

THE BANK OF EAST ASIA, LIMITED

TERMS OF REFERENCE

of

THE REMUNERATION COMMITTEE

1. CONSTITUTION

The Board of Directors had resolved to establish a committee known as the “Remuneration Committee” to formulate and review the remuneration policy and the specific remuneration packages of Directors, Senior Management¹, and Key Personnel² of the Bank Group (hereinafter including all overseas branches and subsidiaries subject to the consolidated supervision of the Hong Kong Monetary Authority).

2. MEMBERSHIP

2.1 The Remuneration Committee members shall be appointed by the Board preferably from amongst the Non-executive Directors of the Bank and shall consist of not less than two members. Where the Remuneration Committee consists of Executive Directors, a majority of the members of the Remuneration Committee should be Independent Non-executive Directors.

2.2 The Chairman of the Remuneration Committee shall be appointed by the Board.

2.3 The Remuneration Committee comprises the following members:

Chairman	:	Dr. Allan Wong Chi-yun*
Members	:	Mr. Aubrey Li Kwok-sing Mr. Thomas Kwok Ping-kwong* Mr. Winston Lo Yau-lai* Mr. Eric Li Fook-chuen

* Independent Non-executive Directors

The quorum of any Remuneration Committee meeting is two members, of which at least one should be Independent Non-executive Director.

2.4 Once appointed, the office of the members of the Remuneration Committee shall last as long as he or she remains as a Director (Executive or Non-executive) of the Bank, and the tenure will expire upon the termination or resignation of the member of the Remuneration Committee as a Director. Notwithstanding the foregoing, the Board may terminate the appointment of any member of the Remuneration Committee at any time.

¹ “Senior Management” shall include all Deputy Chief Executives.

² “Key Personnel” shall include Division Heads, Executive Director & Chief Executive of The Bank of East Asia (China) Limited and the Head of Capital Markets & Liquidity Management Department.

2.5 The Company Secretary shall act as the Secretary of the Remuneration Committee.

3. FREQUENCY OF MEETINGS

Meetings shall be held not less than once a year.

4. DUTIES

The specific duties of the Remuneration Committee shall be:

- (a) to make recommendations to the Board on the Bank Group's policy, structure and practices for all remuneration of Directors, Senior Management and Key Personnel, and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (b) to make recommendations to the Board on the remuneration packages of Directors, Senior Management, and Key Personnel, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee should consider the time commitment and responsibilities of the Directors as well as compensation paid by comparable banks, employment conditions and desirability of performance-based remuneration for Executive Director, Senior Management and Key Personnel;
- (c) to review and approve the remuneration policy applicable to employees' remuneration to ensure that it is consistent with any applicable legal and regulatory requirements imposed by any legal body and public authority;
- (d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and to carefully evaluate and approve those compensation arrangements and practices which is paid for potential future revenues whose timing and likelihood remain uncertain (if any). In so doing when exercising its discretion over the performance-based remuneration, the Remuneration Committee should ensure that its assessment is consistent with the Bank Group's financial condition and future prospect;
- (e) to ensure that the Internal Audit Department will conduct annual review (independent of the management) of the Bank Group's remuneration system and its operation, including an assessment of consistency with any prevailing guideline and ensure that the result of the annual review be submitted to the Hong Kong Monetary Authority;

- (f) to work closely with other relevant committees of the Bank's Board, including but not limited to Risk Management Committee and Audit Committee, on the development of the remuneration system of the Bank;
- (g) to review and approve the compensation payable to Directors, Senior Management, and Key Personnel in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Bank;
- (h) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- (i) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

5. REPORTING PROCEDURES

- (a) The Secretary shall present the minutes of meetings of the Remuneration Committee to all members of the Board.
- (b) Corporate Governance Report in the Annual Report

Disclosures³ should include but not limited to:

- (i) the role and function of the Remuneration Committee;
- (ii) the composition of the Remuneration Committee (including names and identifying in particular the Chairman of the Remuneration Committee);
- (iii) the number of meetings held by the Remuneration Committee during the year and the record of individual attendance of members, on a named basis, at meetings held during the year; and
- (iv) a summary of work, including determining the policy for the remuneration of Executive Directors, assessing performance of Executive Directors and approving the terms of Executive Directors' service contracts, performed by the Remuneration Committee during the year.

³ Pursuant to paragraphs 2(f) (i) to (iv) of Appendix 23 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

- (c) The Bank shall also disclose to the Hong Kong Monetary Authority any information as required pursuant to any guideline⁴ or rule imposed by the Hong Kong Monetary Authority from time to time as applicable to the remuneration policy and practice of the Bank.

6. REMUNERATION

An amount of HK\$60,000 should be paid to the Chairman of the Remuneration Committee and HK\$35,000 should be paid to each of the other members of the Remuneration Committee.

7. FREQUENCY OF REVIEW

This Terms of Reference should be reviewed on an annual basis and as required.

⁴ CG-5 Guideline on a Sound Remuneration System issued by the Hong Kong Monetary Authority on 19th March 2010.