For Immediate Release

Hong Kong, 1st August, 2014

The Bank of East Asia, Limited
2014 Interim Results – Highlights
(for the six months ended 30th June, 2014)

	HK$ Million
Profit attributable to owners of the parent - representing an increase of 6.0% compared with the first half of 2013	3,580
Return on average assets (annualised)	0.93%
Return on average equity (annualised)	11.19%
Net interest margin	1.79%
Basic earnings per share	HK$1.48
Interim dividend per share (with scrip option)	HK$0.43
Dividend payout ratio	29.3%
Total consolidated assets	805,349
Total advances to customers	438,802
Impaired loan ratio	0.44%
Total deposits	608,203
Loan to deposit ratio	72.1%
Average liquidity ratio for the period	50.2%
Common Equity Tier 1 ratio	11.6%
Tier 1 capital ratio	12.2%
Total capital ratio	15.7%

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BEA 東亞銀行

Speech by Dr. David K.P. Li, Chairman & Chief Executive of The Bank of East Asia ("BEA")

Our Group achieved a solid performance gain across the board for the first half of this year, with net interest income up by 10.2%, and non-interest income up by 11.5%.

As a result, Profit Attributable to Owners of the Parent increased by 6% to HK$3.6 billion. Shareholders will receive an interim dividend of HK$0.43 per share.

Our ability to post this gain is notable, given the difficult operating environment we faced during the first half of this year.

No market was immune. The Chinese economy is under strain, as the Government grapples with economic restructuring.

Hong Kong's growth weakened due to a sharp fall in retail sales and labour shortages in the construction sector.

Overseas, the US economy contracted in the first quarter, and much of Europe continues to underperform.

Despite these headwinds, we maintained our growth track.

We succeeded due to teamwork. We made intelligent use of our global capability, as our business units worked together across geographies to serve customer needs.

This ability is critical in the present environment. There is no shortage of demand for loans; there is only a shortage of quality borrowers.

Our cross-border platform gives us a real advantage in sourcing strong borrowers who have a genuine business need for credit.

BEA China played a key role, identifying clients with offshore business operations and issuing Letters of Credit as guarantees against loans booked at offshore operations. Thus, BEA China developed a good source of fee-based income for itself, while generating new loan business for our Hong Kong and overseas units.

This strategy supported a 20.1% year-on-year increase in net fee and commission income at BEA China, and double-digit increases in our loan balances in Hong Kong and Singapore in particular.

Also notable, income continues to grow faster than expenses. Overall, the Group cost-to-income ratio declined from 54.2% for the first half of 2013, to 53.2% this year.

BEA China's cost-to-income ratio declined from 57.8% for January to June 2013 to 55.3% in 2014.

This improvement is attributable both to stronger revenue, and to productivity gains due to rationalisation of operating procedures.

We see a very slight improvement in the business environment for the remainder of this year, compared to the first half of 2014. We have noted a pick-up in economic activity overseas, after a very disappointing first quarter, and a willingness to press ahead with market reforms on the Mainland.

For example, we note growing optimism about the beneficial impact of the Shanghai-Hong Kong Stock Connect scheme.

Nevertheless, I must point out that the cost of regulation is rising for all banks. Such cost pressures may weigh on earnings going forward.

We have an excellent franchise, a strong management team, and a committed staff. I am very grateful to the entire team for the results that we have presented to you today. I have no doubt that we will continue to succeed.

In this regard, I am very pleased to announce that earlier today the Board of Directors appointed Mr. Adrian Li and Mr. Brian Li as Executive Directors of this Bank, effective 2nd August, 2014. They have led our Hong Kong and China business units from strength to greater strength, and we greatly look forward to their contribution at Board level.

Financial Review

For the first six months of 2014, the Group achieved a profit attributable to owners of the parent of HK$3,580 million, representing an increase of HK$204 million, or 6.0%, compared with the HK$3,376 million earned in the same period last year. Basic earnings per share were HK$1.48. Return on average equity and return on average assets were 11.2% and 0.9%, respectively.

During the first six months of 2014, the Group's net interest income increased by HK$577 million, or 10.2%, to HK$6,241 million, primarily due to growth in advances to customers and trade bills. Net fee and commission income rose by HK$160 million, or 8.1%, to HK$2,141 million, while overall non-interest income increased by HK$305 million, or 11.5%. Operating income increased by 10.6% to HK$9,202 million.

Total operating expenses rose by 8.6% to HK$4,893 million. Operating efficiency continued to improve as the cost-to-income ratio fell from 54.2% in the first half of 2013 to 53.2% in the first half of 2014. If the business tax and surcharges applied to the Bank's China operations are excluded from operating expenses and grouped under taxation, the cost-to-income ratio would instead stand at 49.4%.

Operating profit before impairment losses rose to HK$4,309 million, an increase of HK$496 million, or 13.0%, when compared with the corresponding period in 2013.

Impairment losses grew by 73.5% to HK$316 million, yet remained at a low and controllable level.

Operating profit after impairment losses was HK$3,993 million, an increase of 10.0%, or HK$363 million.

Valuation gains on investment properties decreased to HK$115 million. In addition, the Group shared after-tax profits from associates of HK$309 million.

After accounting for income taxes, profit after taxation rose to HK$3,632 million, an increase of 5.9% compared to the HK$3,430 million recorded in the corresponding period in 2013.

Financial Position

Total consolidated assets of the Group stood at HK$805,349 million at the end of June 2014, an increase of 6.8% over the HK$753,954 million at the end of 2013. Gross advances to customers rose by 8.3% to HK$438,802 million. Total equity increased to HK$71,210 million, up 4.4%.

Total deposits from customers grew by 4.6% to HK$559,512 million. Demand deposits and current account balances decreased by HK$4,995 million, or 7.2%, compared with the balance at year-end 2013. Savings deposits decreased to HK$92,480 million, a drop of 0.5%, while time deposits increased by HK$29,992 million, an increase of 8.0%, when compared with the year-end positions. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, grew by 5.2% to HK$608,203 million.

The loan-to-deposit ratio was 72.1% at the end of June 2014, 2.0 percentage points higher than the 70.1% reported at the end of 2013.

About The Bank of East Asia, Limited

Incorporated in 1918, BEA is Hong Kong's largest independent local bank, with total consolidated assets of HK$805.3 billion (US$103.9 billion) as of 30th June, 2014. The Bank is listed on The Stock Exchange of Hong Kong, and is a constituent stock of the Hang Seng Index.

BEA offers customers a comprehensive range of commercial banking, personal banking, wealth management, and investment services through an extensive network of more than 240 outlets covering Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom, and the United States. For more information, please visit any BEA branch or the Bank's homepage at www.hkbea.com.

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BEA – Operator of one of the largest banking networks in Hong Kong