

THE BANK OF EAST ASIA, LIMITED

(Incorporated in Hong Kong in 1918)

ANNOUNCEMENT OF 2000 FINAL RESULTS

SUMMARY OF RESULTS

The Directors of The Bank of East Asia, Limited (the "Bank") announce that the audited results of the Group for the year ended 31st December, 2000 are as follows:

A. Consolidated Profit and Loss Account

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000	<u>Variance</u> %
Interest income	10,666,351	9,879,272	+ 8.0
Interest expense	<u>(6,971,021)</u>	<u>(6,374,750)</u>	+ 9.4
Net interest income	3,695,330	3,504,522	+ 5.4
Non-interest income	<u>1,287,207</u>	<u>1,064,993</u>	+ 20.9
Total operating income less interest expense	4,982,537	4,569,515	+ 9.0
Operating expenses	<u>(2,082,963)</u>	<u>(1,802,738)</u>	+ 15.5
Operating profit before provisions	2,899,574	2,766,777	+ 4.8
Charge for bad and doubtful debts	<u>(680,614)</u>	<u>(2,215,243)</u>	- 69.3
Operating profit after provisions	2,218,960	551,534	+ 302.3
Net loss on disposal of fixed assets	(5,167)	(7,407)	- 30.2
Net profit on disposal of held-to-maturity debt securities, investment securities and associates	16,071	1,112,348	- 98.6
Provisions on held-to-maturity debt securities, investment securities and associates	<u>(72,530)</u>	<u>(41,972)</u>	+ 72.8
Profit for the year before taxation	2,157,334	1,614,503	+ 33.6
Taxation ¹			
- Hong Kong	(111,020)	(27,698)	+ 300.8
- Overseas	(54,499)	(69,916)	- 22.1
- Deferred	<u>(116,665)</u>	<u>(28,000)</u>	+ 316.7
Profit for the year after taxation	1,875,150	1,488,889	+ 25.9
Minority interests	<u>(4,128)</u>	-	
Profit attributable to shareholders	1,871,022	1,488,889	+ 25.7
Retained profits / (Accumulated losses) brought forward	<u>286,274</u>	<u>(34,324)</u>	+ 934.0
Profits available for appropriation	2,157,296	1,454,565	+ 48.3
Appropriations:			
Transfer to general reserve	(780,000)	(431,000)	+ 81.0
Dividends	<u>(918,323)</u>	<u>(737,291)</u>	+ 24.6
Retained profits carried forward	<u>458,973</u>	<u>286,274</u>	+ 60.3
 Profit of the Bank	 <u>1,527,390</u>	 <u>1,203,436</u>	 + 26.9
 Earnings per share ²			
- basic	HK\$1.33	HK\$1.08	+ 23.1
- diluted	HK\$1.33	HK\$1.08	+ 23.1
Proposed Final Dividend per share	HK\$0.45	HK\$0.38	+ 18.4
Interim Dividend Paid per share	HK\$0.20	HK\$0.15	+ 33.3
Total Dividend per share	HK\$0.65	HK\$0.53	+ 22.6

B. Consolidated Balance Sheet

	<u>31/12/2000</u>	<u>31/12/1999</u>	<u>Variance</u>
	HK\$'000	HK\$'000	%
ASSETS			
Cash and short-term funds	46,040,764	38,404,159	+ 19.9
Placements with banks and other financial institutions maturing between one and twelve months	11,969,489	11,693,067	+ 2.4
Trade bills less provisions	563,321	624,600	- 9.8
Certificates of deposit held	2,127,126	869,426	+ 144.7
Other investments in securities	2,790,091	2,456,340	+ 13.6
Advances and other accounts less provisions ³	105,621,128	84,997,710	+ 24.3
Held-to-maturity debt securities	2,802,104	1,583,079	+ 77.0
Investment securities	182,893	184,396	- 0.8
Investments in associates	507,036	443,563	+ 14.3
Fixed assets	<u>4,743,734</u>	<u>4,084,541</u>	+ 16.1
Total Assets	<u>177,347,686</u>	<u>145,340,881</u>	+ 22.0
LIABILITIES			
Deposits and balances of banks and other financial institutions	4,899,329	2,320,764	+ 111.1
Deposits of customers	138,747,250	112,259,212	+ 23.6
Certificates of deposit issued	8,544,198	8,387,743	+ 1.9
Convertible bonds issued	1,952,254	2,292,056	- 14.8
Tax and deferred taxation	332,880	311,791	+ 6.8
Proposed final dividend	636,650	529,388	+ 20.3
Other accounts and provisions	<u>4,604,219</u>	<u>4,209,105</u>	+ 9.4
Total Liabilities	<u>159,716,780</u>	<u>130,310,059</u>	+ 22.6
CAPITAL RESOURCES			
Loan capital	2,339,850	-	
Minority interests	441,174	-	
Share capital	3,536,945	3,482,814	+ 1.6
Reserves ⁴	<u>11,312,937</u>	<u>11,548,008</u>	- 2.0
Shareholders= Funds	14,849,882	15,030,822	- 1.2
Total Capital Resources	<u>17,630,906</u>	<u>15,030,822</u>	+ 17.3
Total Capital Resources and Liabilities	<u>177,347,686</u>	<u>145,340,881</u>	+ 22.0

Notes:

- (a) The charge for Hong Kong profits tax is based on an estimate of the assessable profit for the year at 16% (1999 - 16%). Taxation for branches and subsidiaries outside Hong Kong is similarly charged at appropriate current rates of taxation ruling in the countries in which they operate.

(b) There is no significant deferred taxation liability not provided for.
- The calculation of basic earnings per share is based on earnings of HK\$1,871,022,000 (1999 - HK\$1,488,889,000) and on the weighted average of 1,404,239,697 (1999 - 1,383,602,848) shares in issue. The calculation of diluted earnings per share is based on earnings of HK\$1,871,022,000 (1999 - HK\$1,488,889,000) and on 1,409,280,781 (1999 - 1,384,578,226) ordinary shares, being weighted average number of ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

3. *Advances and Other Accounts*

	<u>31/12/2000</u>	<u>31/12/1999</u>	<u>Variance</u>
	HK\$'000	HK\$'000	%
Advances to customers	103,993,959	84,073,858	+ 23.7
Advances to banks and financial institutions	510,625	830,485	- 38.5
Accrued interest and other accounts	3,058,343	3,691,745	- 17.2
Less: Provision for bad and doubtful debts			
- Specific	(671,226)	(2,398,805)	- 72.0
- General	<u>(1,270,573)</u>	<u>(1,199,573)</u>	+ 5.9
Total	<u>105,621,128</u>	<u>84,997,710</u>	+ 24.3

4. *Reserves*

	<u>31/12/2000</u>	<u>31/12/1999</u>	<u>Variance</u>
	HK\$'000	HK\$'000	%
Share premium	338,071	281,865	+ 19.9
General reserves	9,041,002	9,511,129	- 4.9
Property revaluation reserve	1,385,463	1,386,466	- 0.1
Capital reserve	86,436	68,436	+ 26.3
Exchange revaluation reserve	2,992	13,838	- 78.4
Profit and loss account	<u>458,973</u>	<u>286,274</u>	+ 60.3
Total	<u>11,312,937</u>	<u>11,548,008</u>	- 2.0

C. Advances to Customers and Banks and other Financial Institutions of the Group

1. Advances to customers - by industry sectors

	<u>31/12/2000</u>	<u>31/12/1999</u>	<u>Variance</u>
	HK\$'000	HK\$'000	%
Loans for use in Hong Kong			
- Industrial, commercial and financial			
- Property development	5,220,885	4,771,000	+ 9.4
- Property investment	10,590,097	7,387,357	+ 43.4
- Financial concerns	2,679,540	2,622,981	+ 2.2
- Stockbrokers	135,947	220,715	- 38.4
- Wholesale and retail trade	2,865,242	2,619,031	+ 9.4
- Manufacturing	1,332,082	1,025,013	+ 30.0
- Transport and transport equipment	3,387,521	878,148	+285.8
- Others	7,564,898	3,906,414	+ 93.7
- Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,647,378	2,491,979	+ 6.2
- Loans for the purchase of other residential properties	41,120,118	34,946,331	+ 17.7
- Credit card advances	1,601,340	820,799	+ 95.1
- Others	3,742,416	1,837,231	+103.7
Trade finance	3,110,720	2,487,454	+ 25.1
Loans for use outside Hong Kong	<u>17,995,775</u>	<u>18,059,405</u>	- 0.4
Total advances to customers	<u>103,993,959</u>	<u>84,073,858</u>	+ 23.7

2. Non-performing loans

Non-performing loans are advances on which interest is being placed in suspense or on which interest accrual has ceased

	<u>31/12/2000</u>	<u>31/12/1999</u>	<u>Variance</u>
	HK\$'000	HK\$'000	%
Gross advances to customers	3,745,208	6,700,782	- 44.1
As percentage of total advances to customers	3.60%	7.97%	
Specific provisions	550,197	2,298,040	- 76.1
Suspended interest	741,039	539,060	+ 37.5

There were no advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased as at 31st December, 2000 and 31st December, 1999, nor were there any specific provisions made for them on these two days.

3. Overdue and rescheduled advances

	<u>31/12/2000</u>		<u>31/12/1999</u>	
	HK\$'000	% to total advances to customers	HK\$'000	% to total advances to customers
Advances to customers overdue for				
- 6 months or less but over 3 months	887,241	0.9	910,803	1.1
- 1 year or less but over 6 months	840,726	0.8	2,040,373	2.4
- Over 1 year	<u>2,387,738</u>	<u>2.3</u>	<u>2,678,382</u>	<u>3.2</u>
	4,115,705	4.0	5,629,558	6.7
Rescheduled advances to customers	<u>770,123</u>	<u>0.7</u>	<u>2,180,072</u>	<u>2.6</u>
Total overdue and rescheduled advances	<u>4,885,828</u>	<u>4.7</u>	<u>7,809,630</u>	<u>9.3</u>

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 31st December, 2000 and 31st December, 1999, nor were there any rescheduled advances to banks and other financial institutions on these two days.

4. Reconciliation

	<u>31/12/2000</u>	<u>31/12/1999</u>
	HK\$'000	HK\$'000
Overdue loans (Note 1)	4,115,705	5,629,558
Rescheduled loans (Note 2)	<u>770,123</u>	<u>2,180,072</u>
Total overdue and rescheduled loans	4,885,828	7,809,630
Less: Overdue loans on which interest is still being accrued	(1,079,466)	(698,500)
Less: Rescheduled loans on which interest is still being accrued	(355,157)	(1,449,780)
Add: Non-performing loans which are not overdue or rescheduled	<u>294,003</u>	<u>1,039,432</u>
Total non-performing loans	<u>3,745,208</u>	<u>6,700,782</u>

Notes:

- Overdue loans are advances which are overdue for over three months.
- Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included under overdue advances and not rescheduled advances.

D. Off-Balance Sheet Exposures

The following is a summary of the contractual amounts of each significant class of off-balance sheet exposures:

	<u>31/12/2000</u>	<u>31/12/1999</u>	<u>Variance</u>
	HK\$'000	HK\$'000	%
Contingent liabilities and commitments			
- Direct credit substitutes	2,250,206	955,694	+ 135.5
- Transaction-related contingencies	260,214	159,658	+ 63.0
- Trade-related contingencies	2,705,737	2,447,624	+ 10.5
- Note issuance and revolving underwriting facilities	31,368	37,684	- 16.8
- Other commitments	27,576,787	12,929,619	+ 113.3
- Others	<u>1,993</u>	<u>-</u>	
	<u>32,826,305</u>	<u>16,530,279</u>	+ 98.6
- Aggregate credit risk weighted amount	<u>5,194,552</u>	<u>2,737,766</u>	+ 89.7
Derivatives			
- Exchange rate contracts	22,496,789	19,836,372	+ 13.4
- Interest rate contracts	<u>1,845,645</u>	<u>1,811,707</u>	+ 1.9
	<u>24,342,434</u>	<u>21,648,079</u>	+ 12.4
- Aggregate credit risk weighted amount	<u>155,731</u>	<u>135,230</u>	+ 15.2
- Aggregate replacement costs	<u>358,712</u>	<u>267,875</u>	+ 33.9

The replacement costs and credit risk weighted amounts of the off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

E. Capital, Capital Adequacy and Liquidity Information

	<u>31/12/2000</u>	<u>31/12/1999</u>
1. Capital adequacy ratio		
- Unadjusted	16.2%	18.1%
- Adjusted	16.1%	17.9%

The capital adequacy ratio is computed on the consolidated basis which comprises the positions of the Bank and all its subsidiaries as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Third Schedule to the Banking Ordinance.

The adjusted capital adequacy ratio which takes into account market risks as at the balance sheet date is computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority and on the same consolidated basis as for unadjusted capital adequacy ratio.

2. Group capital base after deductions for calculation of Capital Adequacy Return

	<u>31/12/2000</u> HK\$'000	<u>31/12/1999</u> HK\$'000	<u>Variance</u> %
Core capital			
- Paid up ordinary share capital	3,536,945	3,482,814	+ 1.6
- Reserves	9,905,520	10,163,201	- 2.5
- Minority interests	<u>441,174</u>	<u>-</u>	
Total core capital	<u>13,883,639</u>	<u>13,646,015</u>	+ 1.7
Eligible supplementary capital			
- Reserves on revaluation of land and interests in land (at 70%)	969,824	970,526	- 0.1
- General provisions for doubtful debts	1,277,672	1,045,683	+ 22.2
- Term subordinated debt	<u>2,339,850</u>	<u>-</u>	
Total eligible supplementary capital	<u>4,587,346</u>	<u>2,016,209</u>	+ 127.5
Total capital base before deductions	18,470,985	15,662,224	+ 17.9
Deductions from total capital base	<u>(834,391)</u>	<u>(562,505)</u>	+ 48.3
Total capital base after deductions	<u>17,636,594</u>	<u>15,099,719</u>	+ 16.8

	<u>2000</u>	<u>1999</u>
3. Average liquidity ratio for the year ended 31st December	48.4%	50.5%

The average liquidity ratio for the period is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Fourth Schedule to the Banking Ordinance.

CHAIRMAN'S STATEMENT

In 2000, The Bank of East Asia Group achieved profit attributable to shareholders of HK\$1,871 million, which represents an increase of HK\$382 million, or 25.7%, over the 1999 figure of HK\$1,489 million.

Basic earnings per share were HK\$1.33. Return on average assets and return on average equity were 1.3% and 11.7% respectively.

As at 31st December, 2000, total consolidated assets were HK\$177,348 million, of which 58.6%, or HK\$ 103,994 million, were advances to customers. Customer deposits were HK\$138,747 million, while debt instruments issued stood at HK\$10,496 million. The loan to deposit ratio was 69.7%, compared with 68.4% at the end of last year. Total capital resources increased by 17.3% to HK\$17,631 million.

At the Annual General Meeting to be held on Thursday, 29th March, 2001, the Directors will propose to pay a final dividend of HK\$0.45 per share which, together with the interim dividend of HK\$0.20 per share paid in September 2000, will make a total dividend of HK\$0.65 per share. This represents an increase of 22.6% over the total dividend of HK\$0.53 per share paid for the year 1999 (*Note*).

The Bank has become one of the most respected financial institutions in Hong Kong with a significant regional and international presence. In 2000, the Bank received the Euromoney Awards for Excellence 2000 as the Best Domestic Bank in Hong Kong. Our East Asia Cyberbanking and Cybertrading Services were awarded Winner of Asian Banking Awards 2000 in the "New Business Venture" category and East Asia Cyberbanking Service was also elected one of the winners of the "2000 Hong Kong Coalition of Service Industries Innovative Service Award".

As our business activities become more complex, we have placed high priority on risk management. We have established comprehensive risk management procedures which enable the Bank to control and monitor various types of risk which the Bank faces.

We are the largest independent local bank in Hong Kong. It is the Bank's objective to be the leading Hong Kong bank serving the Hong Kong and overseas Chinese communities. Our strategy is to focus on strengthening and expanding our franchise in Hong Kong, China and international markets. We believe this strategy will enable the Bank to increase its asset base, profitability and the value of our shareholders' investment.

The Bank intends to implement its strategy in Hong Kong by continuing to selectively expand its Hong Kong branch network and broaden the scope of its products and services. We will continue to focus on domestic retail banking business and on building our consumer franchise. Our recent acquisition of First Pacific Bank has strengthened our domestic franchise and given us a competitive advantage in the Hong Kong market. As part of our acquisition exercises, with the assistance from professional consultants, we are currently conducting careful integration planning to fully merge the businesses and operations of both First Pacific Bank and United Chinese Bank with the Bank in order to unify our operations and to achieve cost synergies. We are carrying out major initiatives to transform our branches into sales centers and to enhance the brand image of the Bank. As part of the expansion of our product range, the Bank is seeking to increase the contribution from non-collateral based lending activities such as consumer finance and credit card, and other fee-based services such as insurance and Mandatory Provident Fund services.

The Bank's strategy in China is to expand our branch network to realize our expansion strategy, and to maximize the benefits of our long-standing presence in China. In particular, the acquisition of First Pacific Bank, which brings our total assets above the minimum set by the People's Bank of China for foreign banks to expand their branch network in China, allows us to take advantage of our leading position in China.

In addition to growing through the expansion of our core business, we are also evaluating opportunities to grow through acquisitions in those countries where we can leverage our brand, services and operations.

David LI Kwok-po
Chairman and Chief Executive

Hong Kong
8th February, 2001

Note: Shareholders whose names are on the Register of Members at the close of business on Thursday, 8th March, 2001 will be entitled to the proposed final dividend. The scrip dividend scheme is conditional upon the passing of the relevant resolution at the forthcoming Annual General Meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Thursday, 29th March, 2001. The final dividend will be paid in cash with an option to receive new, fully paid shares in lieu of cash. Details of the scrip dividend and the election form will be sent to shareholders on or about Thursday, 8th March, 2001.

EXECUTIVE DIRECTORS' REPORT

Financial Review

Financial Performance

Operating profit after provisions for The Bank of East Asia Group recorded significant growth of 302.3% from HK\$552 million for 1999 to HK\$2,219 million in 2000. Operating profit before provisions grew by 4.8% to HK\$2,899 million. Profit attributable to shareholders grew by 25.7% to HK\$1,871 million.

Fierce competition in the Hong Kong mortgage market continually exerted severe pressure on net interest spread which was partially offset by the Bank's prudent control of funding costs. The 5.4% growth in net interest income from HK\$3,505 million to HK\$3,695 million was mainly attributable to the increase in loan business and other interest earning assets. Net interest margins were maintained at 2.7%.

Non-interest income also exhibited substantial growth of 20.9% as a result of increases in net fees and commission due to expansion of business volume, surplus of retirement fund recognised, and insurance business following the acquisition of Blue Cross Insurance in the previous year. Total operating income grew 9.0% to HK\$4,982 million from HK\$4,570 million in 1999. The proportion of non-interest income to total operating income increased from 23.3% in 1999 to 25.8% in 2000.

Operating expenses increased by 15.5% to HK\$2,083 million, with the cost-to-income ratio rising from 39.5% in 1999 to 41.8% in 2000. As control of costs remained a major priority for us during the year, the rise in operating expenses was mainly attributable to increased business and promotional activities, and the acquisition of Blue Cross Insurance.

Operating profit before provisions recorded healthy growth of 4.8% from HK\$2,767 million in 1999 to HK\$2,899 million.

As a result of the improvement in the overall asset quality in the Hong Kong banking industry during 2000, the charge for bad and doubtful debts decreased by HK\$1,535 million, or 69.3% to HK\$680 million. At The Bank of East Asia, non-performing loans dropped from 8.0% of total loans at the end of 1999 and 7.0% at June 2000, to 3.6% at December 2000, signifying that the asset quality problem was over. Accordingly, operating profit after provisions jumped significantly by 302.3% to HK\$2,219 million.

In 1999, the Bank disposed of its investment in an associate company realizing a profit of HK\$1.1 billion, which was non-recurrent in 2000. In the year, the Bank acquired some non-wholly owned subsidiaries, resulting in HK\$4 million minority interest. Net profit attributable to shareholders was HK\$1,871 million, a 25.7% increase over the previous year's HK\$1,489 million.

Owing to the decrease in bad debts charges for the year 2000, the net profit of United Chinese Bank (the Bank's wholly owned subsidiary) registered a record high of HK\$67.3 million after provisions and taxation, representing a considerable increase of 82.1% over last year.

The Bank acquired 75% of FPB Bank Holding Company Limited ("FPB Holding") on 22nd December, 2000. The results of FPB Holding for the period from 22nd to 31st December, 2000 were not included in the consolidated profit and loss account as they were considered by the Directors to be immaterial to the Group.

Financial Position

The total assets of The Bank of East Asia Group were HK\$177,348 million at the end of 2000, 22.0% up from HK\$145,341 million a year before. The Bank also achieved an increase of 23.7% of its advances to customers, which totalled HK\$103,994 million at the end of the year, following the acquisition of FPB Holding.

In 2000, our total deposits increased by 21.4%, with customer deposits growing by 23.6%.

During the year, the Bank issued certificates of deposit totalling US\$500 million. We redeemed certificates of deposit amounting to US\$33 million and HK\$3,500 million upon maturity, and repurchased our own certificates of deposit and convertible bonds, amounting to US\$3 million and US\$45 million respectively, in the open market. In December 2000, the Bank issued US\$300 million subordinated floating rate notes qualifying as Tier 2 capital which will be redeemed in February 2001 after the issue of US\$550 million subordinated notes in January 2001.

At the end of 2000, the face value of the outstanding debt portfolio was HK\$10,496 million, including floating rate certificates of deposit of US\$13 million which were issued by the Bank's subsidiary, FPB Holding.

After taking into account all debt instruments issued, the ratio of loans to deposits was 69.7%. This is 1.3% higher than the 68.4% reported at the end of 1999.

Maturity Profile of Debts Issued
(All expressed in millions of dollars)

	<u>Currency</u>	<u>Total - Face Value</u>	<u>Year of Maturity</u>		
			<u>2001</u>	<u>2002</u>	<u>2004</u>
Issued by FPB Holding					
Floating Rate					
Certificates of Deposit					
issued in 1997	USD	5	5		
issued in 2000	USD	8		8	
Total	USD	13	5	8	0
Issued by Bank of East Asia					
Floating Rate					
Certificates of Deposit					
issued in 1999	HKD	1,950	1,950		
issued in 1999	USD	297		297	
issued in 2000	USD	497	497		
Total	HKD	1,950	1,950	0	0
Total	USD	794	497	297	0
Fixed Rate					
Certificates of Deposit					
issued in 1999	HKD	300	200		100
Convertible Bonds					
issued in 1996	USD	250	250		
Total Debts issued in					
HKD equivalent					
		10,496	8,017	2,379	100

Subordinated Notes

In January 2001, the Bank launched a US\$550 million Subordinated Notes issue due 2011, under the structure of 10-year maturity with non-calling in the first 5 years. The interest coupon for the first 5 years

has been fixed at 7.5% per annum. The Notes carry credit ratings of Baa2 and BBB from Moody's and Standard and Poor's respectively. The proceeds of this issue are used to refinance the US\$300 million Floating Rate Notes due 2005 issued by the Bank and for working capital and general corporate purposes to support the Bank's businesses. The Notes have been approved for listing on the Luxembourg Stock Exchange.

Risk Management

The Bank of East Asia has established comprehensive risk management procedures which enables the Bank to identify, measure, monitor and control the various types of risks which the Bank faces and, where appropriate, to allocate capital against those risks. Risk management mechanisms have been established at different levels throughout the Group. This is supplemented by active Management involvement, effective internal controls and comprehensive audits in the best interests of the Bank.

Operations Review

ACQUISITION OF FIRST PACIFIC BANK

In December 2000, the Bank successfully acquired a 75% share interest in FPB Bank Holding Company Limited ("FPB Bank Holding") at a price of around HK\$3.28 billion in cash. FPB Bank Holding was incorporated in Bermuda with its shares listed on the Stock Exchange of Hong Kong. FPB Bank Holding's sole investment is a 100% interest in First Pacific Bank which operates 24 branches in Hong Kong. The Bank has proceeded with the compulsory acquisition procedures for the outstanding issued shares of FPB Bank Holding. It is expected that the compulsory acquisition will be completed in March and its shares will be delisted subsequently. We intend to maintain First Pacific Bank as a separate operating unit at the present stage but to fully integrate its operations with the Bank in the longer term.

The acquisition of First Pacific Bank gives the Bank a competitive advantage in the Hong Kong market. It allows us to expand our business, particularly in the areas of consumer lending and credit card business.

This will take place more rapidly than would otherwise be possible in the current low-growth environment. It will also provide an expanded customer base in which to cross-sell our products.

The acquisition of First Pacific Bank also allows the Bank to take advantage of our leading position in China. The acquisition brings our total assets comfortably above the minimum set by the People's Bank of China for foreign banks to expand their branch network in China. This paves the way for the Bank to realise its expansion strategy and maximise the benefits of our long-standing history in China.

ACQUISITION OF SECRETARIES LIMITED

The Bank formed an alliance with Deloitte Touche Tohmatsu in September 2000 through the acquisition of a 80.1% share interest in Secretaries Limited, a market leader in the provision of corporate services including company secretarial services, share registration and other business services. Through this alliance, the Bank aims to enhance its capacity in providing value-added corporate services to the business communities in Hong Kong, Mainland China and abroad.

ORGANISATION RESTRUCTURING

The Bank began the organisation restructuring project in 1999. The project aims to identify ways to improve the overall strategic response, competitiveness, profitability, customer service and efficiency of the Bank.

The project has achieved the following to date:

- The introduction of a new organisation structure since January 2000 to rationalize the organisational layers and to regroup business units according to the Bank's major market segments, thus improving the service delivery, customer satisfaction and thereby generating better business results
- The enhancement of the strategic planning, risk management and new product development functions
- The introduction of a new remuneration system in July 2000 to strengthen the human resources utilization
- In January 2001, the Bank engaged A.T. Kearney as its management consultant to assist the Bank in transforming its domestic branches into sales centres

In 2001, the Bank plans to achieve the following:

- Conduct ongoing reengineering on its internal operations and processes
- Further strengthen the performance management system

PERSONAL BANKING

Branch Operations

In order to maintain the best service and convenience for our customers, we have continued to make improvements in respect of domestic branches:

- As mentioned in a prior paragraph, all domestic branches will be transformed into sales centres. By this transformation, it is expected that branch revenue can be increased through better operational efficiency and customer services
- Two new branches were opened during 2000: Chung Fu Shopping Centre Branch at Tin Shui Wai was opened in May, and Dragonair House Branch at Chek Lap Kok was opened in August
- In addition, Hong Kong Baptist University Branch was opened in January 2001
- The Kowloon City Branch was relocated in January 2000 and renamed Kowloon City Plaza Branch, and the Jordan Road Branch was relocated in May 2000 and renamed as Jordan Branch
- After-office-hours services have been introduced at 40 selected branches
- 20 Personal Banking Centres in our branch network continue to provide convenient one-stop comprehensive service for our customers
- The Group has enlarged its branch network to 133 outlets, including 24 outlets from First Pacific Bank and 19 outlets from United Chinese Bank

East Asia Cyberbanking Service

- Launched in September 1999
- Offers customers an “All-in-One” and “One-for-All” comprehensive electronic banking services
- Allows customers to manage up to 12 bank accounts via one account number through the Internet, telephones, kiosks, mobile phones, PowerPhones™ and iCare Internet-on-TV
- The first to offer instant online approval of mortgage loans, personal loans and travel insurance
- Introduces “My CyberWorld”, a complete solution for integrated banking services and products in both “Business-to-Customer” and “Business-to-Business” markets. My CyberWorld includes CyberFund, CyberPayment, CyberValuation, My Portfolio, BEA My Yahoo and MyERP@Cyberbanking
- Was recognised for its success in Hong Kong and Internationally
 - Winner in the “New Business Venture” in the Asian Banking Awards 2000 (The Bank of East Asia was the only bank in Hong Kong to win a prize in the competition, which received 209 entries from 16 countries)
 - One of the winners of the “2000 Hong Kong Coalition of Service Industries Innovative Service Award”

Property Loans

There was slight growth in the territory’s residential mortgage loan balance in year 2000. This indicates that the underlying mortgage demand is still weak amid a user driven residential property market. Striving against the all time keen competition for mortgage business, we have launched a series of promotions offering flexible mortgage plans for our customers.

With the full launching of Cyberbanking services, we provided an additional platform for customers to access, via Internet, a comprehensive range of mortgage loan services, including property valuation, pre-approval of loans, account information enquiries, prepayment instructions and confirmation requisitions, etc.

Consumer Loans

The market demand for consumer loans has increased due to the ongoing economic recovery and improvement of consumer confidence. During the year, a series of promotional and aggressive programmes were launched to seize market share. In addition, to suit the diverse needs of our customers, new products were developed to complement the existing range. To provide customers with more convenience, a 24 hour

online consumer loan instant approval service is available on our website. By the end of 2000, the Bank achieved an increase of 63% in consumer loans as compared with last year.

Credit Cards

The credit card business of the Bank continued to chart significant growth. In year 2000, a new affinity card programme, St. Paul's Co-educational College Alumni Association Ltd. Card, was rolled out. In addition, new products including Shine Card, targeting younger customers, BEA CyberCard, a virtual card enabling cardholders to make purchases over the Internet, the Bank of East Asia MPF Card for MPF customers and the IEdSmart Card which has been jointly developed with the Hong Kong Institute of Education, were launched. To face the increasingly competitive market environment, we will continue to provide stronger value proposition in order to develop customer loyalty over a longer period of time.

Unit Trust

Unit Trust services were further strengthened by the launch of our on-line unit trust information centre - CyberFund Centre. Some 250 funds from leading fund management companies are offered to our customers.

CORPORATE BANKING

Business Development Department

After the organisation restructuring, the Bank has actively performed the following functions for corporate banking business:

- To maintain and cultivate better working relationships with existing sizable corporate customers, and to develop and nurture new customers
- To promote all types of existing banking products and new banking products such as East Asia Interlink, Magnetic Autopay Service as well as e-commerce products such as Payment Gateway and Cyberpayment Services, etc.

Corporate Lending & Syndication

The corporate lending market revived and regained dynamics in 2000 with an overwhelming response from a number of major syndicated deals. At a generally lower interest spread, some prominent companies also grasped the opportunity to refinance their existing loans. The Bank will continue to enhance the composition of our loan portfolio by engaging in those high quality and return justified deals. We will ensure that we maintain our position as one of the key lenders in the community.

Trade Finance

The Bank strives to provide a full range of quality trade finance services for our customers in a highly professional manner. We will continue to target small to medium sized enterprises ("SMEs"). Some of our initiatives last year are summarized below:

- The Bank has joined forces with the Hong Kong Export Credit Insurance Corporation to provide export financing for SMEs
- We have also sponsored the SME Centre of the Hong Kong Productivity Council
- A new product, namely Unsecured Overdraft, has also been introduced for small business firms

Share Finance

Our Share Finance services include the provision of various types of credit facilities against the pledge of quoted shares (both local and overseas). In addition, the Bank also offers Receiving Banker Services and issues Bank Guarantees for various customers. We strive to increase our market share in these fields.

Mandatory Provident Fund

The Bank provides one-stop mandatory provident fund (MPF) services, covering trustee, scheme administration, investment management and custody services. With more than 20 years experience in retirement scheme management, Bank of East Asia (Trustees) Limited is an approved trustee under the

Mandatory Provident Fund Schemes Ordinance to operate both Master Trust Scheme and Industry Scheme. Through our extensive branch network and East Asia Cyberbanking Services, members of our MPF schemes can make contributions and manage their MPF accounts as they desire. The BEA Capital Growth Fund, an umbrella pooled investment fund approved by the Mandatory Provident Fund Schemes Authority and Securities and Futures Commission, accepts funds for management from other MPF Schemes and the general public.

Trust Services

Bank of East Asia (Trustees) Limited, a wholly-owned trust company of the Bank, offers wide ranging trustee services. They include acting as executor or trustee of wills as well as trustee of family trusts, investment funds, unit trusts, charities and public funds, etc. We also provide escrow agent services to facilitate various commercial transactions, such as mergers, sales and acquisitions.

INVESTMENT BANKING

Cybertrading Service

- Following the successful launch of the Internet Trading Service in June 1999, East Asia Securities Company Limited, a wholly-owned subsidiary of the Bank, was among the first batch of brokers to implement the Broker Supplied System (“BSS”), which provides customers with straight-through direct order processing capability on the launch of the AMS/3 System by the Stock Exchange of Hong Kong in November 2000
- The daily average volume of online dealing increased substantially from 10% in 1999 to 30% in 2000
- In October 2000, the “Interactive Voice Recognition” stock price quote enquiry service was offered which is the pioneer by any bank in Hong Kong. This service allows customers to instantly obtain real-time stock quotes of Hong Kong listed stocks and indices by verbal instructions via telephone. Since December 2000, this service also allows customers to conduct online trading via telephone
- As a continued enhancement to the Cybertrading Service, further electronic channels will be developed, including personal digital assistants (“PDAs”)

BANCASSURANCE

- The first series of six East Asia Bancassurance products was launched in September 2000 and the second series of another five Bancassurance products was launched in December 2000. All bancassurance products are underwritten by Blue Cross (Asia-Pacific) Insurance Limited, a wholly-owned subsidiary of the Bank
- Facilities for instant policy issuance were set up at 30 branches, to be extended to all branches of the Bank and United Chinese Bank in 2001. It is the first service of this kind providing the issuance of life insurance policies instantly at the distribution level
- The first East Asia Bancassurance Service Centre was opened in December 2000 to provide comprehensive insurance services for the Bank’s customers
- The Children Education Sponsorship Programme is set up to award three Education Funds each of HK\$100,000 to newborn babies annually as from the Year of Snake in 2001. The fund will be granted in the form of the Bancassurance Education Insurance policy
- By deploying effective marketing strategies and corporate promotional activities, the Bank has successfully built up a public image of its commitment to develop bancassurance by leveraging on its customer base and strong branch network

Blue Cross Insurance

- In the course of rebuilding its infrastructure, Blue Cross Insurance has achieved a growth of 7% in terms of gross written premium, which has outperformed the market with a growth rate of about 4%
- Blue Cross has leveraged on its composite insurance licence and developed multi-line business by diversifying into life insurance business
- The operation of the Insurance Department of the Bank was effectively integrated into Blue Cross Insurance as of November 2000. The operation efficiency of the Bank’s insurance business has been improved

- The Blue Cross Web-site was launched with on-line insurance application in July 2000

CHINA DIVISION

After acquiring First Pacific Bank, the Bank's total assets exceeded US\$20 billion, the benchmark set by the People's Bank of China for foreign banks to open branches in China. We are committed to setting up an extensive branch network in China. In December 2000, we obtained approval from the People's Bank of China to open a branch in Xian, a key city in China's western region. We are proud to be the first foreign bank to have a presence in this city. Meanwhile, we will strive to obtain approval to upgrade our Beijing Representative Office to a full branch in 2001.

In Taiwan, our Taipei Branch has been operating satisfactorily since its inception in 1997. To further expand our market presence in Taiwan, we have applied to establish a branch in Kaohsiung. Approval is expected to be obtained in 2001.

The reunification of Macau with China further strengthens the economic, financial and trade cooperation between Macau, Hong Kong and China. To capture the business opportunities in Macau, we made an application to the Monetary Authority of Macau to open a branch in the territory. Approval in this regard has been duly obtained and our Macau Branch will commence business in March 2001.

At present, our Shanghai and Shenzhen Branches are authorized to conduct Renminbi business and this business has been growing fast. In anticipation of China's accession to the World Trade Organisation, the Bank is well equipped to compete in this dynamic field. Intensive development programmes will be provided for local staff in China to enrich their knowledge. The pace of computerization will be further accelerated to improve operation efficiency. Our experience together with our extensive branch network can support our customers' business expansion in Greater China.

The Bank will launch the Cyberbanking Service (China) subject to approval from the People's Bank of China. We are the first foreign bank in China to offer such a comprehensive and innovative service. Cyberbanking Service (China) allows customers to manage up to 12 accounts via one "i-Account" number through the Internet. Customers can make fund transfers, placements, withdrawals and renewal of time deposits, send remittance instructions and make inquiries about account and interest rates information.

HUMAN RESOURCES

Bank of East Asia Group employees, including those of the newly acquired FPB Bank Holding at the end of 2000:

Hong Kong	4,128 persons
Other Greater China	649 persons
Overseas	<u>318 persons</u>
Total	<u>5,095 persons</u>

In line with the Bank's corporate strategy, a series of restructuring and enhancement programmes on human resources management have taken place in year 2000. This will further improve the quality and productivity of our staff. In July, we introduced a new Staff Grading System and reorganised the staff remuneration arrangements. We also customised our training programmes with greater emphasis on product knowledge, selling techniques and team building to enable our staff to perform more effectively as a team and be more responsive to the changing customer needs.

Dealings in Listed Securities of The Bank

During the year, the Bank repurchased and cancelled an amount of US\$44,645,000 of the Convertible Bonds due 2003 which were listed on the Luxembourg Stock Exchange. Save for this repurchase, there was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of listed securities of the Bank during the year ended 31st December, 2000.

CHAN Kay-cheung
Deputy Chief Executive

Joseph PANG Yuk-wing
Deputy Chief Executive

David LI Kwok-po
Chairman and Chief Executive

Hong Kong
8th February, 2001

Remark : A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be subsequently published on the Stock Exchange's website in due course.