For Immediate Release

Hong Kong, 12th February, 2015

The Bank of East Asia, Limited
2014 Final Results – Highlights
(for the year ended 31st December, 2014)

	HK$ Million
Profit attributable to owners of the parent - representing an increase of 0.7% compared with the year ended 31st December, 2013	6,661
Return on average assets (annualised)	0.8%
Return on average equity (annualised)	10.1%
Net interest margin	1.77%
Basic earnings per share	HK$2.72
Second interim dividend per share (with scrip option)	HK$0.68
Dividend payout ratio	41.0%
Total consolidated assets	795,891
Total advances to customers	443,287
Impaired loan ratio	0.62%
Total deposits	592,582
Loan to deposit ratio	74.8%
Average liquidity ratio	50.2%
Common Equity Tier 1 ratio	11.8%
Tier 1 capital ratio	12.5%
Total capital ratio	16.7%

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

The Mainland economy has entered a period of transition. It became clear during the past year that the Mainland leadership is willing to sacrifice headline growth in exchange for structural reform. This trend will continue for 2015.

In Hong Kong, strong employment numbers mask growing anxiety about the overall health of the economy. Tension is widespread, from the decline in luxury spending, to missed construction deadlines, to imbalances in the property market. Yet more uncertainty lies ahead, with interest rates likely to begin rising in 2015.

The banking industry rises and falls with the economy, and the BEA Group could not avoid the impact of these negative trends. Nevertheless, our final result once again demonstrates the resilience of our business model and of our long-term strategies.

For 2014, we delivered a profit attributable to owners of the parent of HK$6.7 billion.

Basic earnings per share were HK$2.72. Shareholders will receive a total dividend of HK$1.11 per share for the year.

Our underlying business grew, although more slowly than in recent years. Net interest income was up by 3.2% year-on-year, and non-interest income by 11.8%.

Second half 2014 earnings were impacted by an increase in impairment losses, the general business slowdown on the Mainland and the recent depreciation of the Renminbi against the Hong Kong dollar. This latter development meant that the contribution of Mainland earnings reported in Hong Kong dollars was lower.

We are facing difficult times. Nonetheless, BEA has proactively managed for the downturn, and we are confident that we will emerge stronger than ever, once economic conditions improve.

The economic slowdown on the Mainland was widely anticipated, and BEA China took active measures to manage its resources accordingly.

We tightened credit policies generally, and kept loan growth in check.

We are carefully managing the pace of network expansion. While we opened a new sub-branch in the Shanghai Pilot Free Trade Zone to leverage emerging business opportunities, we closed a sub-branch elsewhere in the city. We converted our last remaining representative office, in Fuzhou, to a full branch. In January this year, we opened a new branch in Nanning, a major hub for trade with Southeast Asia.

Meanwhile, BEA China has worked with our regional and international network to promote cross-border business, earning significantly higher fee income as the value of standby letters of credit issued more than doubled.

Our committed efforts to contain costs paid real dividends as income growth slowed. For the Group as a whole, costs rose by 2.8% in 2014. Despite slower top-line growth, we reduced the cost-to-income ratio by 1.5 percentage points to 54%. We will continue to keep very tight control over operating expenses going forward.

Costs at BEA China were particularly well managed last year, with the year-on-year increase held to just 1.3%.

In Hong Kong, we are actively re-engineering our work processes to drive down the cost of business. We are also very focused on new customer acquisition, and have carefully aligned our services to the demographic we wish to attract. Both these efforts have been very successful.

In the five years to the end of 2014, the number of customers who have subscribed to our Cyberbanking service has more than doubled. A significant and growing number of banking transactions are now handled electronically, freeing up our banking halls to offer value-added services.

Our omni-channel banking platform, including our digital branches and mobile offering, has been instrumental in attracting a young, professional clientele to the Bank.

The number of new customers from the professions has grown by 60% during the past five years. Our strategies have also been effective in attracting university students. Most have maintained and actively use their accounts after graduating.

By tailoring our services effectively, we have been very successful in attracting a mature affluent clientele to our wealth management service, SupremeGold. Furthermore, a growing number of wealthy Mainland individuals are choosing BEA Private Banking as their investment advisor.

BEA was named Best Private Bank in Hong Kong for 2014 by Private Banker International.

These ongoing efforts ensure that our customer profile remains vibrant, attractive and productive.

Our relationships with leading banks worldwide form a cornerstone of our business strategy. These relationships range from simple customer referral and joint marketing initiatives on the one hand, to the provision of funding support on the other.

We continue to deepen and strengthen our business relationships with our significant shareholders, CaixaBank S.A. and Sumitomo Mitsui Banking Corporation (SMBC).

In 2014, SMBC and BEA entered into a Memorandum of Understanding whereby SMBC will acquire newly issued shares in BEA, subject to definitive agreements and regulatory approvals.

This investment will further strengthen the relationship between our two institutions and demonstrates the confidence of SMBC in BEA.

Importantly, the share subscription will raise our common equity tier 1 capital. This will provide a solid foundation for future growth and prepare the Bank for tighter capital rules for the banking industry.

Our performance record is strong. We have a committed and talented workforce. We have a proven ability to move with changing times. We will continue to be proactive; deepen our relationships with overseas banking institutions; and focus on serving our customers.

BEA 東亞銀行

Financial Review

For the year 2014, the Group again achieved a record high profit attributable to owners of the parent of HK$6,661 million, an increase of HK$48 million or 0.7% compared with the HK$6,613 million earned in 2013. Basic earnings per share were HK$2.72. Return on average equity and return on average assets were 10.1% and 0.8%, respectively.

Group net interest income increased by HK$391 million, or 3.2%, in 2014 to HK$12,653 million, primarily due to growth in advances to customers and trade bills. Net fee and commission income rose by HK$249 million, or 6.4%, to HK$4,146 million, while overall non-interest income rose by 11.8% to HK$5,579 million. Operating income increased by 5.7% to HK$18,232 million.

Total operating expenses rose by 2.8% to HK$9,849 million. Operating efficiency further improved as the cost-to-income ratio fell from 55.5% in 2013 to 54.0% in 2014. If the business tax and surcharges applied to the Bank's Mainland operations are excluded from operating expenses, the adjusted cost-to-income ratio would decrease from 51.9% to 50.4%.

Operating profit before impairment losses rose to HK$8,383 million, an increase of HK$713 million, or 9.3%, when compared with 2013.

Impairment losses grew by 89.8% to HK$1,001 million, mainly related to loans and advances.

Operating profit after impairment losses was HK$7,382 million, an increase of 3.3% or HK$239 million.

Valuation gains on investment properties decreased to HK$228 million while profit on the sale of fixed assets was also trimmed to HK$74 million. In addition, the Group shared after-tax profits from associates of HK$645 million.

After accounting for income taxes, profit after taxation rose to HK$6,774 million, an increase of 1.0% above the HK$6,707 million recorded in 2013.

Financial Position

Total consolidated assets of the Group stood at HK$795,891 million at the end of 2014, an increase of 5.6% over the HK$753,954 million at the end of 2013. Gross advances to customers rose by 9.4% to HK$443,287 million. Total equity increased to HK$73,444 million, up 7.6%.

Total deposits from customers grew by 2.5% to HK$548,184 million. Demand deposits and current account balances decreased by HK$1,922 million, or 2.8%, compared with the balance at year-end 2013. Savings deposits increased to HK$100,782 million, a rise of 8.4%, while time deposits increased by HK$7,289 million, or 2.0%, when compared with the year-end positions. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, grew by 2.5% to HK$592,582 million.

The loan-to-deposit ratio was 74.8% at the end of December 2014, 4.7 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$795.9 billion (US$102.6 billion) as of 31st December, 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