hong Kong-based banks to establish “cross-location” sub-branches in Guangdong province. BEA China established the first such sub-branch in the city of Foshan in January this year. Expansion to other major municipalities within the province is under planning. Currently, the BEA Group operates a network of 78 outlets in 21 cities on the mainland, including 19 branches, 54 sub-branches and three representative offices.

In line with its long-term growth strategy, BEA China achieved a significant increase in both personal and corporate deposits in 2009, with total deposits growing by 28% year-on-year.

Dr. Li added: “This will lower the cost of funding, and provide a more reliable platform for our lending business. We will continue to improve the BEA China branch network and customer support infrastructure in 2010.”

BEA China led the industry in a number of areas in 2009. In June, BEA China earned the distinction of being the first locally-incorporated foreign bank on the mainland to issue Renminbi bonds to retail investors in Hong Kong. In September, BEA China was one of the first foreign banks to be granted domestic settlement bank and domestic agent bank status for cross-boundary Renminbi trade settlement services.

The Bank enters 2010 with a solid capital position, following the successful launch of the landmark Hybrid Tier 1 Capital Issue, and the completion of the share placement to strategic partners Criteria CaixaCorp., S.A. and Sumitomo Mitsui Banking Corporation. With its strengthened capital position, BEA is well placed to continue its growth strategy in Hong Kong and China.

Dr. Li concluded: “We are confident that, with a unique market position, focussed strategy, and performance-based outlook, BEA is entering a new era of achievement and growth.”

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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

BEA – Serving customers through one of Hong Kong’s largest banking networks, with 140 branches and SupremeGold Centres around town

