For Immediate Release

Hong Kong, 17th February, 2017

The Bank of East Asia, Limited
2016 Final Results - Highlights
(for the year ended 31st December, 2016)

- *Our three year cost-saving plan is firmly on track with 40% of the target gross savings achieved in the first year.*
- *We have accelerated the clean-up of the impaired loan portfolio of our Mainland China operations to support future growth.*
- *We continue to build out our digital service platforms to enhance efficiency and drive greater opportunities with our customers.*

		HK$ Million
Profit attributable to owners of the parent from continuing operations - representing a decrease of 33.9% compared with the year ended 31st December, 2015		3,505
Profit attributable to owners of the parent - representing a decrease of 32.6% compared with the year ended 31st December, 2015		3,723
Return on average assets		0.42%
Return on average equity		4.10%
Net interest margin from continuing operations		1.60%
Basic earnings per share from continuing operations		HK$1.12
Basic earnings per share		HK$1.21
Second interim dividend per share (with scrip option)		HK$0.28
Dividend payout ratio		46.7%
Total consolidated assets		765,706
Total advances to customers and trade bills		466,182
Impaired loan ratio		1.49%
Total deposits		564,646
Loan to deposit ratio		80.4%
Average liquidity coverage ratio	- first quarter	151.3%
	- second quarter	141.2%
	- third quarter	133.5%
	- fourth quarter	137.2%
Common Equity Tier 1 capital ratio		12.1%
Tier 1 capital ratio		13.5%
Total capital ratio		17.4%

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

Economic growth in Hong Kong and the Mainland slowed further in 2016. Amidst the generally weak market conditions, the short-term performance of The Bank of East Asia has been affected. Nonetheless, our medium and long-term goals – to deliver ever more innovative, efficient and reliable financial services for the Greater China market – are firmly on track.

In 2016, The Bank of East Asia Group earned a Profit Attributable to Owners of the Parent of HK$3.72 billion, representing a decline of HK$1.80 billion, or 32.6%, compared to 2015. Basic earnings per share stood at one dollar and 21 cents.

The Board has declared a 2016 second interim dividend of 28 cents per share, bringing the dividend for the year to 56 cents. This represents a pay-out ratio of 46.7%, on par with last year.

By maintaining the pay-out level, we are demonstrating our commitment to our shareholders, and our confidence in the medium and long-term prospects of this bank.

Notably, across the Group, operating income increased by 8.3% in the second half of 2016 compared to the first half, an encouraging sign as we enter 2017.

Meeting the challenging operating environment head on, we set clear priorities at the beginning of 2016. At the top of our agenda, we vowed to strengthen oversight of asset quality and implement strict cost control. In addition, we announced our vision for the 21st Century, committing ourselves to a digital banking future.

We made significant progress across most of our key priority areas during the year. However, due to the unfavourable market conditions, asset quality remained an issue. Provisions for non-performing loans rose by 70% to HK$3.5 billion.

As a consequence, return on equity dipped by 2.51 percentage points year-on-year, to 4.1%.

Hong Kong asset quality was affected by the fall in the value of the Renminbi and other factors. We are working with affected clients to help them adjust. The majority of this lending is secured.

Meanwhile, the special asset management team established last year by our Mainland operation is actively managing the impaired loan portfolio. Notably, the outstanding impaired loans on the Mainland started to decline in the second half of 2016, as we stepped up efforts to clean up the balance sheet.

We are confident that we have already taken most of the bad news on board, and that the credit cycle has bottomed out. Having absorbed a significant charge in 2016, we enter 2017 with a healthier balance sheet. The coverage ratio for the Group improved by 7.7 percentage points in the second half of the year compared to the first half, while that for China improved by 26.3 percentage points.

At the end of December 2016, our Common Equity Tier 1 capital ratio stood at 12.1%.

At the start of 2016 we announced a three-year cost-reduction campaign. We achieved 40% of our target during the first year, and expect the savings to flow through to our results starting in 2017.

In Hong Kong, we closed the Hong Kong retail outlets of East Asia Securities at mid-year, and migrated the clientele to our digital, mobile and telephone service channels.

We are on track to roll out our digital model to all Hong Kong branches. In the process, we have cut net branch floor area by over 11% to date. Staff at our branches are able to focus on product sales, contributing to our goal of generating more fee income from our branch network.

We have also made significant strides in reducing costs in Mainland China. Largely through managed attrition, our Mainland subsidiary reduced its workforce by some 10% in 2016. We also combined nine sub-branches. Further cost savings will be achieved in 2017, as rationalisation of the Mainland branch network continues.

Our overseas offices are benefitting from strong interest in Great Britain and the United States by local and Mainland clients. In 2017, our overseas branches will further enhance collaboration with BEA China and the Bank Group's strategic partners. More emphasis will be placed on corporate and syndicated loans, while we will be selective in advancing retail customer loans.

The previously announced disposal of Tricor Holdings is expected to be completed in the first quarter of 2017. This will enhance the capital strength of the Bank Group.

Looking ahead, we anticipate an improving business outlook as interest rates rise. Higher interest rates will benefit our business in Hong Kong, where we are a net lender to the Interbank market.

For 2017, we aim to increase non-interest income, mainly from treasury, insurance and wealth management operations.

By enhancing our online services, we aim to become a partner in the daily activities of our customers. Our smartphone app will become an ever-more handy tool throughout the day.

We are cautiously optimistic that loan demand will improve in most markets in 2017, even as US interest rates rise.

Barring unforeseen events, we expect asset quality to stabilise in the coming year.

Meanwhile, the tightening global regulatory environment will require greater allocation of resources to risk management and compliance, as well as a more conservative attitude to capital planning.

We are confident in the outlook for the Bank and will carry forward our medium and long-term goals by pursuing digital transformation, further improving efficiency, and drawing increased value from our unique China franchise.

As we navigate this challenging period, we are investing time and resources in order to meet the increasingly sophisticated needs of retail and corporate banking clients. We have a sound business model, and a strong team to execute our agenda.

Financial Performance

For the year 2016, the Group achieved a profit attributable to owners of the parent of HK$3,723 million, representing a decrease of HK$1,799 million or 32.6%, compared with the HK$5,522 million earned in 2015.

On 5th October, 2016, The Bank of East Asia, Limited; NWS Holdings Limited; and East Asia Secretaries (BVI) Limited entered into an agreement to sell all issued shares of Tricor Holdings Limited and its subsidiaries (collectively, the "Tricor Group") to Trivium Investment Limited for a total consideration of HK$6,470 million. In accordance with Hong Kong Financial Reporting Standard 5 – Non-current Assets Held for Sale and Discontinued Operations, the Group is required to report Tricor Group's operating results for 2016 separately as discontinued operations in the consolidated income statement, with comparative information re-presented. Tricor Group's assets and liabilities as at 31st December, 2016 are presented separately as assets held for sale and liabilities held for sale, respectively, in the consolidated financial statements. Restatement of assets and liabilities as at 31st December, 2015 is not required. The Bank expects completion of the disposal to occur during the first quarter of 2017.

The following are the key figures for continuing and discontinued operations.

Profit attributable to owners of the parent from continuing operations and discontinued operations amounted to HK$3,505 million and HK$218 million, respectively, representing a decrease of HK$1,800 million, or 33.9%, and an increase of HK$1 million, or 0.1%, as compared to 2015.

Basic earnings per share from continuing operations fell from HK$1.86 in 2015 to HK$1.12 in 2016, and basic earnings per share fell from HK$1.95 in 2015 to HK$1.21 in 2016.

Return on average assets and return on average equity fell from 0.6% to 0.4%, and from 6.6% to 4.1%, respectively.

During 2016, the Group's net interest income from continuing operations decreased by HK$831 million, or 7.0%, to HK$11,098 million. Net interest margin narrowed from 1.66% in 2015 to 1.60% in 2016, largely due to pressure on BEA China's net interest margin, which decreased from 1.82% to 1.65%.

Net fee and commission income from continuing operations decreased by HK$312 million, or 10.7%, to HK$2,593 million. Commission income from credit cards and custodian businesses grew, whereas income from securities and brokerage, trade finance, loans and guarantees, and retail banking services declined.

Net trading and hedging results from continuing operations increased by HK$178 million, or 93.9%, to HK$366 million. Overall, non-interest income from continuing operations decreased by 4.7% to HK$3,752 million. Operating income from continuing operations decreased by 6.4% to HK$14,850 million.

Total operating expenses from continuing operations fell by 6.3% to HK$8,342 million. The cost-to-income ratio increased from 56.1% in 2015 to 56.2% in 2016 whereas the same ratio fell from 59.4% in the first half to 53.2% in the second half of 2016.

Operating profit before impairment losses from continuing operations was HK$6,508 million, a decrease of HK$455 million, or 6.5%, when compared to 2015.

Due to the persistently weak economic environment, impairment losses on loans and receivables from continuing operations grew by 70.4% to HK$3,462 million. The Group's impaired loan ratio rose from 1.13% at the end of 2015 to 1.49% at the end of 2016. The impaired loan ratios of Hong Kong Operations and China Operations rose from 0.34% to 1.03% and from 2.44% to 2.64%, respectively.

Operating profit after impairment losses from continuing operations was HK$3,045 million, a decrease of HK$1,870 million, or 38.0%.

Net profit on the sale of available-for-sale financial assets from continuing operations fell to HK$92 million. The year-on-year comparison was impacted by a 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 in 2015.

Net profit on disposal of fixed assets from continuing operations included a net gain of HK$888 million on certain properties in Mainland China. Associated land value-added tax and corporate income tax on the disposal, which amounted to HK$427 million, is included in Income Tax.

Valuation gains on investment properties from continuing operations decreased to HK$62 million.

The Group shared after-tax profits from associates of HK$431 million from continuing operations, a decrease of HK$125 million, or 22.5% compared to 2015, mainly due to weaker economic performance.

After accounting for income taxes, profit after taxation from continuing operations fell to HK$3,525 million, a decrease of 33.9% compared to the HK$5,336 million recorded in 2015.

Financial Position

Total consolidated assets of the Group stood at HK$765,706 million at the end of 2016, a decrease of 2.0% over the HK$781,364 million at the end of 2015.

Gross advances to customers rose by 2.9% to HK$454,242 million. However, trade bills negotiated fell by 38.9% to HK$11,939 million, mainly due to a significant contraction in cross-border trade business.

Cash, balances, and placements with banks and other financial institutions decreased by 26.8% to HK$109,772 million, whereas available for sale financial assets increased by 18.1% to HK$110,491 million.

Total equity increased to HK$86,636 million, up 1.2%.

Total deposits from customers fell by 0.9% to HK$535,789 million. Of the total, demand deposits and current account balances increased by HK$1,841 million, or 2.5%; savings deposits increased by HK$13,130 million, or 11.6%; and time deposits decreased by HK$19,925 million, or 5.6%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, fell by 2.3% to HK$564,646 million.

The loan-to-deposit ratio stood at 80.4% at the end of 2016, compared to 76.4% at the end of 2015.

The total capital ratio, tier 1 ratio, and common equity tier 1 ratio were 17.4%, 13.5%, and 12.1%, respectively, as at 31st December, 2016. The average liquidity coverage ratio for the quarter ended 31st December, 2016 was 137.2%, which was well above the statutory limit of 70% for the year 2016.

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$765.7 billion (US$98.7 billion) as of 31st December, 2016. 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 corporate banking, personal banking, wealth management, and investment services through an extensive network of more than 220 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