

**For Immediate Release****BEA Launches “20% USD Target Redemption Index Linked Deposit”**

**Hong Kong, 8 March 2004** – The Bank of East Asia (“BEA”) today announced the launch of a principal protected investment product – 20% USD Target Redemption Index Linked Deposit (the “20% Target Deposit”). This 20% Target Deposit is an alternate investment opportunity for investors who anticipate that the USD short-term interest rate will not exceed the USD long-term interest rate in the foreseeable future.

The 20% Target Deposit is one of the many investment products that are currently being offered under the Linked Deposit Series of BEA. It provides 100% principal protection plus a 20% guaranteed coupon return to investors. The 1<sup>st</sup> and 2<sup>nd</sup> year annual coupon rates are guaranteed at 7%, payable semi-annually, which allow investors to enjoy an attractive return of 14% after two years. The remaining 6% coupon will be based on the interest rate spread between the USD 10-Year Interest Rate and the USD 2-Year Interest Rate (which will be multiplied by a constant factor of 1.5). The maximum investment tenor is 10 years.

However, once the total coupon payment reaches the Target Coupon Rate of 20% (“Target Redemption Event”), the deposit will be terminated and mature automatically. The wider the positive spread between the USD 10-Year Interest Rate and the USD 2-Year Interest Rate, the faster the return for investors. The current spread between the USD 10-Year Interest Rate and the USD 2-Year Interest Rate is some 2.44%.

The deposit automatically matures when the targeted 20% return is reached on any given Coupon Payment Date. At maturity or when Target Redemption Event happens, investors will receive the 100% protected principal plus the last coupon payment.

Comments by the US Fed during most of January 2004 suggested that rates would remain unchanged for the foreseeable future due to the low level of inflation and excess capacities. At the meeting on 28 January 2004, the Federal Open Market Committee remarked that “it believes it can be patient in removing ‘Monetary Stimulus’”. Accordingly, it is expected that the prospect for rate hikes is less probable since any deviation from the current low interest rate environment would dampen the mood for further investment from corporations and reduce the consumption expenditure from consumers. Even if there is a chance of interest rates hike, the magnitude should be modest. The possibility of the yield curve having a reverse slope seems very unlikely. History has shown that over the past 10 years, not a single day has the USD 10-Year Interest Rate fallen below the USD 2-Year Interest Rate.

The launch period for this 20% Target Deposit will be from 8 March 2004 to 19 March 2004. No subscription fee or management fee will be levied for placing this 20% Target Deposit. Early withdrawal of the 20% Target Deposit will only be allowed from the 3<sup>rd</sup> year onwards along with associated administrative fees. BEA will provide overdraft facility with a competitive interest rate to its select customers upon request.

For further details, please refer to the Principal Brochure of 20% USD Target Redemption Index Linked Deposit.

Details of the 20% Target Deposit:

Offer Period	8 March 2004 – 19 March 2004
Minimum Deposit Amount for each Depositor	USD 10,000 or its multiple
Minimum Aggregate Amount for all Depositors	USD 10,000,000
Settlement Date	24 March 2004
Maturity Date	24 March 2014 (or once the targeted 20% is accrued)
Fees & Charges	No fees and charges are payable by investors. All related charges incurred by the Bank are already inherently contained in and subsumed into the calculation of the interest rate and other variables under the deposit.
Early Withdrawal	Redemption prior to maturity is only permitted from the 3 <sup>rd</sup> year onwards and is subject to costs, losses, and expenses absolutely determined by the Bank.

**Disclaimer:**

20% USD Target Redemption Linked Deposit is not the same as nor should it be treated as a substitute for normal time deposits. By participating in such Linked Deposit, the investors are committed to hold the Linked Deposit until the Maturity Date (unless the accumulated coupon payment reaches the Target Coupon Rate of the Deposit Amount prior to the Maturity Date). If the USD 2-Year Interest Rate rises sharply beyond the USD 10-Year Interest Rate 2 years afterwards (i.e. negative spread) and the spread never returns to positive again, investors will then receive no coupon payment on the relevant Coupon Payment Dates and need to hold the Linked Deposit for 10 years until the Maturity Date. The remaining coupon up to the Target Coupon Rate will be paid at the Maturity Date.

Investors should note that in case of early redemption of the Linked Deposit before the Maturity Date, they may not receive the full original invested capital nor the Target Coupon Rate. The invested capital and the Target Coupon Rate would only be 100% guaranteed if investors hold the Linked Deposit until the Maturity Date or the occurrence of the Target Redemption Event, as the case may be. This Linked Deposit is denominated in USD. Investors who wish or intend to convert the Deposit Amount and / or Coupon Amount into a different currency (e.g. Hong Kong Dollar) are subject to the relevant foreign exchange risk. Investors should fully understand about all the risks associated in the Linked Deposit before making an investment decision. Investors should seek independent legal and financial advice.

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