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The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

Announcement

Profit Warning

This announcement is made by The Bank of East Asia, Limited (the "**Bank**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As a result of the continuing turmoil in global financial markets, the Bank has registered a further decrease in the fair value of its collateralized debt obligation ("**CDO**") portfolio since 30th June, 2008. It is the Directors' assessment that the likely residual net value of the portfolio would be further substantially eroded if held until maturity. The Board of Directors (the "**Board**") of the Bank has thus resolved to dispose of the entire portfolio of CDOs with carrying value held by the Group prior to maturity. As at the date of this announcement, the Bank has completed the disposition of the relevant CDOs.

Whilst this one-off disposal will have a short-term, material negative impact on the financial results of the Bank for the financial year ending 31st December, 2008, the Directors believe that this disposal is in the best interest of the Bank and its shareholders as it will eliminate the Bank's exposure to any further mark-to-market losses in the value of this asset.

The investment loss recognised by the Bank upon the disposal of the CDOs with carrying value is summarised below:

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|----|--|------------------------------|
| 1. | Mark-to-market losses charged to the profit and loss account for the six months ended 30 th June, 2008 and disclosed in the interim results announcement: | HK\$1.3 billion |
| 2. | Losses charged to the profit and loss account in the second half of 2008 on the entire CDO portfolio: | HK\$2.2 billion ¹ |
| 3. | Total losses charged to the profit and loss account for the year ending 31 st December, 2008: | HK\$3.5 billion ¹ |

¹ These include the realised losses in relation to the CDOs with carrying value which have been disposed of by the Group as described in this announcement and the mark-to-market losses in relation to the other CDOs which are still held by the Group, and which losses have already been recognised in the profit and loss account of the Bank prior to the date of this announcement. After such mark-to-market losses, the carrying value of these CDOs has become zero.

As a result of the above losses, the profits of the Bank for the year ending 2008 are expected to fall substantially as compared with that for the year ended 2007.

Discounting the losses incurred by the Bank arising from the CDOs as described above, the business of the Bank is sound and, looking forward to the end of the current financial year, the Directors expect that it will remain so. All statutory ratios of the Bank are well above the levels required by the Hong Kong Monetary Authority ("HKMA").

The Bank has notified the HKMA regarding the disposal of the CDOs.

Shareholders of the Bank and potential investors are advised to exercise caution when dealing in the shares of the Bank.

By order of the Board

The Bank of East Asia, Limited

David LI Kwok-po

Chairman & Chief Executive

Hong Kong, 27th October, 2008

As at the date of this announcement, the Executive Directors of the Bank are: Dr. The Hon. Sir David LI Kwok-po (Chairman & Chief Executive) and Mr. Joseph PANG Yuk-wing (Deputy Chief Executive); Independent Non-executive Directors of the Bank are: Mr. WONG Chung-hin, Dr. LEE Shau-kee, Dr. Allan WONG Chi-yun, Mr. Winston LO Yau-lai, Mr. Thomas KWOK Ping-kwong, Mr. Kenneth LO Chin-ming, Mr. KUOK Khoon-ean and Mr. William Doo Wai-hoi, and Non-executive Directors of the Bank are: Mr. Aubrey LI Kwok-sing, Professor Arthur LI Kwok-cheung, Dr. William MONG Man-wai, Tan Sri Dr. KHOO Kay-peng, Mr. Richard LI Tzar-kai, Mr. Eric LI Fook-chuen and Mr. Stephen Charles LI Kwok-sze.