For Immediate Release

Hong Kong, 27th February, 2019

The Bank of East Asia, Limited
2018 Final Results - Highlights
(for year ended 31st December, 2018)

- *Completed three-year cost savings target of HK$700 million and improved asset quality*
- *Enhancing product range and launching new initiatives to drive growth*
- *Embracing new technology to broaden customer base and raise efficiency*

Profit attributable to owners of the parent (HK$ Million) - representing a decrease of 30.4% compared with the year ended 31st December, 2017	6,509
Profit attributable to owners of the parent from continuing operations (HK$ Million) - representing an increase of 3.4% compared with the year ended 31st December, 2017	6,509
Return on average assets	0.70 %
Return on average equity	6.34 %
Basic earnings per share	HK$2.07
Second interim dividend per share (with scrip option)	HK$0.32
Special dividend per share (with scrip option)	HK$0.35
Dividend payout ratio (first and second interim dividends)	40.4 %
Net interest margin	1.73 %
Cost-to-income ratio	50.2 %
Total consolidated assets (HK$ Million)	839,451
Total loans and advances to customers and trade bills (HK$ Million)	515,281
Impaired loan ratio	0.70 %
Total deposits (HK$ Million)	632,604
Loan to deposit ratio	79.1 %
Average liquidity coverage ratio - fourth quarter	180.5 %
Common Equity Tier 1 capital ratio	15.7 %
Tier 1 capital ratio	17.8 %
Total capital ratio	20.8 %

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

Earlier this year, we celebrated the 100th anniversary of our founding. All of us at the Bank are extremely grateful for the warm outpouring of support that we received from near and far to mark this milestone.

On behalf of our Directors and my colleagues, I take great pleasure in thanking everyone for their good wishes.

The banking industry is changing more quickly and more profoundly than at any time during the past 100 years. The digital revolution is remaking the way that we do business. Nonetheless, we are convinced that service and the customer experience remain crucial to success.

We remain committed to providing the very best in service to our clients, and to the communities that we serve throughout the world.

In 2018, The Bank of East Asia Group earned a Profit Attributable to Owners of the Parent from continuing operations of HK$6.5 billion, an increase of 3.4%, compared to the previous year.

In line with our stated dividend policy, the Board has declared a second interim dividend of HK$0.32 per share.

The first interim dividend declared and paid was HK$0.51 per share.

In addition to our stated dividend policy, it gives me great pleasure to announce that, to mark our centenary, the Board has declared a special dividend of HK$0.35 per share, bringing the total dividend for 2018 to HK$1.18 per share.

We have great confidence in the prospects for this Bank going forward, and we are delighted to share our confidence with all of our shareholders.

During 2018, we carried out a thorough review of our mission and core values. We recommitted ourselves to ensuring that every customer experience is positive. We work to fulfil this goal every day.

We made significant headway in our drive to offer straight-through digital solutions, introducing a revamped mobile app, upgrading our internet portal and re-engineering our back-office systems.

We have long emphasised the value of working with partners. Importantly, partnerships have enabled us to capture new opportunities in the Mainland fintech market. Going forward, we will be expanding these relationships in order to broaden our customer base and increase our consumer loan portfolio.

We completed certain key initiatives in 2018.

First, we made ourselves leaner. Three years ago, we embarked on a 700-million Hong Kong dollar cost-saving plan. Our cost-to-income ratio improved from 55.8% in 2015 to 50.2% in 2018.

Second, we acted proactively to reduce risk in our loan book. As a result, our asset quality is improving. The Group-wide impaired loan ratio fell from 1.09% in December 2017 to 0.70% in December 2018.

In addition, we continue to enhance our product range to diversify our income sources. We have introduced debt capital market services to assist companies to manage their finances. We have strengthened our treasury and trade finance services, and expanded our cross-border capability.

We will be launching additional initiatives to further increase fee income in 2019, focussing on our mobile first strategy, wealth management and asset management services.

While controlling costs remains important, so is investing for growth.

We are focussed on deploying resources to achieve sound returns on invested capital over the long term. In the short term, we anticipate that operating costs will increase moderately in 2019.

With geopolitical and trade tensions at a high level and economic growth slowing, financial markets are likely to remain volatile in 2019. Despite these concerns, we see significant opportunities as the Mainland continues to open up its financial sector.

Our overseas branches will continue to work with our Head Office and BEA China to further develop cross-border financing business, particularly for Mainland companies that are seeking new opportunities in overseas markets.

With our customer-centric approach, resilience and innovative spirit, I am confident that we are well poised to make the most of the opportunities and manage any challenges we may face.

Financial Performance

For the year 2018, the Group earned a profit attributable to owners of the parent of HK$6,509 million, representing a decrease of HK$2,838 million or 30.4%, compared with the HK$9,347 million earned in 2017. Basic earnings per share fell from HK$3.21 in 2017 to HK$2.07 in 2018. Return on average assets fell from 1.1% to 0.7%, while the return on average equity fell from 10.3% to 6.3%.

Excluding the gain from discontinued operations recorded in 2017, which totalled HK$3,049 million, profit attributable to owners of the parent increased by HK$211 million, or 3.4%. Basic earnings per share from continuing operations fell from HK$2.09 in 2017 to HK$2.07 in 2018. Return on average assets from continuing operations remained flat at 0.7%, while the return on average equity from continuing operations fell from 6.7% to 6.3%.

The Group's net interest income from continuing operations increased by HK$1,127 million, or 9.5%, to HK$12,959 million. Net interest margin increased from 1.65% to 1.73%, and average interest bearing assets increased by 4.6%.

Net fee and commission income from continuing operations grew by HK$160 million, or 6.5%, to HK$2,653 million. Net trading and hedging results and net results from financial instruments designated/ mandatory at fair value through profit or loss from continuing operations increased by HK$192 million, or 34.2%, to HK$751 million.

Net insurance revenue from continuing operations decreased by HK$392 million, or 57.1%, to HK$295 million, mainly due to the inclusion of a net revaluation loss of HK$424 million on financial assets mandatory at fair value through profit or loss following the adoption of HKFRS 9 in 2018 and a disposal gain of HK$216 million on available-for-sale financial assets in 2017 due to the transition to HKFRS 9. (Prior to 2018, these financial assets were classified as available-for-sale, with the revaluation gain/loss put through other comprehensive income.)

Overall, non-interest income from continuing operations fell by 0.2% to HK$4,113 million. Operating income from continuing operations increased by 7.0% to HK$17,072 million.

Total operating expenses from continuing operations rose by 6.1% to HK$8,563 million. This rise was mainly attributable to the increase in staff costs at Group level, and expenses incurred for new business initiatives and partnerships in China (including card expenses and internet platform charges) in 2018. Given that operating income increased by HK$1,119 million, or 7.0%, the cost-to-income ratio improved from 50.6% in 2017 to 50.2% in 2018.

Operating profit before impairment losses from continuing operations stood at HK$8,509 million, an increase of HK$623 million, or 7.9%, when compared with 2017.

Under HKFRS 9, there was a net charge of impairment losses on financial instruments of HK$1,188 million in 2018, as compared to a net impairment charge on loans and receivables of HK$1,744 million under HKAS 39 in 2017. The Group's impaired loan ratio improved from 1.09% at the end of 2017 to 0.70% at the end of 2018. The impaired loan ratio for Hong Kong operations improved from 0.91% to 0.29%, while that for Mainland China operations improved from 1.79% to 1.73%. In addition, there was an impairment loss of HK$397 million on an investment in an associated company in 2018.

Operating profit after impairment losses from continuing operations amounted to HK$6,919 million, an increase of HK$1,490 million, or 27.4%.

Net profit on the sale of financial assets measured at fair value through other comprehensive income/ available-for-sale from continuing operations decreased by 94.2% to HK$62 million. Upon transition to HKFRS 9 on 1st January, 2018, any unrealised gains/losses of available-for-sale financial assets that are required to be reclassified as fair value through profit or loss as of 31st December, 2017 have to be transferred from the revaluation reserve to the opening balance of retained earnings at 1st January, 2018, and cannot be recycled to the profit and loss account upon subsequent disposal. Hence, the Group has chosen to dispose of such available-for-sale financial assets before the end of 2017, as far as practicable.

Net profit on sale of disposal group and assets held for sale from continuing operations in 2018 decreased by HK$127 million, or 69.3%, mainly due to a profit of HK$192 million on disposal of a property in Hong Kong in 2017. Valuation gains on investment properties from continuing operations in 2018 amounted to HK$465 million.

The Group shared after-tax profits from associates of HK$566 million from continuing operations, an increase of HK$178 million, or 45.8% compared to 2017.

After accounting for income taxes, profit after taxation from continuing operations rose to HK$6,554 million, an increase of 2.9% compared to the HK$6,370 million recorded in 2017.

Financial Position

Total consolidated assets of the Group stood at HK$839,451 million at the end of 2018, an increase of 3.8% compared to HK$808,942 million at the end of 2017.

Gross advances to customers rose by 5.7% to HK$500,631 million, while gross trade bills negotiated grew by 5.3% to HK$14,650 million.

Total equity attributable to owners of the parent increased to HK$91,826 million, up 2.6%, mainly due to the net profit of HK$6,509 million earned during the year 2018.

Debt securities issued decreased to HK$564 million, down 44.0%.

Total deposits from customers increased by 0.4% to HK$574,114 million. Of the total, demand deposits and current account balances decreased by HK$13,566 million, or 15.9%; savings deposits decreased by HK$3,492 million, or 2.6%; and time deposits increased by HK$19,488 million, or 5.5%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, increased by 4.0% to HK$632,604 million.

The loan-to-deposit ratio stood at 79.1% at the end of 2018, compared to 77.9% at the end of 2017.

As at 31st December, 2018, the total capital ratio, tier 1 ratio, and common equity tier 1 ratio were 20.8%, 17.8%, and 15.7%, respectively. The average liquidity coverage ratio for the quarter ended 31st December, 2018 was 180.5%, which was well above the statutory minimum of 90% for the year 2018.

About The Bank of East Asia, Limited

Incorporated in 1918, BEA is a leading Hong Kong financial services group, serving the needs of customers throughout Greater China and beyond, with total consolidated assets of HK$839.5 billion (US$107.2 billion) as of 31st December, 2018.

BEA offers customers a comprehensive range of corporate banking, personal banking, wealth management, and investment services through an extensive network of nearly 200 outlets covering Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom, and the United States. For more information, please visit the Bank's homepage at www.hkbea.com.

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