

For Immediate Release

BEA Announces Record-High Profit of HK\$1.91 Billion for First Half of 2007

Hong Kong, 2nd August, 2007 – The Bank of East Asia and its subsidiaries (the “BEA Group”) have today announced a **profit after tax** of HK\$1,911 million for the six months ended 30th June, 2007, an increase of 20.1 per cent over the same period in 2006. The result represents a rise of HK\$319 million above the net profit of HK\$1,591 million reported for the same period last year.

Basic earnings per share rose to HK\$1.20, compared with the corresponding figure of HK\$1.03 per share for the first half of 2006. **Return on average assets** and **return on average equity** were 1.2 per cent and 13.8 per cent respectively for the first six months of 2007.

The Board of Directors recommended an **interim dividend** of HK\$0.48 per share, an increase of 11.6 per cent over the interim dividend of HK\$0.43 per share paid to shareholders at this time last year.

Total operating income rose to HK\$4,478 million, a growth of 26.3 per cent over the HK\$3,545 million recorded for the first half of last year.

The BEA Group’s **net interest income** rose by 16.6 per cent to HK\$2,762 million for the first six months of this year. Strong results from equities, credit cards, and business services lifted **non-interest income** to HK\$1,716 million, a rise of 45.8 per cent over the first half of last year. Non-interest income accounted for 38.3 per cent of the Group’s total income for the period, as compared with 33.2 per cent for the same period in 2006.

Total operating expenses amounted to HK\$2,179 million, an increase of 33.1 per cent over the corresponding figure in 2006. The **cost-to-income ratio** consequently rose from 46.2 per cent for the first half of last year to 48.7 per cent for the same period this year.

Total operating profit before impairment allowances for the first six months of 2007 rose by 20.5 per cent to HK\$2,299 million, or an increase of HK\$391 million over the first half of 2006.

The BEA Group’s **net interest margin** has narrowed this year, down 12 basis points to 1.93 per cent for the first six months of 2007.

The Group’s asset quality has continued to improve, with its ratio of **impaired loans to total advances** to customers at 0.6 per cent. As a result, **operating profit after impairment allowances** for the first six months rose to HK\$2,279 million, an increase of HK\$522 million or 29.7 per cent over the corresponding period in 2006.

Total profit after taxation increased to HK\$1,911 million for the first six months of 2007, 20.1 per cent higher than the HK\$1,591 million for the corresponding period last year. **Profit attributable to equity holders of the Group** also increased, to HK\$1,877 million or 19.9 per cent more than the figure reported for last year.

As at 30th June, 2007, **total consolidated assets** of the BEA Group amounted to HK\$343.2 billion or growth of 30.3 per cent over the figure reported for the period ended 30th June, 2006 and a 16.7 per cent increase over the figure reported for the year ended 31st December, 2006.

Total deposits increased by 11.2 per cent to HK\$240.8 billion during the reporting period, while **total loan balances** amounted to HK\$202.9 billion, an increase of 36.1 per cent over the HK\$149.1 billion reported for the first half of 2006. **Total equity attributed to equity holders** stood at HK\$28.4 billion as at the end of June 2007.

According to Dr. David K.P. Li, Chairman & Chief Executive of BEA, the Bank continued to create exceptional value for its shareholders, with profits reported for the period at a record high and expansion at a record pace.

In Hong Kong, BEA opened two new SupremeGold Centres during the first half of this year, bringing the total number of centres to 37. BEA also focused on growing its credit card business, with customer acquisition and card spending showing strong double-digit gains during the first six months of 2007. Impressive results have also been posted by the Group's Wealth Management business, which issued three times more equity-linked structured products than it did during the same period last year.

Last April, the BEA Group and Germany's Union Asset Management Holding AG formed a new joint venture named BEA Union Investment Management Ltd. "We are well positioned to expand our presence in the fund management business in the region, including the mainland," said Dr. Li. "Given the high savings rate on the mainland, and in the region generally, we see significant opportunities for this business going forward," he added.

BEA has been particularly active in China in 2007. Dr. Li said, "The launch of The Bank of East Asia (China) Limited in April marks the beginning of a new era for this Bank. BEA (China) gives us greater freedom to develop the synergies among our mainland, Hong Kong, and overseas operations." Incorporated on the mainland and headquartered in Shanghai, BEA (China) is responsible for most of the BEA Group's banking business in China. "BEA (China) puts us on equal footing with mainland banks. We can now accept deposits and make loans in Reminbi, just as local banks. For the first time, we can participate fully in the extraordinary strength of the mainland economy," he added. BEA is well prepared to serve the needs to China's fast-growing consumer base as the demand for credit and investment services continues to rise dramatically.

Since its establishment, BEA (China) has expanded at a rapid pace. At present, BEA (China) operates a headquarters office, 13 branches, and 24 sub-branches, while BEA continues to manage 5 representative offices and a branch in Shanghai through which it conducts foreign exchange wholesale business. In total, there are 44 outlets in operation, representing an increase of more than 60% over the same period last year. “Given that we operate 88 branches in Hong Kong, our branch network on the mainland is now one-half that of our home base. This shows how our substantial commitment to the mainland is transforming this Bank”, stated Dr. Li.

Dr. Li also commented that the growth of on-shore and Qualified Domestic Institutional Investor (“QDII”) products in China over the past six months has been remarkable. “We launched 40 new investment products between January and June, six times as many as in the same period last year,” he said.

On the international front, The Bank of East Asia (U.S.A.) N.A. opened two new branches in New York, bringing the subsidiary’s total number of branches in the U.S. to 12. The Bank also operates six branches in Canada. According to Dr. Li, BEA has plans to open an additional seven branches.

In Europe, BEA’s London Branch has recorded strong growth in its mortgage and syndication loan businesses, and the Bank is currently evaluating locations in Manchester and North London for a new branch. In Southeast Asia, BEA has announced its interest in Affin Bank of Malaysia, and new, larger premises have been purchased for the Bank’s Singapore Branch.

Dr. Li also commented on the strong contributions of its subsidiary, Tricor Group, to the BEA Group’s recurrent fee-based income. In April 2007, Tricor successfully finalised the acquisition of the corporate formation and company secretarial and administrative services business of Ernst & Young in Barbados.

In his concluding remarks, Dr. Li said, “This has been another highly successful period for the BEA Group. Our vision continues to deliver strong returns for our shareholders today, and create excellent prospects for the BEA Group going forward.”

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BEA – Serving customers through one of Hong Kong’s largest banking networks, with over 120 branches and SupremeGold Centres around town