BEA 東亞銀行

16th February, 2016

Dear Shareholders,

Following the release of the Annual Results of The Bank of East Asia ("BEA") for 2015, I would like to explain to you the Bank's response to Elliott's letter dated 4th February, 2016, and share with you a number of exciting initiatives now in progress at your bank.

Our Response to Elliott

Elliott suggested the Bank should conduct an auction process to sell the Bank. Your board is unanimous in their view that Elliott's idea does not serve the interests of the Bank nor its shareholders, and takes no account of the long-term, sustainable business the Bank is building. It ignores business initiatives implemented by the Bank, and the Bank's strong and unique position in Greater China.

In recent months, Elliott has been significantly increasing its stake in the Bank. On one level, such investment is an endorsement of the quality of the franchise we have built. On the other hand, the fact that Elliott wants us to sell the Bank in the current weak market, graphically illustrates how Elliott's short-term interests are wholly inconsistent with our long-term strategy.

As Elliott itself acknowledges, we have built a unique and valuable network across China and overseas. We believe this footprint will be of great benefit in the years to come. Our solid capital position is the result of a strategy conceived and executed by your Board and management team.

The Board is committed to maximising shareholder value and believes the best way to achieve this in the current environment is to focus on improving the Bank's business – **the Bank will not be conducting an auction process.**

Our Strategic Partnerships Add Real Value

While Elliott is sceptical of our strategic partnerships with CaixaBank, S.A. and Sumitomo Mitsui Banking Corporation, these relationships have resulted in close business cooperation (including customer referrals and funding support) and knowledge transfer, particularly in regard to the development of our digital banking strategy. The share placements made to these institutions have helped the Bank achieve a capital position that is necessary to operate effectively in the current highly regulated environment. At the end of December 2015, our Common Equity Tier 1 capital ratio stood at 12.2%, which is sufficient for our business needs.

Moreover, these world-class institutions share our vision. The very fact that they chose us as their strategic partner in China is a significant endorsement of our strategy and management team. We were heartened to see the announcement made by Criteria Caixa earlier this month in connection with the transfer to it of CaixaBank's stake in the Bank, which it described as furthering its aim of creating "long-term value".

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Challenging Environment but Confident in China's Long-Term Growth

We are operating in a very challenging environment: China's growth is slowing; global confidence has been undermined by weak commodity prices. The fact that we have a larger network across Greater China than other banks with whom we might be compared means we have been impacted more significantly by the slow-down.

Despite the challenging macroeconomic environment, the Chinese government has reaffirmed its commitment to the market through a combination of stimulus measures and economic reform that we believe will support China's sustainable growth, and which we will capitalise on in the long-term.

BEA Hong Kong Delivered a Resilient Performance

Our Hong Kong business has shown resilience, with 8.5% growth in 2015. On the retail side, performance remained steady. Double digit growth in the Bank's major all-in-one accounts saw the current and savings account ratio rise by four percentage points, contributing to lower funding costs. Meanwhile, both consumer and mortgage loans increased by over 20% for the year. Excluding the acquisition of the mortgage portfolio of PrimeCredit, our mortgage portfolio would still have risen by about 12%.

The year 2015 also marked the start of our 3-year branch digitalisation programme, which aims to drive branch efficiency and enhance the customer experience. Twenty digital branches have been rolled out so far, and 30 more will be launched this year. We are pleased to share that our first digital branches have proved successful in attracting their target demographics of young and professional customers. Our successes in this area have been acknowledged with global banking awards for digital and channel innovation.

Private banking also recorded solid results last year. Our China operation enabled us to attract a large number of high-net-worth Chinese clients, whose contribution to the department's income now exceeds 40%. Overall, private banking's operating income increased by 26.8% last year.

While investor sentiment has weakened considerably in recent months, we have seen good growth in sales of insurance products since the turn of the year. In 2016, we will focus on enhancing our wealth management offering and optimising our deposit structure.

BEA China is Proactively Managing Asset Quality and Controlling Costs

BEA China took aggressive action to manage asset quality. Our Mainland subsidiary reduced exposure to distressed and overcapacity sectors, and refocused attention on clients who have stronger credit. We worked to tighten 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.

We have accelerated 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.

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

Board Changes

Three of our long standing directors will be stepping down from the Board at the AGM, and I would like to take this opportunity 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.

The Board is committed to strong corporate governance practices and procedures and will introduce the right skills and experience to the Board and establish an appropriate balance of executive, non-executive and independent directors. To that end, we have already identified an impressive candidate to join the Board as an independent non-executive director and will make further announcements in respect of that appointment in due course. We will also be reducing the size of the board from 20 to 18 going forward.

Strategic Review of Tricor Holdings Limited ("Tricor")

We have also commenced a strategic review of Tricor. The review will consider strategic options including a possible sale of the entire interest in Tricor held by both the Bank and NWS Holdings, and will provide an update on the outcome of this review in due course.

The Bank's resilient performance in challenging circumstances reflects the vision and efforts of a Board and management team that is committed to providing the best service to our customers and to realising our goal of being THE Hong Kong-based bank serving the needs of Greater China in the 21st century.

We believe this commitment, combined with our unique franchise built over past decades, will generate substantial value for you for many years to come.

I thank you for your long-standing loyalty and support, and I take pleasure in wishing you great success, happiness, good health and prosperity in the Year of the Monkey.

Yours sincerely,

David K.P. Li

David K.P. Li
Chairman & Chief Executive