

## **BEA Reports First Half Profits of HK\$787 Million**

**Hong Kong, 1 August 2002** – The Bank of East Asia Group and its subsidiaries (the “BEA Group”) today announced a **consolidated profit attributable to shareholders** of HK\$787 million for the six months ended 30 June 2002, representing a decline of 22.3 per cent over the same period in 2001. However, this result was HK\$199 million, or 33.8 per cent, above the net profit of HK\$588 million recorded for the second half of 2001. **Basic earnings per share** and **cash earnings per share** decreased to HK\$0.55 and HK\$0.59, respectively, compared with the corresponding figures of HK\$0.71 per share and HK\$0.74 registered in the first half of the previous year.

The Board of Directors proposed an **interim dividend** of HK\$0.21 per share. This is the same as the dividend paid out in the year earlier period.

**Operating profit before provisions** in the first half of 2002 fell by 4.1 per cent compared with the year earlier period to HK\$1,272 million. However, the figure achieved compares favourably with the second half of 2001, rising 24.1 per cent from HK\$1,025 million. Of total operating income, **non-interest income** grew significantly by 28.4 per cent to HK\$823 million. The share of non-interest income against total income increased to 30.3 per cent from 23.7 per cent the previous year. **Total operating income** for the first half of 2002 amounted to HK\$2,721 million, which was above that for the same period of 2001.

**Operating expenses** for the BEA Group rose to HK\$1,449 million, an increase of 4.9 per cent over the same period in 2001. However, expenses were down 2.1 per cent when compared to the preceding six months. **Net interest margin** narrowed to 2.23 per cent, primarily due to the intense competition within the banking sector and the enduring low interest-rate environment.

As of 30 June 2002, **non-performing loans** to total advances to customers improved to 2.9 per cent from 3.5 per cent as of the same date in 2001. The **charge for bad and doubtful debts**, however, increased to HK\$321 million from HK\$49 million. This was mainly attributable to the deterioration in the quality of credit card receivables since the last quarter of 2001.

The BEA Group’s **total consolidated assets** at the end of June 2002 amounted to

HK\$180 billion, a slight fall of one per cent compared with 2001. **Total deposits** reached HK\$147 billion. As of 30 June 2002, **shareholders' funds** stood at HK\$19 billion, an increase of 4.4 per cent over the previous year.

At BEA, the **capital adequacy ratio** was maintained at 17.1 per cent as at the end of June 2002, while the **average liquidity ratio** for the first six months of 2002 was reported at 46.4 per cent. **Loan-to-deposit ratio** was 75.6 per cent at 30 June 2002.

Dr. David K. P. Li, Chairman and Chief Executive of the BEA Group, said the Bank has remained on course with its basic strategy despite the difficult trading environment. "We have completed the merger of First Pacific Bank on 1 April 2002, and have rolled out the Branch Transformation Project on schedule.

"BEA has taken advantage of the market opening measures introduced in China. We have also taken action to reduce costs, closing uneconomic branches and streamlining our operations. The work that has been done will yield important benefits going forward," Dr. Li said.

Commenting on the achievements made during the first half of 2002, Dr. Li highlighted the good progress made in the Branch Transformation Project. Back office operations at branches have been centralised and standard procedures improved. "In addition to making more efficient use of resources, our aim is to shift the primary focus of our branches to serving as centres for the distribution of a range of financial service products," according to Dr. Li.

This echoes the Bank's strategy of generating new sources of income, even as it steps up cost control efforts. In the same spirit, BEA unveiled that it would open new branches and relocate some existing outlets to more strategic locations. The Bank would also continue to close branches that no longer fit its network strategy.

Dr. Li continued: "In China, we are gearing up our retail operations, appealing to high net worth individuals on the Mainland." To better serve its customers, BEA has relocated its Shanghai Pudong Branch to the new Bank of China Tower, and plans to open a new sub-branch in Guangzhou in the fourth quarter.

Earlier this year, BEA obtained approval to offer full foreign currency services at all its branches in China. In addition, the Bank obtained a third Renminbi licence, allowing the Dalian Branch to operate the same services now offered by the Shanghai and Shenzhen branches.

BEA has tightened credit controls and is requesting more information from credit card applicants, following the rise in provisions made on its card portfolio. BEA is supportive of efforts to establish an independent agency allowing banks to share customers' positive credit information.

As regards overseas operations, BEA announced that effective 1 August 2002, the name of Grand National Bank, of which BEA acquired 100 per cent interest in August 2001, will be changed to The Bank of East Asia (U.S.A.) N.A. This is to reflect the ownership and to reinforce BEA's brand name in conjunction with the acquisition.

Looking ahead, BEA believes the underlying economic trends are positive, despite the volatility seen in the financial markets over the last few months. In particular, Dr. Li was confident in the economic development in China. "Investment in China is rising, which is good for Hong Kong and good for this Bank's business, as we have the largest number of outlets in China of any foreign bank. Economic growth in China has exceeded expectations so far this year. The rise has boosted demand for Hong Kong-based services on the Mainland."

BEA believes that Hong Kong should show stronger growth in the latter half of 2002. The weaker US dollar, the influx of Mainland tourists to Hong Kong and the favourable export performance figures announced by the Government all reinforced the Bank's optimism toward the recovery.

Dr. Li concluded: "With our decisive action to control costs, our comprehensive strategy to grow our fee-based income and our market-leading presence in China, BEA is making its own opportunities as Hong Kong returns to growth."

- End -

For further information, please contact:

Mr. Chan Kay-cheung  
Executive Director and Deputy Chief Executive

Tel: 2842 3203

Mr. Daniel Wan  
General Manager and Chief Financial Officer

Tel: 2842 3328