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The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

Joint Lead Managers



Co-Managers

BNP PARIBAS

CALYON

HSBC

**ISSUE OF STEP-UP SUBORDINATED NOTES DUE 2059,
NON-CUMULATIVE INNOVATE PREFERENCE SHARES
AND
NON-CUMULATIVE SUBSTITUTE PREFERENCE SHARES**

The Bank is pleased to announce that the Bank has proceeded with the Issue and, on 29th October, 2009, the Bank, Innovate, the Managers and the Initial Purchaser have entered into the Subscription Agreement in respect of the Issue.

Pursuant to the Subscription Agreement, the Bank will issue the Notes and Innovate will issue the Innovate Preference Shares upon fulfilment of the conditions for completion of the Subscription Agreement, which is expected to take place on the Notes Issue Date. As a term of the Issue, in limited circumstances (each a Substitution Event), the Innovate Preference Shares will be cancelled and substituted by the Substitute Preference Shares to be issued by the Bank at the ratio of one Innovate Preference Share in exchange for one Substitute Preference Share.

Pursuant to the Subscription Agreement, the Managers have agreed with the Bank, subject to the satisfaction of certain conditions, to procure subscription for 500,000 of the Units at the aggregate subscription price of US\$500,000,000, with each Unit comprising (i) one Note which will bear a fixed interest rate of 8.50% per annum and will, after ten years, bear a step-up floating interest rate of 3-month LIBOR plus 7.3605% per annum; and (ii) one Innovate Preference Share with a liquidation preference of US\$1,000.

Conditions precedent to the closing of the Subscription Agreement may or may not be satisfied and the Subscription Agreement may be terminated upon the occurrence of certain events. Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Bank.

After deducting the commission fees but before all other expenses incurred in connection with the Issue, the Bank expects to receive proceeds of US\$498,500,000 from the Issue. The Bank intends to apply these proceeds for general working capital purposes.

The Bank has undertaken in the Subscription Agreement to convene an extraordinary general meeting of the Bank for the purposes of considering, and if thought fit, passing a resolution providing for the creation and, upon the occurrence of a Substitution Event, issue of the Substitute Preference Shares and to use its best endeavours to obtain the approval of the Shareholders for such issue of the Substitute Preference Shares. In this connection, it is also proposed that the Articles of Association of the Bank will be amended to create the Substitute Preference Shares and entrench the terms of the Substitute Preference Shares into the Articles of Association of the Bank. The Bank will make further announcement(s) and despatch a circular to the Shareholders regarding the extraordinary general meeting as required under the Listing Rules.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

1. INTRODUCTION

Reference is made to the Previous Announcement made by the Bank dated 23rd October, 2009 regarding the proposal for the offering and issue of Hybrid Tier 1 capital instruments comprising the Notes and the Innovate Preference Shares. The Bank is pleased to announce that the Bank has proceeded with the Issue and, on 29th October, 2009, the Bank, Innovate, the Managers and the Initial Purchaser have entered into the Subscription Agreement in respect of the Issue.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

Issue of the Notes, the Innovate Preference Shares and the Substitute Preference Shares

As set out in the Previous Announcement, the Bank will issue the Notes and Innovate will issue the Innovate Preference Shares pursuant to the terms and conditions of the Subscription Agreement. The Hybrid Tier 1 capital instruments are essentially a combination of debt and equity instruments with features that qualify the instruments as part of Category I Core Capital of the Bank. The main features of the Hybrid Tier 1 capital instruments include the following:

- (i) the issuance of the Notes by the Bank which initially bear interest at a fixed annual interest rate payable semi-annually in arrears and, after ten years, bear interest at a step-up floating interest rate payable quarterly in arrears, and are unsecured and subordinated to the claims of the senior creditors of the Bank (including subordinated creditors);
- (ii) the issuance of the Innovate Preference Shares by Innovate which may only be traded and transferred together with the Notes as non-detachable Units until the Assignment, and:
 - a. no dividend will be payable on the Innovate Preference Shares until the occurrence of an Assignment Event; and
 - b. upon the occurrence of an Assignment Event, the Notes will be assigned automatically to Innovate and investors will only hold the Innovate Preference Shares in respect of which Innovate will pay non-cumulative

preferential dividends at a rate which is the same as the applicable interest rate on the Notes, and investors will not receive any further interest on the Notes; and

- (iii) in very limited circumstances (each a Substitution Event), the Innovate Preference Shares will be cancelled and substituted by the Substitute Preference Shares to be issued by the Bank at the ratio of one Innovate Preference Share in exchange for one Substitute Preference Share. Upon issue, holders of the Substitute Preference Shares will be entitled to receive non-cumulative preferential dividends at a rate which is the same as the rate of dividend payable on the Innovate Preference Shares (and hence the Notes). Essentially, following a substitution, investors will only hold the Substitute Preference Shares which entitle them to dividend payments, and will not receive any dividend on the Innovate Preference Shares.

Innovate is a special purpose vehicle set up by the Bank solely to issue the Innovate Preference Shares for the purposes of the Issue. Upon issue, the Notes and the Innovate Preference Shares will be listed, and traded as stapled Units, on the SGX-ST. The Innovate Preference Shares and, if issued, the Substitute Preference Shares, will generally be non-voting but will have preference in the payment of dividends and liquidation preference over the holders of ordinary shares of Innovate and the Shareholders of the Bank respectively.

Payments of interest and preferential dividends

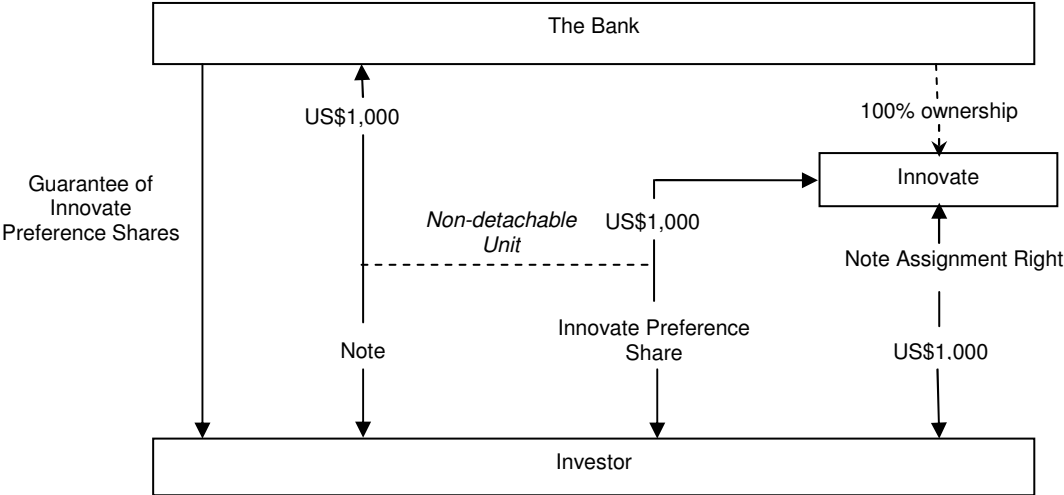
Pursuant to the Subscription Agreement, the Managers have agreed with the Bank, subject to the satisfaction of certain conditions, to procure subscription for 500,000 of the Units at the aggregate subscription price of US\$500,000,000, with each Unit comprising (i) one Note which will bear a fixed interest rate of 8.50% per annum and will, after ten years, bear a step-up floating interest rate of 3-month LIBOR plus 7.3605% per annum; and (ii) one Innovate Preference Share with a liquidation preference of US\$1,000.

Payments of interest on the Notes and payments of dividends on the Innovate Preference Shares and, if issued, on the Substitute Preference Shares, respectively are subject to payment tests. This essentially requires the deferral of interest / dividends payable on the instruments if the Distributable Profits of the Bank and its Consolidated Subsidiaries are less than the amount of interest / dividends scheduled for payment on the record date, unless otherwise allowed by the HKMA. Such deferral must occur on a pro-rata basis among all instruments which rank *pari passu* with the Notes / the Innovate Preference Shares / the Substitute Preference Shares (as the case may be).

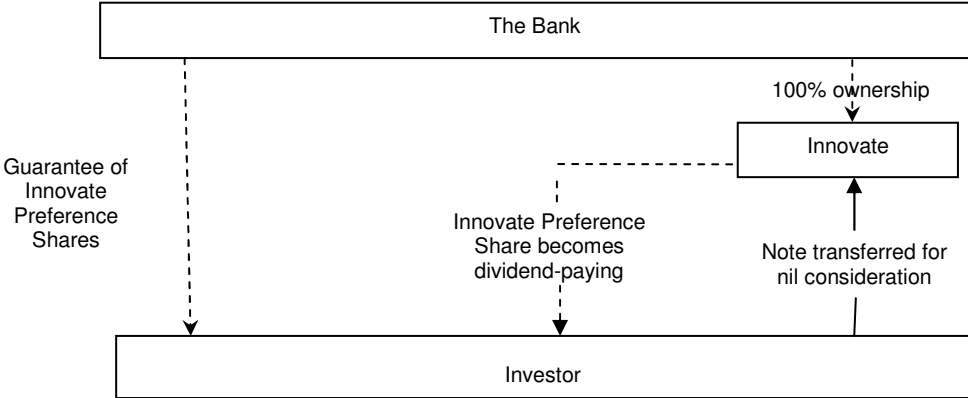
In addition, the payment of dividends and other payments under the Innovate Preference Shares (when the same are due and payable and not deferred) will be guaranteed by the Bank pursuant to the Guarantee. From the tenth anniversary of the Notes in 2019 onwards, Innovate and the Bank will have an option, subject to the prior approval of the HKMA, to redeem the Innovate Preference Shares or (if issued) the Substitute Preference Shares, at par plus any accrued but unpaid dividend on those shares, and upon such redemption, the Notes would accordingly be transferred by the investors to Innovate pursuant to the Assignment.

Set forth below are diagrams depicting the structures of the Issue and upon the occurrence of an Assignment Event and a Substitution Event respectively as described above:

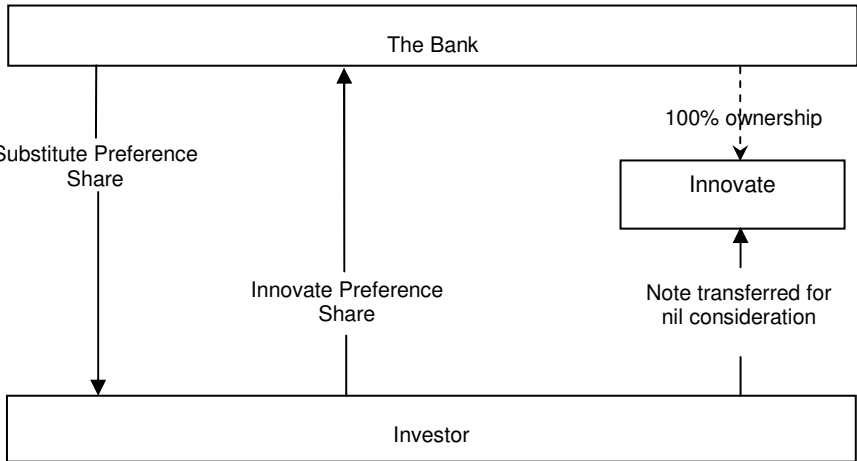
On issue:



Following the occurrence of an Assignment Event:



Following the occurrence of a Substitution Event:



Please refer to the paragraphs headed "Principal Terms of the Instruments" below for further details of the principal terms of the Notes, the Innovate Preference Shares and the Substitute Preference Shares.

2. USE OF PROCEEDS

After deducting the commission fees but before all other expenses incurred in connection with the Issue, the Bank expects to receive proceeds of US\$498,500,000 from the Issue. The Bank intends to apply these proceeds for general working capital purposes.

3. IMPLICATIONS ON THE BANK AND ITS SHAREHOLDERS

Given the Issue comprises perpetual preference shares with non-cumulative distributions, the Hybrid Tier 1 capital instruments of the Bank have been approved by the HKMA to qualify as Category I Core Capital of the Bank and if the Issue is completed, it is expected that Category I Core Capital of the Group will increase from 8.41% as of 30th June, 2009 to 9.84%. Being the first bank to launch the issue of Hybrid Tier 1 capital instruments in Hong Kong, the Bank believes that this exercise offers investors an attractive investment opportunity in one of the leading franchises in Hong Kong. Whilst the Notes will be entitled to a step-up annual interest rate after the tenth anniversary of its issue in 2019, the Bank (through Innovate) will have an option to essentially redeem the Notes (through exercising an option to redeem the Innovate Preference Shares or the Substitute Preference Shares (as the case may be)). The Bank believes that this option will provide the Bank with flexibility to explore funding and refinancing alternatives.

As the Substitute Preference Shares would only be required to be issued in very limited circumstances (each a Substitution Event, such as upon the Winding-Up of the Bank or its failure to meet the level of Capital Adequacy Ratio prescribed by the HKMA) and as the Substitute Preference Shares, if issued, will generally be non-voting, the Bank believes that the voting rights of its Shareholders would not be affected (except in exceptional circumstances). The Bank has complied with the Capital Adequacy Ratio prescribed by the HKMA to date.

Whilst the holders of the Substitute Preference Shares, upon their issue, will be entitled to preferential dividends, the Bank will only be required to make full payment of dividends if there are sufficient Distributable Profits to meet such payment. The dividend right of the Substitute Preference Shares will be subordinated to all debts of the Bank, but will rank prior to the rights of the Shareholders to receive dividends and in the event of a liquidation of the Bank.

4. THE SUBSCRIPTION AGREEMENT

Date 29th October, 2009

Parties (1) The Bank; (2) Innovate; (3) the Initial Purchaser; (4) the Managers

To the best of the Directors' knowledge, information and belief, the Managers and the Initial Purchaser and their respective beneficial owner(s) are independent of and not connected with the Bank and its connected persons. The purchasers of the Units have confirmed with the Managers that they are, and their beneficial owners, are not "substantial shareholders" of the Bank or otherwise a "connected person" of the Bank as those terms are defined in the Listing Rules.

Conditions of the Subscription Agreement

Completion of the subscription of the Notes and the Innovate Preference Shares is conditional upon the satisfaction of the following conditions:

- (i) the execution and delivery of the Subscription Agreement and the other contracts relating to the issue of the Notes and the Innovate Preference Shares;
- (ii) the SGX-ST having agreed to list the Notes and the Innovate Preference Shares;
- (iii) compliance with the representations and warranties made by each of the Bank and Innovate in, and performance of all of their obligations under, the Subscription Agreement to be performed on or before the Notes Issue Date, and no material adverse change having occurred;
- (iv) delivery of confirmation from the HKMA that the Units will qualify as Category I Core Capital for the purpose of capital adequacy under the rules and regulations of the HKMA and the Banking Ordinance (Cap.155) of Hong Kong;
- (v) delivery of the comfort letter from the auditors of the Bank, legal opinions and such other documents and certificates as the Joint Lead Managers may reasonably require;
- (vi) there is no change to any existing law or regulation applicable to the current or future business of each of the Bank and Innovate as described in the Offering Circular, which could have a material adverse effect; and
- (vii) delivery of confirmation from each of Moody's and Standard & Poor's that they have assigned the rating of Baa1 and BBB-, respectively, to the Units.

Termination of the Subscription Agreement

Upon the occurrence of any of the following events, the Joint Lead Managers (on behalf of the Managers) may at their discretion terminate the Subscription Agreement prior to payment being made to the Bank of the net proceeds of the Issue:

- (i) if any of the conditions precedent has not been satisfied or waived by the Joint Lead Managers;
- (ii) if there shall have come to the notice of the Managers (or any of them) (a) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement; (b) any failure to perform any of the Bank's or the Innovate's undertakings or agreements in the Subscription Agreement; (c) any statement in the Offering Circular has become or been discovered to be untrue, inaccurate or misleading in a material respect; or (d) matters have arisen or have been discovered which would, if the Offering Circular were to be issued at that time, constitute a material omission therefrom; or
- (iii) if there shall have been in the Joint Lead Managers' opinion (a) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls such as would in their view be likely to prejudice materially the success of the offering and distribution of the Notes and the Innovate Preference Shares or dealings in the Notes and the Innovate

Preference Shares in the secondary market; or (b) any event or omission which in the opinion of the Joint Lead Managers is or will be materially prejudicial to the Bank or Innovate or to the successful outcome of the offering and sale of the Notes and the Innovate Preference Shares.

The Bank considers that the terms and conditions of the Subscription Agreement are fair and reasonable and are in the interest of the Bank and the Shareholders as a whole.

Conditions precedent to the closing of the Subscription Agreement may or may not be satisfied and the Subscription Agreement may be terminated upon the occurrence of certain events. Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Bank.

5. PRINCIPAL TERMS OF THE INSTRUMENTS

Set out below is a summary of the principal terms of the Units, the Notes, the Innovate Preference Shares and, if issued, the Substitute Preference Shares:

Principal terms of the Units

The Units	500,000 Units, each consisting of one Note and one Innovate Preference Share.
Stapling	Prior to the date of Assignment, each Note together with a corresponding Innovate Preference Share may only be traded together as a Unit.

Principal terms of the Notes

Issuer	The Bank.
The Notes	US\$500,000,000 step-up subordinated notes due 2059.
Issue Price	US\$1,000 per Note.
Issue Date	The Notes Issue Date, which is expected to be on 5th November, 2009.
Status	The Notes constitute direct and unsecured obligations of the Bank, ranking <i>pari passu</i> without any preference among themselves.
Subordination	Payments in respect of, or arising from, the Notes are conditional upon the Bank being solvent at the time of payment by the Bank. The rights and claims of the holders of the Notes are subordinated to the claims of senior creditors of the Bank (including subordinated creditors).
Stapling	The Notes are stapled to the Innovate Preference Shares prior to the date of Assignment.

Assignment	Each holder of the Notes by virtue of becoming the holder of any Note irrevocably agrees and acknowledges that it holds each Note subject to the Assignment, which shall occur on the date when any of the Assignment Events occurs.
Redemption on Substitution	Subject to the terms and conditions of the Notes, the Bank shall redeem all of the Notes on the occurrence of a Substitution Event in exchange for the Bank issuing and allotting the Substitute Preference Shares to the holders of the Innovate Preference Shares.
Interest	<p>The Notes bear interest at the following rates of interest:</p> <ul style="list-style-type: none"> (i) at a fixed interest rate for the period from and including the Notes Issue Date to, but excluding, 5th November, 2019 of 8.50% per annum payable semi-annually in arrears; and (ii) at a floating interest rate for the period from, and including, 5th November, 2019 of 3-month LIBOR plus 7.3605% per annum payable quarterly in arrears on 5th February, 5th May, 5th August and 5th November in each year (each of these dates, an "Interest Payment Date").
Mandatory Deferral of Interest	Where, as at any interest record date, the Bank does not have Distributable Profits equal to or greater than the interest payment scheduled for such Interest Payment Date and all other payments to be made on the same date in respect of any obligation ranking or expressed to rank <i>pari passu</i> with the Notes, the Bank must, unless otherwise allowed by the HKMA, reduce the amount of interest payable on the Notes to an amount that may be paid on a <i>pro rata</i> basis with all other payments to be made on the same date in respect of any obligation ranking or expressed to rank <i>pari passu</i> with the Notes without exceeding the relevant amount of Distributable Profits.
Optional Deferral of Interest	Where during the 12 calendar months preceding any Interest Payment Date, no dividend has been declared or paid on any class of share capital of the Bank, the Bank may elect to pay the interest that is due to be paid in respect of the Notes on such date and any such failure to pay shall not constitute a default by the Bank.
Arrears of Interest	Any interest not paid on the relevant date(s) shall constitute arrears of interest which will bear interest at the applicable rate of interest as set out above.
Maturity	5th November, 2059.
Listing	Approval in principle has been granted for the listing of the Notes on the SGX-ST.

Principal Terms of the Innovate Preference Shares

Issuer	Innovate.
The Innovate Preference Shares	Perpetual non-cumulative step-up preference shares in an aggregate liquidation preference of US\$500,000,000 (each has a liquidation preference of US\$1,000).
Issue Price	US\$1,000 per Innovate Preference Share (which will be used to set off the payment in respect of the consideration for receiving the right of Assignment of the Notes from the Initial Purchaser).
Issue Date	The Notes Issue Date, which is expected to be on 5th November, 2009.
Status	The Innovate Preference Shares rank <i>pari passu</i> without any preference among themselves and in priority to the ordinary shares of Innovate.
Guarantee	The Bank will, under the Guarantee, unconditionally and irrevocably guarantee certain payments under the Innovate Preference Shares. Please refer to the paragraphs under the heading "Principal Terms of the Guarantee" below for further details.
Stapling	The Innovate Preference Shares are stapled to the Notes prior to the date of Assignment.
Redemption at the Option of Innovate	Subject to HKMA's prior approval, the Innovate Preference Shares may be redeemed at the option of Innovate in whole on or after the tenth anniversary of the issue of the Innovate Preference Shares in 2019 at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends for the current dividend period at that time.
Redemption for Tax Reasons	The Innovate Preference Shares may be redeemed at the option of Innovate in whole at any time at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends or the current dividend period at that time when a change in law or regulations in Hong Kong or the British Virgin Islands has resulted in adverse tax or financial consequences to the Bank or Innovate.
Regulatory Redemption	<p>Subject to HKMA's prior approval, the Innovate Preference Shares may be redeemed at the option of Innovate in whole at any time at a redemption price equal to the Regulatory Event Redemption Price together with accrued but unpaid dividends for the current dividend period at that time, if:</p> <ul style="list-style-type: none">(i) the Innovate Preference Shares no longer qualify as solo Category I Core Capital of the Bank; or(ii) any or all consents or approvals required for the creation and issue of the Substitute Preference Shares are not obtained by the Bank within 180 days of the Notes Issue

Date.

Substitution	On the occurrence of a Substitution Event, Innovate and the Bank shall substitute the Innovate Preference Shares in whole for the Substitute Preference Shares without any requirement for consent or approval of holders of the Innovate Preference Shares.
Dividends	Prior to the date of Assignment, holders of the Innovate Preference Shares shall not be entitled to receive any dividend. With effect from the date of Assignment and subject to certain limitations, holders of the Innovate Preference Shares shall be entitled to receive, in priority to the payment of any dividend to holders of the ordinary shares of Innovate, a non-cumulative preferential dividend at the same rate as the applicable interest rate on the Notes, with dividend payable semi-annually or quarterly in arrears (as the case may be). An initial dividend representing the amount of the arrears of interest (if any) on the Notes will also be payable on the Innovate Preference Shares.
Mandatory Deferral of Dividends and Optional Deferral of Dividends	The Innovate Preference Shares are subject to mandatory deferral of dividends and optional deferral of dividends on terms and conditions that are analogous to those for the deferral of interests on the Notes as set out above.
Solvency Condition on Payments	All payments in respect of the Innovate Preference Shares are conditional upon the Bank being solvent at the time of payment by Innovate.
Winding-Up	<p>On a Winding-Up of Innovate, holders of the Innovate Preference Shares shall have a claim for a sum equal to the aggregate of:</p> <ul style="list-style-type: none">(i) the liquidation preference of the Innovate Preference Shares;(ii) an amount equal to dividends accrued thereon for the then current dividend period (which may include the initial dividend); and(iii) an amount equal to any dividend thereon which has been resolved to be paid on or after the date of commencement of the Winding-Up of Innovate but which is payable in respect of a dividend period ending on or before such date.
Voting Rights	<p>Holders of the Innovate Preference Shares shall not be entitled to convene, attend or vote at any general meeting of Innovate except in the following circumstances:</p> <ul style="list-style-type: none">(i) where a dividend that is payable on the Innovate Preference Shares shall have become due or payable and shall not have been paid in full;(ii) where a resolution is to be proposed at the meeting

varying or abrogating any of the rights, preferences, privileges, limitations or restrictions attached to the Innovate Preference Shares;

- (iii) where a resolution is proposed to consider the manner in which and terms on which the Bank may exercise or enforce any right to be indemnified, benefit from or enforce any security or exercise any guarantee or indemnity by or against Innovate at any time when the Guarantee is outstanding;
- (iv) where a resolution is proposed to consider approving any re-organisation, reconstruction, amalgamation or substitution of the Bank at any time when the Guarantee is outstanding; or
- (v) after the date of Assignment, where a resolution is proposed to consider a Winding-Up Proceeding in relation to Innovate.

Listing Approval in principle has been granted for the listing of the Innovate Preference Shares on the SGX-ST.

Principal Terms of the Substitute Preference Shares (if issued)

Issuer	The Bank.
The Substitute Preference Shares	Perpetual non-cumulative step-up preference shares in an aggregate liquidation preference of US\$500,000,000.
Issue Price	US\$1,000 per Substitute Preference Share. Substitute Preference Shares will be issued (if required) in exchange for the Innovate Preference Shares.
Issue Date	Upon the occurrence of a Substitution Event.
Status	The Substitute Preference Shares rank <i>pari passu</i> without any preference among themselves and in priority to the ordinary shares of the Bank.
Solvency Condition on Payments	All payments in respect of the Substitute Preference Shares are conditional upon the Bank being solvent at the time of payment.
Subordination	The rights and claims of holders of the Substitute Preference Shares are subordinated to the claims of the senior creditors of the Bank (including subordinated creditors).
Redemption at the Option of the Bank	Subject to HKMA's prior approval, the Substitute Preference Shares may be redeemed at the option of the Bank in whole on or after the tenth anniversary of the issue of the Innovate Preference Shares in 2019 at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends for the current dividend period at that time.

Redemption for Tax Reasons	The Substitute Preference Shares may be redeemed at the option of the Bank in whole at any time at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends for the current dividend period at that time when a change in law or regulations in Hong Kong has resulted in adverse tax or financial consequences to the Bank.
Regulatory Redemption	Subject to HKMA's prior approval, all other applicable law and regulations and the provisions of the Memorandum of Association and the Articles of Association of the Bank, if the Substitute Preference Shares no longer qualify as solo Category I Core Capital of the Bank, the Substitute Preference Shares may be redeemed at the option of the Bank in whole at any time at a redemption price equal to the Regulatory Event Redemption Price together with accrued but unpaid dividends (which may include the initial dividend) for the current dividend period at that time.
Dividends	Holders of the Substitute Preference Shares shall be entitled to receive, in priority to the payment of any dividend to holders of ordinary shares of the Bank, a non-cumulative preferential dividend at the same rate as the applicable interest rate on the Notes, with dividend payable semi-annually or quarterly in arrears (as the case may be). An initial dividend representing the amount of the arrears of interest (if any and if not already paid as initial dividend on the Innovate Preference Shares) on the Notes will also be payable on the Substitute Preference Shares.
Mandatory Deferral of Dividends and Optional Deferral of Dividends	The Substitute Preference Shares are subject to mandatory deferral of dividends and optional deferral of dividends on terms and conditions that are analogous to those for the deferral of interests on the Notes as set out above.
Winding-Up	<p>On a Winding-Up of the Bank, holders of the Substitute Preference Shares shall have a claim for a sum equal to the aggregate of:</p> <ul style="list-style-type: none"> (i) the liquidation preference of the Substitute Preference Shares; (ii) an amount equal to dividends accrued thereon for the current dividend period at that time (which may include the initial dividend); and (iii) any other amounts attributable to the Substitute Preference Shares.
Voting Rights	Holders of the Substitute Preference Shares shall not be entitled to convene, attend or vote at any general meeting of the Bank except in the following limited circumstances:

- (i) where a dividend that is payable on such Substitute Preference Shares shall have become due or payable and shall not have been paid in full;
- (ii) where a resolution is to be proposed at the meeting varying or abrogating any of the rights, preferences, privileges, limitations or restrictions attached to any class of shares of which the Substitute Preference Shares form a part (and then only to attend, speak and vote on any such resolution); or
- (iii) where a resolution is proposed to consider a Winding-Up Proceeding in relation to the Bank.

Listing The Bank has undertaken, in the case that the Substitute Preference Shares are issued, to use all reasonable endeavours to obtain and maintain a listing of the Substitute Preference Shares on either the SGX-ST or The Stock Exchange of Hong Kong Limited.

Principal Terms of the Guarantee

Date Expected to be signed on the Notes Issue Date.

Guarantor The Bank.

Guarantee The Bank will unconditionally and irrevocably guarantee to pay to holders of the Innovate Preference Shares in the event if Innovate does not pay, as and when due and payable, any guaranteed payment by the date specified for such payment.

Guaranteed Payments Guaranteed payments include (i) all dividends due on the Innovate Preference Shares and which have become due and payable (or that would have become due and payable but for mandatory provisions of the British Virgin Islands law applicable to Innovate); and/or (ii) any liquidation preference, and any cash amounts due in respect of redemption of the Innovate Preference Shares, to which holders of the Innovate Preference Shares are entitled and which have become due and payable.

Solvency Payments in respect of, or arising from, the Guarantee are conditional upon the Bank being solvent at the time of payment by the Bank.

Subordination The rights and claims of the holders of the Innovate Preference Shares under the Guarantee are subordinated to the claims of the senior creditors of the Bank (including subordinated creditors).

CONVENING OF AN EXTRAORDINARY GENERAL MEETING AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Bank has undertaken in the Subscription Agreement to convene an extraordinary general meeting of the Bank for the purposes of considering, and if thought fit, passing a resolution providing for the creation and, upon the occurrence of a Substitution Event, issue of the Substitute Preference Shares and to use its best endeavours to obtain the approval of the Shareholders for such issue of the Substitute Preference Shares. In this connection, it is also proposed that the Articles of Association of the Bank will be amended to create the Substitute Preference Shares and entrench the terms of the Substitute Preference Shares into the Articles of Association of the Bank.

Subject to fulfilment of conditions to the completion of the Subscription Agreement as described above, it is expected that the Notes and the Innovate Preference Shares will be issued on the Notes Issue Date, which will be prior to the extraordinary general meeting. However, within 180 days of the Notes Issue Date, if the Bank does not obtain the necessary approval from the Shareholders for the creation and issue of the Substitute Preference Shares, the Innovate Preference Shares may be redeemed, and the Notes will accordingly be assigned from the investors to Innovate, at the option of Innovate in whole at an amount equal to 101% of the liquidation preference of such Innovate Preference Shares. This in effect would mean that the Bank will be able to (through Innovate) unwind the Issue at a fee representing 1% of the subscription price of the Units, namely US\$5,000,000. This fee represents the cost of the Bank to utilise the funds derived from the Issue from the Notes Issue Date to the time when the Bank (through Innovate) exercises the option to redeem the Innovate Preference Shares (and hence the Notes).

Further announcement(s) will be made by the Bank to provide details of the proposed amendments to the Articles of Association of the Bank and a circular will be despatched by the Bank to the Shareholders providing, among other things, details of the extraordinary general meeting and the proposed resolutions to be considered at the extraordinary general meeting, according to the requirements of the Listing Rules. Shareholders who have a material interest in the Issue shall abstain from voting at such extraordinary general meeting (which would include Shareholders who have received an allocation of the Units).

The Bank has not conducted any equity fund raising activities in the 12 months prior to the date of this announcement.

DEFINITIONS

In this announcement, the following terms have the meanings set out below unless the context requires otherwise or otherwise defined:

"Assignment"	the assignment right in respect of all and any outstanding Notes granted by the Initial Purchaser to Innovate under the terms of the Assignment Deed to be automatically exercised on the first occurrence of any Assignment Event;
"Assignment Deed"	the assignment deed expected to be entered into on the Notes Issue Date between, among others, the Bank, Innovate and the Initial Purchaser in respect of the Assignment;
"Assignment Event"	(i) the deferral of payment of any interest on any Note in accordance with the terms and conditions of the Notes;

	(ii) a Substitution Event;
	(iii) any default made in the payment of any amount of principal in respect of the Notes or of any amount of interest in respect of the Notes;
	(iv) following the giving of a valid redemption notice by Innovate in respect of the Innovate Preference Shares, the date scheduled for redemption in such notice;
	(v) the business day prior to the maturity date of the Notes;
	(vi) any date designated by Innovate in its absolute discretion as being the date of Assignment; or
	(vii) any date designated by the HKMA in its absolute discretion as being the date of automatic exercise of the Assignment;
"Bank"	The Bank of East Asia, Limited;
"Board"	the board of directors of the Bank or a duly authorised committee thereof;
"Capital Adequacy Ratio"	has the meaning given to it from time to time in the Supervisory Policy Manual CA-S-6 issued by the HKMA as amended, supplemented or replaced from time to time;
"Category I Core Capital"	has the meaning given to it from time to time in the Supervisory Policy Manual CA-S-6 issued by the HKMA as amended, supplemented or replaced from time to time;
"Category II Supplementary Capital"	has the meaning given to it from time to time in the Supervisory Policy Manual CA-S-8 issued by the HKMA, as amended, supplemented or replaced from time to time;
"Consolidated Subsidiaries"	any subsidiary of the Bank or any other entity, in each case the financial statements of which are required by the Hong Kong Financial Reporting Standards to be consolidated with the financial statements of the Bank;
"Director(s)"	the director(s) of the Bank;
"Distributable Profits"	the aggregate of the consolidated net profits after tax of the Bank and its Consolidated Subsidiaries (determined before any payments of interest, dividends or other distributions by the Bank or any of its Consolidated Subsidiaries on any Category I Core Capital or Category II Supplementary Capital or other securities ranking <i>pari passu</i> with such capital but after the deduction (if any) of amounts required by the HKMA to be transferred to the reserves of the Bank on a consolidated basis) for the immediately preceding two six-month financial periods for which results have been announced publicly, less the aggregate amount of interest, dividends, distributions or other amounts paid, determined to be paid or liable to be paid by the

Bank or any of its Consolidated Subsidiaries in the twelve month period to and including the applicable dividend payment date on:

- (i) any class of share capital of the Bank;
- (ii) the Notes, the Innovate Preference Shares or the Substitute Preference Shares; and
- (iii) any other Category I Core Capital or Category II Supplementary Capital of the Bank or any of its Consolidated Subsidiaries or securities ranking *pari passu* with such capital,

but excluding dividends payable on the Innovate Preference Shares or the Substitute Preference Shares (as the case may be) on the relevant dividend payment date;

"Group"	the Bank and its subsidiaries;
"Guarantee"	the deed of guarantee expected to be entered into by the Bank on the Notes Issue Date providing for the guarantee from the Bank in respect of certain payment obligations of Innovate under the Innovate Preference Shares;
"HKMA"	The Hong Kong Monetary Authority or such other governmental authority in Hong Kong (or if the Bank becomes domiciled in a jurisdiction other than Hong Kong, in such jurisdiction) having primary supervisory authority with respect to the Bank;
"Initial Purchaser"	UBS Limited, a company incorporated in England and Wales with limited liability;
"Innovate"	Innovate Holdings Limited, a wholly owned subsidiary of the Bank incorporated in the British Virgin Islands with limited liability incorporated solely for the purposes of issuing the Innovate Preference Shares and undertaking transactions contemplated under the Issue and the Transaction Documents;
"Innovate Preference Shares"	the perpetual non-cumulative step-up preference shares of no par value in a liquidation preference of US\$1,000 each to be issued by Innovate on the Notes Issue Date as part of the Issue;
" Issue"	the Issue of the Notes by the Bank and the Innovate Preference Shares by Innovate subject to the terms and conditions of the Transaction Documents which include the issue of the Substitute Preference Shares by the Bank on the occurrence of a Substitution Event;
"Joint Lead Managers"	UBS AG and Deutsche Bank AG, Singapore Branch, the joint lead managers for the Issue;
"LIBOR"	The London Inter-Bank Offered Rate, which will be determined pursuant to the terms and conditions of the Notes, the Innovate

	Preference Shares and the Substitute Preference Shares;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Makewhole Amount"	(a) the liquidation preference of such Innovate Preference Share or Substitute Preference Share (as the case may be) or, if this is higher, (b) the amount equal to the sum of the present value of the liquidation preference of such Innovate Preference Share or Substitute Preference Share (as the case may be), together with the present values of the scheduled dividend payments from the relevant date fixed for redemption to, but excluding, 5th November, 2019, in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 0.50 per cent.;
"Managers"	the Joint Lead Managers, BNP Paribas, CALYON and The Hongkong and Shanghai Banking Corporation Limited;
"Notes"	the step-up subordinated notes due 2059 in an aggregate principal amount of US\$500,000,000 each to be issued by the Bank on the Notes Issue Date as part of the Issue;
"Notes Issue Date"	5th November, 2009 or such later date, not being later than 19th November, 2009, as the Bank, Innovate and the Joint Lead Managers shall agree;
"Offering Circular"	an offering circular dated 29th October, 2009 issued by the Bank and Innovate to investors in connection with the offering and issuance of the Notes by the Bank and the Innovate Preference Shares by Innovate which set out details of the offering structure and the terms and conditions of the Issue;
"Previous Announcement"	the announcement dated 23rd October, 2009 made by the Bank in relation to the proposed Issue;
"Regulatory Event Redemption Price"	In respect of each Innovate Preference Share: <ul style="list-style-type: none"> (i) if any or all consents or approvals required for the creation and issue of the Substitute Preference Shares are not obtained by the Bank within 180 days of the Notes Issue Date, an amount equal to 101% of the liquidation preference of such Innovate Preference Share; (ii) other than (i) above and if the occurrence of a regulatory redemption event is scheduled to take place on a date that falls prior to 5th November, 2019, an amount equal to the Makewhole Amount; and (iii) other than (i) above and if the occurrence of a regulatory redemption event is scheduled to take place on a date that falls on or after 5th November, 2019, an amount equal to 100% of the liquidation preference of such Innovate Preference Share;

In respect of each Substitute Preference Share:

- (iv) if the occurrence of a regulatory redemption event is scheduled to take place on a date that falls prior to 5th November, 2019, an amount equal to the Makewhole Amount; and
- (v) if the occurrence of a regulatory redemption event is scheduled to take place on a date that falls on or after 5th November, 2019, an amount equal to 100% of the liquidation preference of the relevant Substitute Preference Share;

"SGX-ST"	Singapore Exchange Securities Trading Limited;
"Shareholders"	holders of the fully paid ordinary shares of HK\$2.50 each of the Bank (or such nominal amount prevailing from time to time);
"Subscription Agreement"	the subscription agreement dated 29th October, 2009 entered into between the Bank, Innovate, the Initial Purchaser, the Managers in respect of the subscription of the Notes and the Innovate Preference Shares in connection with the Issue;
"Substitute Preference Shares"	the perpetual non-cumulative step-up preference shares having a par value of US\$1,000 each to be created, and issued upon the occurrence of a Substitution Event, by the Bank as part of the Issue;
"Substitute Preference Shareholders"	holders of the Substitute Preference Shares from time to time;
"Substitution Deed"	the deed expected to be entered into by, among others, Innovate and the Bank on the Notes Issue Date, pursuant to which the Innovate Preference Shares shall, on the occurrence of a Substitution Event, be cancelled and substituted for the Substitute Preference Shares;
"Substitution Event"	<ul style="list-style-type: none">(i) the HKMA determines that the Bank has a Capital Adequacy Ratio of less than 8% or such other percentage as the HKMA shall stipulate from time to time, as being the minimum required Capital Adequacy Ratio for licensed banks, provided that a Substitution Event will not be deemed to have occurred until the end of any grace period allowed by the HKMA for the Bank to bring its Capital Adequacy Ratio above 8% or such other stipulated percentage;(ii) a Winding-Up Proceeding is instituted in Hong Kong against the Bank and is not dismissed within 30 business days from the initial date of institution; or(iii) the HKMA exercises its power to appoint a manager of the Bank under Section 52 of the Banking Ordinance (Cap.155) of Hong Kong;

"Transaction Documents"	include the Offering Circular dated 29th October, 2009, the Subscription Agreement dated 29th October, 2009, and the Substitution Deed, the Assignment Deed, the Guarantee, the stapling deed, the payment direction deed, the Note trust deed, the Note agency agreement and the preference share agency agreement to be entered into, as the case may be, among others, by the Bank, Innovate, the Initial Purchaser and/or the Managers in connection with the Issue on the Notes Issue Date;
"Unit"	a trading unit comprising one Note and one Innovate Preference Share that will trade in denominations of US\$1,000 and that prior to the date of Assignment may not be traded separately from one another;
"US\$"	U.S. dollars, the lawful currency of the United States of America;
"Winding-Up"	a final and effective order or resolution for the bankruptcy, winding-up, liquidation, receivership or similar proceeding in respect of the Bank or the Innovate (as the case may be); and
"Winding-Up Proceeding"	<ul style="list-style-type: none"> (i) with respect to the Bank, proceedings in Hong Kong for the bankruptcy, liquidation, winding-up, receivership, or other similar proceedings of the Bank; and (ii) with respect to Innovate, proceedings in the British Virgin Islands or Hong Kong for the bankruptcy, liquidation, winding-up, receivership, or other similar proceedings of Innovate.

By the Order of the Board
The Bank of East Asia, Limited
David LI Kwok-po
Chairman & Chief Executive

Hong Kong, 30th October, 2009

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