

CHAIRMAN'S STATEMENT

I am pleased to inform shareholders that Mr. Stephen Charles Li Kwok-sze was appointed a Non-executive Director of the Bank on 1st May, 2006. Mr. Li is a member of the Institute of Chartered Accountants in England and Wales. He currently holds directorships in several funds managed by INTL Consilium, LLC. He has over 16 years experience in investment banking, having held senior capital markets positions with international investment banks in London and Hong Kong. I am confident that the valuable contribution of Mr. Li will lead to the further success of BEA.

Mr. Chan Kay-cheung, an Executive Director of the Bank, will retire from the Bank with effect from 1st May, 2007 and he will also resign as a Director of the Bank on the same date. Mr. Chan has spent his entire career with the Bank. He joined the Bank in 1965; was appointed a Director in 1996 and was promoted to Deputy Chief Executive in 1997. Altogether, he has served the Bank for over 41 years. He has played a significant role in the Bank's growth, particularly with regard to the development of the Bank's

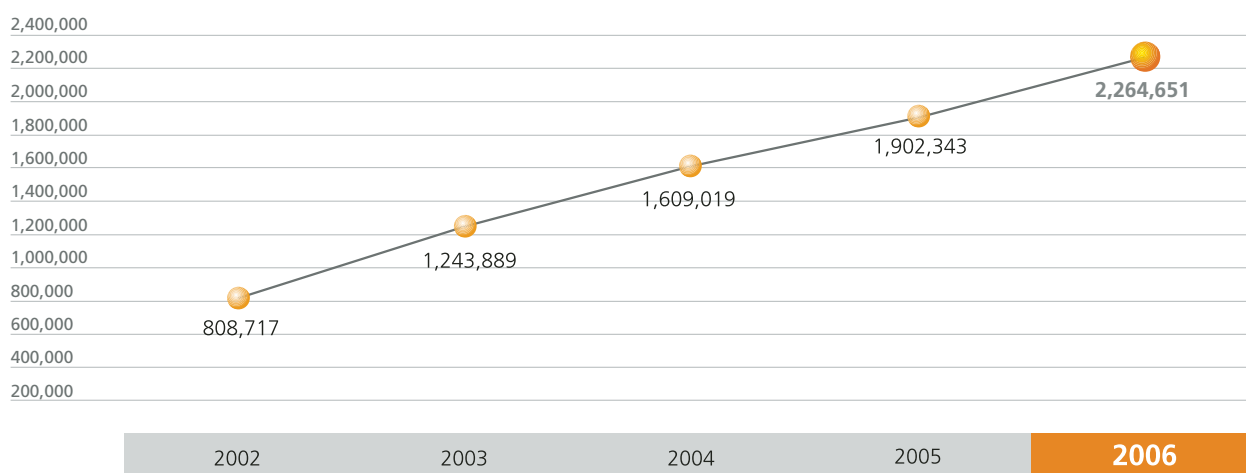
information technology systems and expansion into the Mainland. On behalf of the Board, I take this opportunity to extend our gratitude to Mr. Chan for his invaluable contribution to BEA over the past four decades, and wish him every happiness, good health and success for the future.

In 2006, BEA Group achieved a profit after tax of HK\$3,486 million, representing an increase of HK\$700 million, or 25.1%, over that of HK\$2,786 million in 2005. Basic earnings per share were HK\$2.24. Return on average assets and return of average equity were 1.3% and 13.7% respectively.

As at 31st December, 2006, total consolidated assets were HK\$294,202 million, an increase of HK\$55,403 million over the position at the end of 2005. Advances to customers stood at HK\$166,178 million, representing 56.5% of total consolidated assets. Customer deposits were HK\$209,524 million, while certificates of deposit and subordinated debt issued stood at HK\$15,153 million. The loan-to-deposit ratio was 76.7%, compared with 76.1% at the end of 2005. Total equity increased by 13.3% to HK\$27,645 million.

HK\$'000
港幣千元

DIVIDENDS FOR THE LAST 5 YEARS 過往5年股息紀錄



主席報告書

本人欣然向各位股東宣佈，李國仕先生於2006年5月1日獲委任為本行非執行董事。李先生是英國及威爾斯特許會計師公會會員。他現為INTL Consilium, LLC所管理的數個基金的董事。他在投資銀行方面擁有超過16年經驗，並曾出任倫敦及香港國際投資銀行資本市場要職。本人深信李先生定能為本行作出寶貴貢獻，協助本行臻取更大成就。

本行執行董事陳棋昌先生將於2007年5月1日榮休，並在同日退任本行董事。陳先生在東亞銀行建立其終身事業，於1965年加入本行，96年獲委任為董事，97年獲擢升為副行政總裁，服務本行逾41年。對於本行的業務增長，陳先生一直擔當重要角色，特別在開發本行資訊科技系統和拓展內地業務

方面建樹尤多。本人謹代表董事會感謝陳先生40多年來對本行的卓越貢獻，也特此祝願他身心康泰、事事如意。

東亞銀行集團在2006年錄得除稅後溢利達港幣34億8,600萬元，與2005年溢利港幣27億8,600萬元相比，增加港幣7億元，或25.1%。每股基本盈利為港幣2.24元。平均資產回報率和平均股本回報率分別為1.3%和13.7%。

在2006年12月31日的綜合資產總額達港幣2,942億200萬元，較2005年同日數字上升港幣554億300萬元。客戶貸款為港幣1,661億7,800萬元，佔綜合資產總額的56.5%。客戶存款為港幣2,095億2,400萬元。存款證和後償票據總額為港幣151億5,300萬元。貸款對存款比率為76.7%，於2005年底為76.1%。股東權益總額上升13.3%，至港幣276億4,500萬元。

Dr. The Hon. Sir David LI Kwok-po
Chairman and Chief Executive

主席兼行政總裁
李國寶爵士



Chairman's Statement (continued)

At the forthcoming Annual General Meeting, to be held on Thursday, 12th April, 2007, the Directors will propose a final dividend of HK\$1.03 per share, which, together with the interim dividend of HK\$0.43 per share paid in September 2006, will constitute a total dividend of HK\$1.46 per share for the full year. This represents an increase of 15.9% over the total dividend of HK\$1.26 per share for the year 2005. Shareholders whose names are on the Register of Members at the close of business on Friday, 16th March, 2007 will be entitled to the proposed final dividend. The final dividend will be paid in cash, with an option to receive new, fully paid shares in lieu of cash. This scrip dividend scheme is conditional upon the passing of the relevant resolution at the Annual General Meeting, and the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval to the listing of and permission to deal in the new shares. Details of the scrip dividend and the election form will be sent to shareholders on or about Friday, 16th March, 2007. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Friday, 13th April, 2007.

In 2006, the operating environment in Hong Kong continued to improve. Loan demand increased with the strong growth of the local economy and the strengthening labour market. Income from securities brokerage increased significantly, owing to the higher IPO and stock market activity. On the other hand, Hong Kong banks continue to experience very thin interest margins, due to high liquidity in the banking system and fierce competition. The overall asset quality of the Banks' portfolio remained healthy in 2006, as the worldwide and local economies continued to sustain the growth momentum.

The Bank is well positioned to take advantage of growth opportunities in 2007. The Bank is alert to the potential for slower economic growth in overseas markets, particularly in the United States. Nevertheless, loan demand and business opportunities are expected to increase over the coming year, as a result of the recent liberalisation of the rules governing the operation of foreign banks in Mainland China.

In 2006, BEA continued to grow and develop new business lines. Looking to the future, the Bank will continue to diversify by actively developing its wealth management business, including private banking and structured products, and other

potential businesses to meet customers' needs. BEA will continue to leverage the market leading position of Tricor's corporate services and share registration business to develop new business opportunities. The Bank will also actively promote Blue Cross insurance products and maintain its effective cross-selling initiatives. In addition to pursuing organic growth, the Bank will continue to identify potential opportunities for acquisitions and strategic alliances.

BEA's business in Mainland China continued to grow significantly in 2006. BEA obtained a preliminary approval from the China Banking Regulatory Commission for the establishment of a locally incorporated bank on the Mainland. Establishment of a local subsidiary paves the way for offering retail Renminbi banking services to individual Chinese citizens on the Mainland. In order to take full advantage of this new business opportunity, BEA will continue to expand its branch network and develop new products and services in China.

Outside Hong Kong and China, BEA will continue to develop its unique niche within the overseas Chinese communities in the United States, Canada, United Kingdom and South East Asia.

BEA has made good progress in enhancing its operating efficiencies in recent years. This process is ongoing, and during 2007 the Bank will identify opportunities for further efficiency improvement, including relocation of back-office operations to the Mainland and branch rationalisation. Further efficiency gains will be achieved by streamlining work practices in Hong Kong. BEA is among the pioneers in introducing work practices based on the new Basel II Capital Accord systems, and is well prepared for the implementation of Basel II in 2007. BEA will continue to invest to streamline systems, strengthen corporate governance and enhance risk management, with the aim of further raising the quality standard of its services.

David LI Kwok-po

Chairman and Chief Executive

Hong Kong, 8th February, 2007

主席報告書 (續)

董事會將於2007年4月12日(星期四)舉行的股東周年常會上，建議派發末期股息每股港幣1.03元。連同2006年9月派發的中期股息每股港幣0.43元，全年每股將合共派發股息港幣1.46元，相比2005年全年派發的股息每股港幣1.26元，升幅為15.9%。在2007年3月16日(星期五)辦公時間結束時名列本行股東名冊的股東，將獲派發上述建議末期股息。此末期股息將以現金派發，惟股東可選擇收取已繳足股款的新股以代替現金。是項以股代息計劃須待股東在周年常會上通過有關決議案，並得香港聯合交易所有限公司上市委員會批准所發行的新股上市買賣方可作實。以股代息計劃的詳情將連同有關選擇表格約於2007年3月16日(星期五)寄予各股東。有關股息單和以股代息的股票約於2007年4月13日(星期五)以平郵寄予股東。

2006年香港營商環境續見改善，隨著本地經濟強勁增長和勞工市場好轉，貸款需求有所增加。證券經紀業務受惠於初次公開招股活動和股市交投增加，收入顯著上升。鑒於銀行體系資金充裕和競爭激烈，本地銀行業的息差依然非常狹窄，然而環球和本地經濟增長勢頭持續，令銀行界整體資產質素得以保持穩健。

本行現已準備就緒，全力掌握在2007年的增長契機，縱然對海外市場，特別是美國，今年的經濟放緩趨勢有所警惕，但亦預期中國內地近期對外資銀行放寬規管，將使未來一年的貸款需求和營商機會增加。

本行於2006年悉力拓展新業務領域，未來仍會作多元化發展，積極拓展財富管理業務，包括私人銀行、結構投資產品和其他具發展潛力的業務，配合客戶的需要。此外，本行仍

會致力鞏固卓佳在企業服務和股份登記業務的市場領導地位，從而開拓新商機；另外又會著力推廣藍十字的保險產品，並繼續推行其行之有效的交叉銷售計劃。在爭取自然增長之餘，本行更會銳意探求收購和結盟的良機。

本行內地業務於2006年續有顯著發展，獲中國銀行業監督管理委員會批准籌建一間在國內的本地註冊銀行。此舉為本行提供零售人民幣服務予內地居民揭開序幕；為全面掌握此一機遇，本行將會不斷壯大內地分行網絡，並且開發新產品和服務。

在香港和內地以外，本行仍會著意擴大本行於美國、加拿大、英國、東南亞等地海外華人銀行業務的優勢。

本行近年的營運效率提升計劃進展良好。此計劃將於年內繼續推行，以尋求進一步提高效率的機會，包括遷移更多後勤工序往內地，和持續改善分行設施；再者，精簡本地業務運作，亦將有助提升效率。本行是率先依據《巴塞爾新資本協定》而推出相應措施的銀行之一，已作好準備在年內全面履行該協定，同時繼續投資於精簡系統、加強企業管治和提升風險管理，務使本行服務水平更上一層樓。

主席兼行政總裁

李國寶

香港，2007年2月8日