

For Immediate Release

**BEA Reports Strong All-Round Performance
with Profit of HKD1.59 Billion in First Half of 2006**

Hong Kong, 4th August, 2006 – The Bank of East Asia and its subsidiaries (the “BEA Group”) have today announced a **profit after tax** of HKD1,591 million for the six months ended 30th June, 2006, an increase of 32.3 per cent over the same period in 2005. This represents a rise of HKD388 million above the net profit of HKD1,203 million reported for the same period last year.

Basic earnings per share rose to HKD1.03, compared with the corresponding figure of HKD0.79 per share for the first six months of 2005. **Return on average assets** and **return on average equity** were 1.3 per cent and 12.8 per cent respectively for the first half of this year.

The Board of Directors recommended an **interim dividend** of HKD0.43 per share, an increase of 30 per cent over the interim dividend of HKD0.33 per share paid to shareholders last year.

Due in large part to a significant improvement in the net interest margin in the first half of 2006, **total operating income** rose to HKD3,545 million, a growth of 28.7 per cent over the HKD2,753 million recorded for the first half of last year.

The BEA Group’s **net interest income** rose significantly by 38.3 per cent to HKD2,308 million for the first six months of 2006. **Non-interest income** also performed well, rising 14.0 per cent to HKD1,236 million. Non-interest income accounted for 34.9 per cent of the Group’s total income for the period, as compared with 39.4 per cent for the same period in 2005.

As a result of the continuing expansion of the Group’s activities, **total operating expenses** amounted to HKD1,637 million, an increase of 16.0 per cent over the corresponding figure in 2005. The **cost-to-income ratio** consequently fell from 51.2 per cent for the first half of 2005 to 46.2 per cent for the same period this year.

Total operating profit before impairment losses for the first six months of 2006 rose by 42.1 per cent to HKD1,908 million, or an increase of HKD565 million over the first half of 2005.

As the unique liquidity pressures that affected the local market last year have eased, the Group’s **net interest margin** has widened, up 27 basis points to 2.03 per cent for the first six months of this year.

The Group's asset quality remained strong, and the **impaired loan ratio** was 0.9 per cent. As a result, **operating profit after impairment losses** for the first six months rose to HKD1,757 million, an increase of 399 million or 29.4 per cent over the corresponding period in 2005.

Total profit after taxation increased to HKD1,591 million for the first six months of 2006, 32.3 per cent higher than the HKD1,203 million for the corresponding period last year. **Profit attributable to equity holders of the Group** also increased, to HKD1,565 million or 32.3 per cent more than the figure reported for the same period last year.

As at 30th June, 2006, **total consolidated assets** of the BEA Group amounted to HKD263.3 billion, a growth of 24.0 per cent over the figure reported for the period ended 30th June, 2005 and a 10.3 per cent increase over the figure reported for the year ended 31st December, 2005.

Total deposits increased by 10.7 per cent to HKD201.8 billion during the reporting period, while **total loan balances** amounted to HKD149.1 billion, an increase of 7.5 per cent compared with the year-end of 2005. **Total equity** stood at HKD25.5 billion as at the end of June 2006.

According to Dr. David K.P. Li, Chairman and Chief Executive of the BEA Group, performance was up across the board for the Group. Interest income, interest margin, fee-based income, and trading income were all significantly higher in comparison to the same period last year, powering the Group to another record half year.

Dr. Li said, "With our new business lines and our China platform now well established, my colleagues and I are confident that BEA is in an excellent position to maintain our strong growth. We are generating stronger shareholder returns and will continue to do so."

In Hong Kong, BEA opened four new SupremeGold Centres during the first half of this year, bringing the total number of centres to 30. Starting from September, all SupremeGold Centres and the vast majority of BEA's branches in Hong Kong will remain open for business on Saturday afternoons. Six select branches will also be open on Sundays.

Dr. Li also made reference to BEA's Wealth Management Division and the Group's subsidiary, Tricor Group as young businesses with a world of opportunity ahead. "The Wealth Management Division has attracted a strong client base. The strong pipeline of new initial public offerings and the active market provided superior opportunities to clients of BEA Private Banking during the period," he said.

Tricor also occupies a highly attractive business space and has been a major contributor to BEA's fee-based revenue, according to Dr. Li. Demand for its services has increased rapidly since its establishment five years ago, and the growing

importance of regional equity markets provides a sound basis for Tricor's continued strong performance.

Dr. Li also highlighted BEA's strength as a leader on the Mainland. "Very recently, we were honoured and excited to be one of the first six banks authorised to provide Qualified Domestic Institutional Investor (QDII) services to Mainland clients. Later this year, China will implement the final round of market liberalisation measures under its World Trade Organization obligations. We will then be able to offer a full range of wealth management services to local individuals. We will fully exploit our advantage in QDII to enhance our reputation as the partner of choice for wealth management services in China."

BEA has had a continuous presence in China since 1920 and today has one of the largest networks of any foreign bank in China, with 27 outlets throughout the country. According to Dr. Li, the total value of loans booked by BEA on the Mainland in the first half of this year was 53% higher than in the corresponding period last year.

During the reporting period, BEA also acquired National American Bank, a commercial bank with three branches within the San Francisco area. "With a largely Chinese clientele, National American Bank is a good fit for our American subsidiary (The Bank of East Asia (U.S.A.) N.A.). The acquisition enhances our ability to link overseas Chinese communities with our strong network in Hong Kong, the Mainland, Macau, and Taiwan."

Dr. Li commented that the Group's strong performance has enabled BEA to carry through on its promise to significantly reduce the cost-to-income ratio. "We expect that the cost-to-income ratio will continue to decline throughout this year and beyond," he said. BEA has also made good progress in implementing Basel II, and has already begun to incorporate Internal Ratings Based practices into its credit risk management process. In his concluding remarks, Dr. Li said, "With a favourable growth outlook, a sound business strategy, a modern operating foundation, and efficient management of capital, this Bank is at the beginning of a new era of growth and prosperity."

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BEA – Serving customers through one of Hong Kong's largest banking networks, with over 110 branches and SupremeGold Centres around town