

**For Immediate Release**

## **BEA Year 2003 Profits Leap 51% to HK\$1.92 Billion**

**Hong Kong, 10 February 2004** – The Bank of East Asia Group and its subsidiaries (the “BEA Group”) today announced a **consolidated profit attributable to shareholders** of HK\$1,922 million for the year ended 31 December 2003, a hefty increase of 51.3 per cent over that of HK\$1,270 million for 2002. The net profit reported is the second highest in BEA’s history.

**Basic earnings per share** and **cash earnings per share** rose to HK\$1.32 and HK\$1.42, respectively, compared with the corresponding figures of HK\$0.88 and HK\$0.98 per share the previous year. **Return on average equity** increased to 10 per cent in 2003.

The Board of Directors proposed a **final dividend** of HK\$0.62 per share, up 77.1 per cent over the HK\$0.35 declared for 2002. The rise is in line with the dividend policy established last year, and brings the total dividend for the year to HK\$0.85 per share, an increase of 51.8 per cent compared with HK\$0.56 per share for 2002.

2003 was a challenging year for both Hong Kong and the BEA Group. Despite the difficult operating environment, BEA recorded a growth in income. **Total operating income** for 2003 increased 6.7 per cent to HK\$5,396 million, while **total operating profit before provisions** increased 14.2 per cent to HK\$2,871 million.

Due to the continued narrowing of the net interest margin and the sluggish overall lending market, **net interest income** saw a slight decrease of 1.5 per cent, or HK\$56 million. However, **non-interest income** continued to grow robustly, rising by 28.2 per cent to HK\$1,800 million. The improvement is mainly due to higher fee-based and trading income.

**Operating expenses** shrank by 0.7 per cent to HK\$2,525 million, compared to HK\$2,543 million for 2002. This reflects the BEA Group’s successful efforts to contain costs, in spite of the cost implications of a major acquisition early in 2003. The **cost-to-income ratio** stood at 46.8 per cent, down from a high of over 50 per cent in 2002. BEA’s **net interest margin** narrowed to 2.00 per cent from 2.12 per cent the previous year.

BEA's asset quality continued to improve. As of 31 December 2003, the ratio of **non-performing loans** to total advances to customers dropped to 2.5 per cent, from 2.9 per cent as of the same date in 2002. Helped by effective and prudent credit management, BEA's **net charge for bad and doubtful debts** in 2003 decreased by a substantial 38.5 per cent to HK\$499 million, from HK\$811 million the previous year.

As a result, the BEA Group's **operating profit after provisions** recorded strong growth of HK\$669 million, or 39.3 per cent, to HK\$2,372 million.

Turning to the balance sheet, the **total consolidated assets** of the BEA Group amounted to HK\$198 billion at 2003 year-end, or 7 per cent up from HK\$185 billion the previous year. **Total deposits** rose by 5.9 per cent to reach HK\$161 billion. As of 31 December 2003, **total capital resources** increased by 5.5 per cent to HK\$24 billion.

The **capital adequacy ratio** was maintained at 17.2 per cent at 2003 year-end, while the **average liquidity ratio** for the year stood at 44.8 per cent. The **loan-to-deposit ratio** was 63.9 per cent at 31 December 2003, representing a 7.4 percentage point decrease from 71.3 per cent on the same date in 2002.

During 2003, the BEA Group saw a distinct improvement in its asset quality. Dr. David K. P. Li, the Group's Chairman and Chief Executive, said: "We will continue to place a high priority on credit management, with the aim of making a further significant reduction in the bad debt charge in 2004 and beyond." Dr. Li was also pleased to report the rise of the Group's ROE figure to 10 per cent, the first time BEA has reported in double digits since 2000.

Dr. Li revealed that the main focus for the bank in the coming years would be on expanding the revenue stream. In particular, BEA will further step up efforts to increase non-interest income. In 2003, non-interest income comprised 33.4 per cent of Group income, up from 27.8 per cent of Group income the previous year.

Commenting upon the strength of the BEA Group's performance in 2003, Dr. Li said that the achievement is founded upon successful implementation of the Group's long-range business strategy over the past four years. "Our business structure, product range and outlook are now far better suited to the financial needs of our clients in the 21<sup>st</sup> century," he said.

In an effort to extend its geographical reach and expand its customer base, the BEA Group concluded important strategic alliances with several major international banks during 2003. These included Resona Bank in Japan, UniCredito Italiano in Italy,

Hsinchu International Bank in Taiwan, Shenzhen Commercial Bank in China and Banco Popular Español in Spain.

Dr. Li said: “The cooperation has allowed us to channel new business to our Hong Kong and China branches. We will enter into similar relationships with other European and American banks.”

In Hong Kong, BEA is continuing its programme to transform the branch network, with the aim of enhancing the customer experience. BEA currently operates over 100 branches and SupremeGold Centres in Hong Kong.

In China, BEA's Shanghai Branch has lately been granted approval by the China Banking Regulatory Commission (“CBRC”) to provide Renminbi services to locally-owned companies. The Branch is among the first batch of foreign banks to win such approval. The other four branches now licensed to offer RMB services to foreigners and foreign-invested enterprises, namely Shenzhen, Dalian, Guangzhou and Zhuhai branches, have already lodged applications to the CBRC to conduct RMB business with locally-owned companies. It is expected that the applications will soon be approved.

BEA will continue to strengthen its network in China. In 2004, the Bank plans to upgrade Chengdu Representative Office to a full branch and establish a sub-branch in Luohu, Shenzhen. In addition, BEA will introduce more new banking products tailored to customers' needs in order to maintain its leading role among foreign banks in China.

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