



The Bank of East Asia, Limited Tailored Resolution Plan

PUBLIC SECTION

December 2013

Summary of Resolution Plan

1. Introduction

Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires systemically important financial institutions that conduct business in the United States to file resolution plans with U.S. regulators. Section 165(d) has been implemented through regulations of the Board of Governors of the Federal Reserve System (the “FRB”) and the Federal Deposit Insurance Corporation (the “FDIC”) that require a foreign-based covered company to provide detailed information about its entities and activities in the United States, including the process by which those entities and activities would be resolved in the event of the company’s material distress or failure (the “Regulations”).¹

Pursuant to the Regulations, The Bank of East Asia, Limited (“BEA”) has developed a tailored resolution plan (the “Plan”). The Regulations direct that the Plan focus on BEA’s U.S. nonbanking operations. The following discussion provides interested members of the public with an overview of the key elements of BEA’s Plan.

2. BEA and its U.S. Operations

BEA

BEA, the covered company for purposes of this resolution plan, was incorporated in 1918 under the laws of the Hong Kong Special Administrative Region of the People’s Republic of China. BEA is a publicly traded corporation listed on The Stock Exchange of Hong Kong and is one of the constituents stocks of the Hang Seng Index. Headquartered in Hong Kong, BEA operates an extensive international network covering Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom, and the United States.

As of December 31, 2012, BEA’s total consolidated assets were \$89.3 billion, and BEA had U.S. total assets of \$2.6 billion or 2.91% of BEA’s consolidated assets. Pursuant to the Regulations and guidance from the FRB and FDIC, tailored resolution plans should focus on a covered company’s U.S. nonbanking operations. As of the filing of this Plan, BEA’s direct U.S. operations consists of three federal branches — two in New York and one in Los Angeles, collectively, the “U.S. Operations” or the “Branches”. Although BEA has two U.S. nonbanking subsidiaries, such subsidiaries do not constitute material entities. BEA has no critical operations located in the United States.²

¹ See generally 12 C.F.R. pt. 243.

² The Regulations define “critical operations” to mean those operations of a covered company, the failure of which would post a threat to the financial stability of the United States.

BEA-NY Insured Branch

The Bank of East Asia, Limited, New York Insured Branch (“BEA-NY Insured Branch”) is a federal branch licensed by the Office of the Comptroller of the Currency (the “OCC”), the deposits of which are insured by the FDIC.

BEA-NY Uninsured Branch

The Bank of East Asia, Limited, New York Uninsured Branch (“BEA-NY Uninsured Branch”) is a federally-chartered branch licensed by the OCC.

BEA-LA Uninsured Branch

The Bank of East Asia, Limited, Los Angeles Uninsured Branch (“BEA-LA Uninsured Branch”) is a federally-chartered branch licensed by the OCC.

3. Core Business Lines

BEA U.S. Operations’ core business lines consist of Commercial Real Estate Mortgage (“CRE”) and Commercial & Industrial (“C&I”) loans. CRE and C&I loans are provided by all three branches.

4. Summary of Assets, Liabilities, Capital and Major Funding Sources

The following provides an overview of the assets, liabilities, capital and funding, and liquidity sources used by BEA’s U.S. Operations. For additional information about BEA’s assets, liabilities, capital and major funding sources, please refer to BEA’s Corporate Information Website at <http://www.hkbea.com/hk/ci/index.htm>.

Assets

The U.S. Operations hold several types of assets for BEA, including commercial loan obligations in the form of syndicated C&I loans and CRE participation loans.

Liabilities

The major liabilities of the U.S. Operations consist of insured and uninsured deposits, borrowings from BEA Head Office and third party banks. These liabilities are mostly short-term in nature, with maturities not exceeding 364 days. BEA New York Branch does not issue long-dated certificates of deposit.

Capital

BEA monitors and maintains capital on a group-wide basis. A sufficient amount of capital is maintained to support the group's operations. For additional information on BEA's capital, please refer to the Corporate Information Website referenced above.

Funding and Liquidity

Funding and liquidity for the U.S. Operations are managed in accordance with BEA's group-wide policies and procedures. These standards have been incorporated into the U.S. Operations' local policies and procedures. The U.S. policies and procedures require the U.S. Operations to provide information to BEA for purposes of reports including those for cash flow, loan growth and liquidity risk analysis.

BEA's U.S. Operations are able to draw on a variety of funding sources. In normal market conditions, BEA-NY Insured Branch may rely on taking deposits, the majority of which are insured Money Market and NOW omnibus deposit accounts. In addition the Branch maintains Money Market deposits, issues certificates of deposit, and receives borrowings from BEA Head Office and third party banks.

The BEA-NY Uninsured Branch and the BEA-LA Uninsured Branch are funded mostly through borrowings, either from BEA Head Office or third party banks.

5. Derivatives and Hedging Activities

The Branches have a portfolio of Interest Rate Swaps ("IRS") with affiliated and non-affiliated parties.

6. Financial Market Utilities

BEA relies on the services of Financial Market Utilities ("FMU") to conduct its U.S. and home-country operations. Certain FMUs that are used for the U.S. Operations are identified in the following table.

| FMU | Functionality |
|---|-------------------------|
| ACH | Payments |
| Depository Trust and Clearing Corporation | Settlement and Clearing |
| FedWire | Payments |
| SWIFT Alliance | Payments |

7. Foreign Operations

In addition to its home market, Hong Kong, and its U.S. Operations, BEA maintains commercial and retail operations in Mainland China, Southeast Asia, and the United Kingdom. Worldwide BEA operates more than 230 outlets and employs over 12,000 people. For additional information about non-U.S. operations, please refer BEA’s annual report available on the Corporate Information Website, referenced above.

8. Material Supervisory Authorities

| BEA Entity | Primary Supervisory Agency |
|-------------------|---|
| BEA | Hong Kong Monetary Authority (“HKMA”) Securities and Futures Commission Mandatory Provident Fund Schemes Authority Office of the Commissioner of Insurance |
| | Board of Governors of the Federal Reserve System (“FRB”) |

9. Executives and Management

The U.S. Operations are run according to the policies and procedures set by BEA Senior Management and management committees. For a listing of BEA's Senior Management, please refer to [Appendix A](#) to this Public Section of the Plan. The table below identifies the members of the BEA Board of Directors, as of June 30, 2013:

| BEA Board of Directors | |
|-----------------------------------|--|
| Name | Role / Title |
| Dr. the Hon. Sir David LI Kwok-po | Chairman & Chief Executive |
| Professor Arthur LI Kwok-cheung | Deputy Chairman and Non-executive Director |
| Mr. Aubrey LI Kwok-sing | Non-executive Director |
| Mr. Richard LI Tzar-kai | Non-executive Director |
| Mr. Eric LI Fook-chuen | Non-executive Director |
| Mr. Stephen Charles LI Kwok-sze | Non-executive Director |
| Dr. Isidro FAINÉ CASAS | Non-executive Director |
| Mr. Peter LEE Ka-kit | Non-executive Director |
| Dr. Allan WONG Chi-yun | Deputy Chairman and Independent Non-executive Director |
| Mr. WONG Chung-hin | Independent Non-executive Director |
| Mr. Winston LO Yau-lai | Independent Non-executive Director |
| Tan Sri Dr. KHOO Kay-peng | Independent Non-executive Director |
| Dr. Thomas KWOK Ping-kwong | Independent Non-executive Director |
| Mr. Kenneth LO Chin-ming | Independent Non-executive Director |
| Mr. William DOO Wai-hoi | Independent Non-executive Director |
| Mr. KUOK Khoon-ean | Independent Non-executive Director |

| BEA Board of Directors | |
|-------------------------------|------------------------------------|
| Name | Role / Title |
| Mr. Valiant CHEUNG Kin-piu | Independent Non-executive Director |

10. Resolution Summary

In the event of material distress or failure of the U.S. Operations or BEA, the U.S. Operations would be resolved according to the Plan. BEA provides certain information systems and services to the Branches, either directly or through BEA New York Branch. BEA has identified which systems are critical for the U.S. Operations, and addressed how the lack of support for those systems could impact the U.S. Operations.

In the event of BEA's insolvency, the OCC would take possession of assets of the Branches in accordance with U.S. law.

Appendix A

| BEA Senior Management | |
|-----------------------------------|---|
| Name | Role / Title |
| Dr. the Hon. Sir David LI Kwok-po | Chairman & Chief Executive |
| Mr. Adrian David LI Man-kiu | Deputy Chief Executive |
| Mr. Brian David LI Man-bun | Deputy Chief Executive |
| Mr. Samson LI Kai-cheong | Deputy Chief Executive & Chief Investment Officer |
| Mr. TONG Hon-shing | Deputy Chief Executive & Chief Operating Officer |