For Immediate Release

Hong Kong, 15th February, 2016

The Bank of East Asia, Limited
2015 Final Results - Highlights
(for the year ended 31st December, 2015)

- ***We will remain vigilant in the management of our loan exposure in Mainland China***
- ***We will exercise stringent cost control in view of the challenging operating environment***
- ***Our sound capital position will enable us to weather future headwinds***

	HK$ Million
Profit attributable to owners of the parent — representing a decrease of 17.1% compared with the year ended 31st December, 2014	5,522
Return on average assets	0.63%
Return on average equity	6.61%
Net interest margin	1.66%
Basic earnings per share	HK$1.95
Second interim dividend per share (with scrip option)	HK$0.50
Dividend payout ratio	46.4%
Total consolidated assets	781,364
Total advances to customers	441,506
Impaired loan ratio	1.13%
Total deposits	578,020
Loan to deposit ratio	76.4%
Liquidity coverage ratio - average for the year	137.0%
Common Equity Tier 1 ratio	12.2%
Tier 1 capital ratio	13.7%
Total capital ratio	17.2%

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

At the outset, I would like to make sure that you have seen our announcement earlier today that three of our long-standing Directors will be stepping down from the Board at the conclusion of the 2016 Annual General Meeting. We have already identified suitably qualified candidates to join the Board, and will make a further announcement in due course.

I wish to thank Mr. Wong Chung-hin, Tan Sri Dr. Khoo Kay-peng and Mr. Eric Li Fook-chuen for their outstanding service to this Bank. Without their wise counsel and dedication, we could not have built the extensive franchise in China and overseas that we have today.

As you are aware, the Bank is facing a challenging macroeconomic environment. China's growth is slowing, as the country shifts to become a consumer and services-driven economy. Global confidence is being undermined by weak commodity prices. These forces are impacting Hong Kong and the local banking sector.

Significantly, during the past year, the Chinese government has reaffirmed its commitment to the market, relaxing controls over interest rates and making the Renminbi more responsive to market forces. While these moves have given rise to volatility in the short term, we believe that, longer term, the combination of stimulus measures and economic reform pursued by the Mainland will support sustainable growth going forward.

There are many good opportunities for our business, and we will continue to focus on our longer-term strategy. We have been operating in China for almost a century. We have faced these downturns before, and we have always come back stronger.

In 2015, The Bank of East Asia Group earned a Profit Attributable to Owners of the Parent of HK$5.52 billion, representing a decline of HK$1.14 billion, or 17.1%, compared to a profit of HK$6.66 billion in 2014. While our China business was severely challenged, we achieved solid results in Hong Kong and overseas. Basic earnings per share stood at HK$1.95.

We understand how important the dividend is to our investors in this current climate. The Board has declared a 2015 second interim dividend of HK$0.50 per share, bringing the dividend for the year to HK$0.88 per share. This represents a dividend pay-out ratio of 46%, and also reflects our confidence in the long-term prospects of the Bank.

Hong Kong is our home and remains the backbone of our business. While higher Renminbi funding costs in the first half impacted our results, we are pleased to report continued growth in personal banking and wealth management.

We are a well-established business with a solid franchise, but we do not stand still. We recognise that the rapid growth of the digital economy is changing consumer behaviour, and we are aggressively implementing the digital transformation of our business.

With the slowdown in the Mainland economy, risk management is critical. BEA China is applying a more conservative approach to lending, and our proactive measures have necessarily resulted in reduced loan volumes and margins. Margins at BEA China have also been affected by a series of policy rate cuts.

Despite the challenges facing our Mainland business, we remain deeply rooted as one of the leading foreign banks on the Mainland, with a wide-reaching branch network, extensive local connections and strong cross-border capabilities.

Our overseas business performed well, with 3.3% year-on-year growth, after excluding a one-off write back in 2014. This improvement is due to stronger performance of the US and UK economies, and leveraging on our international network to complement client activities from Greater China.

When we reported our annual results last year, we anticipated that the restructuring of the Mainland economy would have a negative impact on our business in 2015. We also highlighted the proactive measures that we were taking to protect our business.

In Hong Kong, we further strengthened our personal banking and wealth management businesses. We lowered funding costs by attracting more current and savings deposits;

we generated higher fee income through wealth management and insurance products; we increased scale through the acquisition of a mortgage portfolio from Prime Credit; and we successfully launched 20 new digital branches across Hong Kong. This has resulted in a higher operating income and stronger positioning in personal banking and wealth management.

BEA China took aggressive action to manage asset quality. Our Mainland subsidiary reduced exposure to distressed and overcapacity sectors, and refocused attention on large corporate clients. It tightened credit guidelines, and increased efforts to recover non-performing loans. As a result, the impaired loan ratio at BEA China stabilised in the second half of 2015, even as the economy deteriorated further.

In addition, we maintained tight control over costs at BEA China, with total operating expenses falling by 9.55% year-on-year in 2015.

As a Group, we maintained sound liquidity levels, with our liquidity coverage ratio well above the 2019 regulatory requirement. Our capital ratios further strengthened following the completion of the private share placement to Sumitomo Mitsui Banking Corporation (“SMBC”) in the first half of the year.

At the end of December last year, our Common Equity Tier 1 capital ratio stood at 12.2%. The decline in the second half of 2015 follows a regular review of our risk model, and our decision to maintain a more prudent approach given the current economic uncertainties.

Looking at the year ahead, we do not expect a material improvement in the business environment. As such, proactive cost control remains a top priority.

We have instituted a headcount freeze across the Bank Group, while stepping up training to build a more flexible and productive workforce.

We are continuing to drive improvement of basic systems and processes. Already, we have improved back-office efficiency in Hong Kong by more than 30% during the past three years. Our digital branch initiative will yield further improvements in 2016 and beyond.

We have accelerated the second phase of our Mainland branch review in order to further enhance outlet productivity. We anticipate that some sub-branches on the Mainland will merge this year as a result.

At the same time, we are focussing on a number of business strategies to drive efficient growth. As a nimble business with a strong China-Hong Kong-International connection, we will actively manage cross-border opportunities as they materialise. We will also further enhance our wealth management business, optimise our deposit structure to further lower the cost of funding, and increase treasury activities by broadening the range of treasury products we offer.

Asset quality and risk management will continue to be of great importance for the year ahead. We will proactively enhance asset quality by continuing our conservative approach to loan growth, while increasing our resources and efforts to recover bad loans.

We aim to roll out at least 30 digital branches in Hong Kong in 2016. By the end of this year, over 50% of our branches in Hong Kong will be digitalised. No other bank in Hong Kong is as ambitious as we are in this area.

We are also collaborating with third-party providers, including WeBank in China, to capture new digital-banking opportunities.

We won a number of major international awards during the past year for our digital and mobile initiatives, including "Most Innovative Bank of the Year" and "Channel Innovation" at the prestigious BAI-Infosys Finacle Global Banking Innovation Awards .

We will continue to review our business portfolio to ensure that the Bank is best positioned for long-term, sustainable growth. In the first half of 2016, we are looking to complete the sale of Tung Shing Holdings and BEA Wealth Management Services (Taiwan). We have also commenced a strategic review of Tricor and will provide an update on the outcome of this review in due course.

In summary, this is a resilient performance against a difficult backdrop. We note that a shareholder has proposed that the Bank be put up for sale. The Board has considered this suggestion thoroughly and strongly agreed that, while the idea may serve the short-term interest of one shareholder, it does not serve the interests of the Bank's shareholders as a whole. Nor is it in line with the long-term, sustainable business that this Bank is building.

While the challenging environment is likely to continue for some time, we have a proven ability to adapt to difficult market conditions.

We have a sound capital position. We have a unique network across Hong Kong, the Mainland and overseas, built up over a generation. Our pioneering digital platform has strengthened our position. We have the experience, the flexibility, the established relationships and the determination to capture the growth opportunities ahead.

It is clear to us that our customers have:

- an increased appetite for products and services that cater to an evolving China;
- an increased appetite for best practice;
- an increased appetite for risk management;
- an increased appetite for seamless cross-border opportunities; and
- an increased appetite for digital

With that in mind, we are fully committed to provide for our customers and realise our vision to be THE Hong Kong-based bank serving the needs of Greater China in the 21st Century. We believe that this commitment, combined with our unique franchise built over the past decades, will generate substantial value for our shareholders for many years to come.

Financial Performance

For the year 2015, the Group's profit attributable to owners of the parent stood at HK$5,522 million, representing a decrease of HK$1,139 million or 17.1%, compared to the HK$6,661 million earned in 2014. Basic earnings per share fell from HK$2.72 in 2014 to HK$1.95 in 2015, while return on average assets declined from 0.8% to 0.6%.

Return on average equity decreased by 3.0 percentage points from 9.6% to 6.6% due in part to an increase in the weighted average number of shares in issue as a result of the subscription of 222,600,000 new ordinary shares by SMBC in March 2015.

All major Group entities recorded an increase in net interest income with the exception of BEA China, where net interest income decreased by HK$1,195 million, or 20.5%, year on year. Overall, Group net interest income decreased by HK$741 million, or 5.8%, to HK$11,934 million. The Group's net interest margin narrowed from 1.78% in 2014 to 1.66% in 2015. The net interest margin at BEA China decreased from 2.20% in 2014 to 1.82% in 2015, largely due to the interest rate cuts made by the People's Bank of China and lower asset yields given BEA China's reduced risk appetite.

Net fee and commission income decreased slightly to HK$4,099 million, as compared to the HK$4,146 million earned in 2014. Commission income from securities, brokerage, and insurance businesses exhibited strong growth, while fee and commission income generated from trade finance, and loans and guarantees declined. BEA China's net fee and commission income fell by HK$180 million, or 19.9% when compared to 2014.

To cater for high demand for Renminbi loans and trade finance in the first quarter of 2015, the Bank engaged in funding swaps to sell USD for RMB. An increased loss in the change in the fair value of the funding swaps had a negative impact on net trading profits during the first half of 2015 but tapered in the second half when the funding swaps terminated upon maturity.

Overall, non-interest income decreased by 7.7% to HK$5,130 million. Operating income decreased by 6.4% to HK$17,064 million.

Total operating expenses fell by 1.2% to HK$9,732 million, mainly due to a decrease of

HK$386 million in operating expenses at BEA China and stringent cost-control measures adopted by the Bank. However, as operating income decreased more than operating expenses, the cost-to-income ratio rose from 54.0% in 2014 to 57.0% in 2015. 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 increase from 50.4% to 53.5%.

Operating profit before impairment losses was HK$7,332 million, a decrease of HK$1,051 million, or 12.5%, when compared with 2014.

With the worsening economic environment in Mainland China, impairment losses on loans and advances grew by 106.4% to HK$2,042 million. Individual and collective impairment losses were up by HK$645 million and HK$289 million, respectively. As a result, the impaired loan ratio of the Group rose from 0.62% at the end of 2014 to 1.13% at the end of 2015. At BEA China, the impaired loan ratio increased from 1.32% to 2.63%, while at BEA Hong Kong the impaired loan ratio rose from 0.21% to 0.34%.

Operating profit after impairment losses was HK$5,273 million, a decrease of 28.6% or HK$2,109 million.

Net profit on the sale of available-for-sale financial assets increased to HK$257 million, including net profit of HK$146 million on the disposal of the Bank's stake in a property development and management joint venture in Mainland China.

Valuation gains on investment properties increased to HK$549 million. The major contribution came from investment properties in Hong Kong, reflecting the quality of the investment properties and their prime locations.

The Bank also recorded a net profit on disposal of fixed assets of HK$109 million, mainly related to the sale of a property located in Hong Kong.

The Group shared after-tax profits from associates of HK$558 million, a decrease of HK$87 million, or 13.5% over 2014, mainly due to the weaker performance of a Malaysia-based associate in 2015.

After accounting for income taxes, profit after taxation fell to HK$5,638 million, a decrease of 16.8% compared to the HK$6,774 million recorded in 2014.

Financial Position

Total consolidated assets of the Group stood at HK$781,364 million at the end of 2015, a decrease of 1.8% over the HK$795,891 million at the end of 2014.

Since loan demand in Hong Kong and Mainland China remained sluggish in 2015, gross advances to customers dropped by 0.4% to HK$441,506 million.

Trade bills fell by 67.8% to HK$19,532 million, mainly due to a significant contraction in cross-border trade business.

Total equity increased to HK$85,641 million, up 16.6%, mainly due to the subscription of new ordinary shares by SMBC for HK$6.6 billion and the issuance of Additional Tier One Capital Instruments for US$650 million.

The primary objective of the Group's funding activities is to ensure the sufficiency of funds at reasonable costs to fund loans and advances, as well as to generate reasonable returns from available funds. The principal funding sources of the Group comprise internally generated capital, deposits from customers, and certificates of deposit.

Total deposits from customers fell by 1.4% compared to the end of 2014, to HK$540,743 million. Of the total, demand deposits and current account balances increased by HK$6,134 million, or 9.1%; savings deposits increased by HK$12,550 million, or 12.5%; and time deposits decreased by HK$26,125 million, or 6.9%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, fell by 2.5% to HK$578,020 million.

The loan-to-deposit ratio was 76.4% at the end of December 2015, compared to 74.8% at the end of 2014.

The Group maintained comfortable capital adequacy and liquidity positions at the end of 2015. The total capital ratio, tier 1 ratio, and common equity tier 1 ratio were 17.2%, 13.7%, and 12.2%, respectively as at 31st December, 2015, which should adequately support the Group's growth in the coming years. The average liquidity coverage ratio was 137.0%, which was well above the statutory limit of 60% for 2015.

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$781.4 billion (US$100.8 billion) as of 31st December, 2015. Listed on The Stock Exchange of Hong Kong, the Bank 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