

For Immediate Release**BEA Posts Strong Profit of HK\$2.12 Billion for the First Half of 2010**

Hong Kong, 12th August, 2010 – The Bank of East Asia and its subsidiaries (collectively called the “BEA Group”) have today announced a consolidated **profit after tax** of HK\$2,116 million for the six months ended 30th June, 2010. This represents a rise of 75.6 percent compared to the net profit of HK\$1,205 million reported for the same period in 2009.

Basic earnings per share rose to HK\$0.95, an increase of HK\$0.31 over the HK\$0.64 per share reported for the first six months of 2009. **Return on average assets** and **return on average equity** were 0.9 percent and 10.3 percent, respectively, for the first half of 2010.

The Board of Directors have recommended an **interim dividend** of HK\$0.38 per share, an increase of 35.7 percent over the interim dividend of HK\$0.28 per share paid to shareholders for the same period last year.

The BEA Group continued to deliver strong organic growth, with **operating income** climbing to HK\$5,412 million, 9.3 percent higher than the HK\$4,951 million recorded for the first half of last year.

Net interest income improved to HK\$3,669 million, a rise of 13.5 percent year-on-year. **Non-interest income** increased to HK\$1,743 million, 1.5 percent above the HK\$1,717 million recorded for the same period last year.

Operating expenses were HK\$3,275 million, an increase of 7.7 percent year-on-year. The **cost-to-income ratio** remained stable, falling by about one percentage point compared to the first half of 2009.

Operating profit before impairment losses for the first six months of 2010 improved to HK\$2,137 million, an increase of HK\$227 million, or 11.9%, year-on-year.

The BEA Group’s **net interest margin** widened to 1.84 percent during the first half of this year, up 7 basis points compared to the 1.77 percent during the same period last year.

Loan quality continued to improve. The BEA Group recorded a sharp drop in **impairment losses on loans and advances**, to HK\$150 million. This is 68.3 percent below the HK\$474 million recorded for the first half of 2009. The Group’s **impaired loan ratio** stood at 0.86 percent as of 30th June, 2010. **Operating profit after**

impairment losses for the first six months of this year rose to HK\$1,969 million. This is HK\$552 million, or 39.0 percent, above the result for the same period last year.

Profit after taxation grew to HK\$2,116 million for the first six months of 2010, 75.6 percent higher than a year ago. **Profit attributable to owners of the parent** totalled HK\$2,077 million, or 77.6 percent more than the figure for the corresponding period last year.

As of 30th June, 2010, the **total consolidated assets** of the BEA Group amounted to HK\$478.1 billion, an increase of 10.1 percent over the figure reported at the end of 2009.

Total deposits grew by 5.0 percent from HK\$345.3 billion as of 31st December, 2009, to HK\$362.6 billion as of 30th June, 2010. **Total advances to customers** surged 12.3% to HK\$278.2 billion, up from the HK\$247.7 billion at the end of 2009. **Total equity attributable to owners of the parent** stood at HK\$41.8 billion at the end of June 2010.

As of 30th June, 2010, BEA Group's **capital adequacy ratio** stood at 13.8 percent, higher than the 13.3 percent reported at the end of December 2009. The **average liquidity ratio** was 43.1 percent for the six months ended 30th June, 2010, compared to 43.8 percent reported for the same period last year.

According to Dr. David K.P. Li, Chairman & Chief Executive of the BEA Group, BEA's banking business performed extremely well during the period under review. "This strong result was underpinned by robust loan growth and a double-digit surge in fee and commission income, coupled with a significant fall in impairment losses," he said.

Despite the low interest rate environment in Hong Kong, BEA's net interest margin improved as a direct result of its success in developing new business with higher margins. In addition, growth in net fee and commission income was led by strong gains in fee income on loans, brokerage, and credit cards.

During the first six months of 2010, BEA's corporate banking business was particularly strong. Corporate and commercial loans grew significantly on the back of enhanced pricing and a nearly 20% rise in the loan balance against the figure reported at the end of 2009. BEA also enjoyed significant growth in trade finance services, and trade-related loan balances rose approximately 94 percent during the first six months of 2010.

On the retail banking front, BEA's residential mortgage loan portfolio grew above the market-average rate during the first half of the year, and the consumer finance business experienced double-digit growth in credit card advances and cardholder spending year-on-year. Improved market sentiment also helped BEA's mutual fund business to more than triple sales and double income over the same period in 2009. An expanded product range and growing investor appetite for structured products

supported strong growth in customer transaction volume, and boosted revenue from structured products by over 50%, year-on-year.

To further broaden its customer base and enlarge the catchment area of its broking operations, BEA completed the acquisition of the remaining shares of the securities and futures business from ICEA Finance Holdings Limited, a subsidiary of the Industrial and Commercial Bank of China (“ICBC”), in January 2010. These businesses were subsequently renamed Tung Shing Securities (Brokers) Limited and Tung Shing Futures (Brokers) Limited, respectively, in April 2010.

BEA’s wholly-owned subsidiary bank on the mainland, The Bank of East Asia (China) Limited (“BEA China”), also registered a strong performance in the first half of 2010.

As of 30th June, total loans outstanding at BEA China were up by 17.9 percent compared to the position one year ago, while the non-performing loan ratio stood at a very low 0.19 percent. BEA China increased its deposit base by 41.6 percent compared to the position in June 2009, bringing the loan-to-deposit ratio down to 96.5 percent at the end of June this year. “We are well on track to meet the 75% loan-to-deposit ratio target, which the China Banking Regulatory Commission requires of all banks operating on the mainland by the end of 2011,” Dr. Li stated.

BEA currently operates 80 outlets in 25 major cities on the mainland. In January 2010, BEA China opened its state-of-the-art data centre in Shanghai, thereby becoming the first locally incorporated foreign bank to set up its own data centre on the mainland. In May 2010, BEA China inaugurated its new headquarters building, BEA Finance Tower, in the heart of Shanghai’s Lujiazui Financial District.

With an extensive branch network on the mainland, a deep knowledge of the market, and rich expertise and a strong base in Hong Kong, BEA offers a compelling package for the growing number of companies and individuals on the mainland who are seeking investment opportunities overseas.

In terms of international business, BEA’s United Kingdom operation enjoyed double-digit growth in both residential and commercial mortgages, fuelled by increasing interest in UK properties from Hong Kong and other Asian investors. In Singapore, BEA formally established a new regional office to capitalise on strong economic growth in Southeast Asia. In January 2010, BEA completed the disposal of a 70% interest in The Bank of East Asia (Canada) to ICBC.

In his concluding remarks, Dr. Li said, “BEA has a strong capital base and a proven ability to manage our capital requirements efficiently. We are confident that we have both an effective strategy and the means to continue to deliver strong organic growth for our shareholders.”

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BEA – Serving customers through one of Hong Kong’s largest banking networks, with 139 branches and SupremeGold Centres around town

