IMPORTANT NOTICE

NOT FOR DISTRIBUTION WITHIN THE UNITED STATES OR TO ANY U.S. PERSONS

IMPORTANT: You must read the following before continuing. The following applies to the first supplementary offering circular following this page (the "**First Supplementary Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached First Supplementary Offering Circular. In accessing the attached First Supplementary Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT IN ACCORDANCE WITH REGULATION S UNDER OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING FIRST SUPPLEMENTARY OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTION, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your Representation: In order to be eligible to view the attached First Supplementary Offering Circular or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S) and must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S. By accepting the e-mail and accessing the attached First Supplementary Offering Circular, you shall be deemed to have represented to Citigroup Global Markets Limited and UBS AG Hong Kong Branch (together, the "**Joint Lead Managers and Joint Bookrunners**"), CLSA Limited and SMBC Nikko Capital Markets Limited (together, the "**Co-Managers**" and together with the Joint Lead Managers and Joint Bookrunners, the "**Managers**"), and us (1) that you are not a U.S. person nor are you acting on behalf of a U.S. person, (2) that you and any customers you represent are and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (3) that you consent to delivery of the attached First Supplementary Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the attached First Supplementary Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached First Supplementary Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the attached First Supplementary Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The attached First Supplementary Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers are a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of The Bank of East Asia, Limited 東亞銀行有限公司 in such jurisdiction.

The attached First Supplementary Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of The Bank of East Asia, Limited 東亞銀行有限公司, the Managers, the Trustee (as defined in the attached First Supplementary Offering Circular) or any of the Agents (each as defined in the attached First Supplementary Offering Circular) nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached First Supplementary Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CONFIDENTIAL

BEA 東亞銀行

The Bank of East Asia, Limited
東亞銀行有限公司

(incorporated with limited liability in Hong Kong)

U.S.$650,000,000 5.50 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities
issued pursuant to the
U.S.$6,000,000,000 Medium Term Note Programme

This First Supplementary Offering Circular (the "**First Supplementary Offering Circular**", which definition shall also include all information incorporated by reference herein) is issued solely in respect of the issue of U.S.$650,000,000 5.50 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "**Capital Securities**") by The Bank of East Asia, Limited 東亞銀行有限公司 ("**BEA**" or the "**Issuer**").

This First Supplementary Offering Circular is supplemental to, and should be read in conjunction with, the Offering Circular dated 16 June 2014 (the "**Original Offering Circular**" and, together with this First Supplementary Offering Circular, the "**Offering Circular**") and all other documents that are deemed to be incorporated by reference therein in relation to the U.S.$6,000,000,000 Medium Term Note Programme (the "**Programme**") of the Issuer. Save to the extent defined in this First Supplementary Offering Circular, terms defined or otherwise attributed meanings in the Original Offering Circular have the same meaning when used in this First Supplementary Offering Circular. References in the Original Offering Circular and this First Supplementary Offering Circular to the "**Offering Circular**" or "**this Offering Circular**" mean the Original Offering Circular as supplemented and amended by this First Supplementary Offering Circular. To the extent that the Original Offering Circular is inconsistent with this First Supplementary Offering Circular, the terms of this First Supplementary Offering Circular shall prevail.

THE CAPITAL SECURITIES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE CAPITAL SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. THE CAPITAL SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS. IN PARTICULAR, HOLDERS OF THE CAPITAL SECURITIES MAY BE REQUIRED TO ABSORB LOSSES UNDER CERTAIN CIRCUMSTANCES. INVESTING IN THE CAPITAL SECURITIES INVOLVES RISKS. SEE "*INVESTMENT CONSIDERATIONS*" IN THE ORIGINAL OFFERING CIRCULAR, AS SUPPLEMENTED AND AMENDED BY THIS FIRST SUPPLEMENTARY OFFERING CIRCULAR.

As described in this First Supplementary Offering Circular, subject to the Conditions (as defined in the "*Terms and Conditions of the Capital Securities*"), the Capital Securities confer a right to receive Distributions (as defined in the Conditions) on the principal amount (subject to adjustments following the occurrence of a Non-Viability Event (as defined in the Conditions) in accordance with the Conditions) from, and including, the Issue Date at the applicable Distribution Rate (as defined in the Conditions), payable semi-annually in arrear on 2 June and 2 December in each year. Distributions will not be cumulative and Distributions which are not paid in accordance with the Conditions will not accumulate or compound and Securityholders (as defined in the Conditions) will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.

The Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date (as defined in the Conditions), in whole or in part, as applicable, if such non-payment is in accordance with the Conditions and any failure to pay such Distribution shall not constitute an Event of Default (as defined in the Conditions). Distributions are non-cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up (as defined in the Conditions) or otherwise.

The Capital Securities are perpetual and have no maturity date. Securityholders have no right to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem the Capital Securities is subject to the Issuer (a) obtaining the prior written consent of the Monetary Authority (as defined in the Conditions) (if then required) in respect of the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (as defined in the Conditions), irrevocably (without the need for the consent of the Securityholders) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined in the Conditions) per Capital Security. Once any principal amount of, and any accrued but unpaid distribution under, the Capital Securities has been Written-off (as defined in the Conditions), the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off. **Securityholders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation.**

An application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK**") for the listing of, and permission to deal in, the Capital Securities (by way of debt issues to professional investors only) on the SEHK and such permission is expected to become effective on 3 December 2015. Listing and quotation of the Capital Securities on the SEHK is not to be taken as an indication of the merits of the Issuer or any other subsidiary or associated company of the Issuer or the Capital Securities. This First Supplementary Offering Circular is for distribution to professional investors only.

The Capital Securities will be issued in registered form and will be represented by a registered global certificate (the "**Global Certificate**") without interest coupons, and deposited on the relevant issue date with a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

The Capital Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Capital Securities may not be offered, sold, or delivered within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). The Capital Securities are subject to certain restrictions on transfer, see "*Subscription and Sale*" in the Original Offering Circular.

Moody's Investors Service, Inc. ("**Moody's**") is expected to rate the Capital Securities "Ba2". Standard & Poor's Rating Services ("**S&P**"), a division of the McGraw-Hill companies, is expected to rate the Capital Securities "BB". A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Joint Lead Managers and Joint Bookrunners

Citigroup **UBS**

Co-Managers

CITIC CLSA Securities **SMBC Nikko**

The date of this First Supplementary Offering Circular is 25 November 2015

IMPORTANT NOTICE

The Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the purposes of giving information with regards to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Investors are advised to exercise caution in relation to the offering of the Capital Securities described herein. If investors are in any doubt about any of the contents of the Offering Circular, they should obtain independent professional advice.

The Issuer, having made all reasonable enquiries, confirms that this First Supplementary Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Capital Securities, that the information contained or incorporated by reference in this First Supplementary Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this First Supplementary Offering Circular are honestly held and that there are no other facts the omission of which would make this First Supplementary Offering Circular or any of such information or the expression of any such opinions or intentions misleading in any material respect and which, in each case, is material in the context of the issuance and offering of the Capital Securities. The Issuer accepts responsibility accordingly.

This First Supplementary Offering Circular is to be read in conjunction with the Original Offering Circular and all documents which are incorporated herein by reference (including but not limited to the documents referred in "Incorporation by Reference" below).

No person has been authorised to give any information or to make any representation other than those contained in the Offering Circular in connection with the issue or sale of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of Citigroup Global Markets Limited and UBS AG Hong Kong Branch (together, the "**Joint Lead Managers and Joint Bookrunners**"), CLSA Limited and SMBC Nikko Capital Markets Limited (together, the "**Co-Managers**" and together with the Joint Lead Managers and Joint Bookrunners, the "**Managers**"), DB Trustees (Hong Kong) Limited as trustee for the holders of the Capital Securities (the "**Trustee**") or the Agents (each as defined in "*Terms and Conditions of the Notes*" in the Original Offering Circular). Neither the delivery of this First Supplementary Offering Circular and the Original Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Issuer and its subsidiaries (the "**Group**") since the date hereof or the date upon which the Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which the Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This First Supplementary Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Capital Securities described in this First Supplementary Offering Circular. The distribution of this First Supplementary Offering Circular and the offering or sale of the Capital Securities in certain jurisdictions may be restricted by law. Persons into whose possession this First Supplementary Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restriction.

The Capital Securities have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Capital Securities may not be offered, sold or delivered within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). For a description of certain restrictions on offers and sales of Capital Securities and on distribution of the Offering Circular, see "*Subscription and Sale*" in the Original Offering Circular.

The Capital Securities are being offered and sold outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of Capital Securities and distribution of the Offering Circular, see "*Subscription and Sale*" in the Original Offering Circular.

THE CAPITAL SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF CAPITAL SECURITIES OR THE ACCURACY OR THE ADEQUACY OF THE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, employees, representatives, affiliates or advisers to subscribe for, or purchase, any Capital Securities.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective directors, employees, representatives, affiliates or advisers accept any responsibility for the contents of the Offering Circular or for any other statement, made or purported to be made by a Manager or the Trustee or any Agent or on its behalf in connection with the Issuer or the issue and offering of the Capital Securities. Each Manager, the Trustee and each Agent and their respective directors, employees, representatives, affiliates or advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of the Offering Circular or any such statement. Neither the Offering Circular nor any financial statements of the Issuer or the Group are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, employees, representatives, affiliates or advisers that any recipient of the Offering Circular or any financial statements of the Issuer or the Group should purchase the Capital Securities. Each potential investor of Capital Securities should determine for itself the relevance of the information contained in the Offering Circular and its purchase of Capital Securities should be based upon such investigation as it deems necessary. None of the Managers, the Trustee or the Agents or any of their respective directors, employees, representatives, affiliates or advisers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by the Offering Circular nor to advise any investor or potential investor in the Capital Securities of any information coming to the attention of any of the Managers, the Trustee or the Agents.

From time to time, in the ordinary course of business, certain of the Managers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Managers and their affiliates will continue to provide such services to, and enter into such transactions, with the Issuer and its affiliates in the future.

The Managers or certain of their respective affiliates may purchase the Capital Securities and be allocated Capital Securities for asset management and/or proprietary purposes and not with a view to distribution.

In making an investment decision, each potential investor must rely on its own examination of the Issuer and the Group and the terms of the Capital Securities being offered, including the merits and risks involved. The Issuer does not and the Managers, the Trustee and the Agents and their respective directors, employees, representatives, affiliates and advisers do not make any representation regarding the legality of investment under any applicable laws.

Potential investors should be able to bear the economic risk of an investment in the Capital Securities for an indefinite period of time.

For convenience only, all Hong Kong dollar amounts in this First Supplementary Offering Circular have been translated into US dollar amounts at the rate of U.S.$1.00 = HK$7.80. Such translations should not be construed as representations that the Hong Kong dollar amounts referred to could have been, or could be, converted into US dollars at that or any other rate or at all.

WARNING

The contents of this First Supplementary Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of the Capital Securities. If you are in any doubt about any of the contents of this First Supplementary Offering Circular, you should obtain independent professional advice.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE BONDS, CITIGROUP GLOBAL MARKETS LIMITED (THE "STABILISING MANAGER") OR ANY PERSON ACTING FOR THE STABILISING MANAGER MAY OVER-ALLOT THE CAPITAL SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE CAPITAL SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISING MANAGER TO DO THIS. SUCH STABILISING IF COMMENCED MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to this First Supplementary Offering Circular, the (a) consolidated annual financial statements (including the notes thereto) and the independent auditor's report in respect thereto, of the Group for the year ended 31 December 2013 (the "**2013 Financial Statements**") appearing on pages 124 to 283 of the 2013 annual report published by BEA on 24 March 2014 (the "**2013 Annual Report**"), (b) consolidated annual financial statements (including the notes thereto) and the independent auditor's report in respect thereto, of the Group for the year ended 31 December 2014 (the "**2014 Financial Statements**") appearing on pages 120 to 283 of the 2014 annual report published by BEA on 25 March 2015 (the "**2014 Annual Report**"), (c) consolidated interim financial information of the Group for the six months ended 30 June 2015 (the "**2015 Interims**") appearing in the 2015 interim report published by BEA on 18 August 2015 (the "**2015 Interim Report**") and (d) consolidated interim financial information of the Group for the six months ended 30 June 2014 (the "**2014 Interims**") appearing in the 2014 interim report published by BEA on 22 August 2014 (the "**2014

Interim Report"), shall be deemed to be incorporated in, and form part of, the Offering Circular. Copies of the 2013 Annual Report, the 2014 Annual Report, the 2014 Interim Report and the 2015 Interim Report may be obtained from BEA's website at http://www.hkbea.com and the website of the SEHK at http://www.hkex.com.hk.

The above websites and any other websites referenced in the Offering Circular are intended as guides as to where other public information relating to BEA may be obtained. Information appearing on such websites (save for the information expressly incorporated by reference in the Offering Circular) does not form part of the Offering Circular and neither BEA nor the Managers accept any responsibility whatsoever that any information on such websites, if available, is accurate and/or up-to-date. Such information, if available, should not form the basis of any investment decision by an investor or potential investor to purchase or deal in the Capital Securities.

Any documents themselves incorporated by reference in the 2013 Financial Statements, the 2014 Financial Statements, the 2014 Interims and the 2015 Interims shall not form a part of the Offering Circular. The documents incorporated by reference herein are current only as at the date of such document and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Group since the date thereof or that the information contained therein is current as at any time subsequent to its date.

Save for the 2013 Financial Statements and the 2014 Financial Statements, the financial information contained in this First Supplementary Offering Circular does not constitute BEA's specified financial statements (as defined in the Companies Ordinance (Cap. 622) of Hong Kong) for the financial years ended 31 December 2013 and 2014 but, in respect of financial information relating to a full financial year, is derived from those specified financial statements. BEA has delivered the specified financial statements for the financial years ended 31 December 2013 and 2014 to the Registrar of Companies of Hong Kong. BEA's auditor has issued unqualified reports on the specified financial statements for both years.

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SUMMARY OF THE OFFERING

The following summary does not purport to be complete and should be read in conjunction with Conditions. It does not contain all the information that is important to investors. For a more complete description of the Capital Securities, please refer to "Terms and Conditions of the Capital Securities". Terms used in this summary and not otherwise defined shall have the meanings given to them in the "Terms and Conditions of the Capital Securities".

Issuer.	The Bank of East Asia, Limited 東亞銀行有限公司
Description	U.S.$650,000,000 5.50 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities.
Joint Lead Managers and Joint Bookrunners	Citigroup Global Markets Limited UBS AG Hong Kong Branch
Co-Managers	CLSA Limited SMBC Nikko Capital Markets Limited
Issue Date	2 December 2015.
Status of the Capital Securities . .	The Capital Securities constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Securityholders are subordinated in the manner described below. Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights of the Securityholders to payment of principal and Distributions on the Capital Securities, and any other obligations in respect of the Capital Securities, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), (b) creditors in respect of Tier 2 Capital Securities of the Issuer, and (c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to and of all claims of the holders of Junior Obligations, in each case in the manner provided in the Trust Deed. "**Parity Obligation**" means any instrument or other obligation issued, entered into, or guaranteed by the Issuer that constitutes or qualifies as Additional Tier 1 Capital (or its equivalent) under applicable Capital Regulations or that ranks or is expressed to rank *pari passu* with the Capital Securities by operation of law or contract (including, without limitation, the 500,000 Units comprising Step-Up Subordinated Notes due 2059 issued by the Issuer and Non-cumulative Step-Up Preference Shares issued by Innovate Holdings Limited), which for the avoidance of doubt, excludes any Junior Obligations of the Issuer.

"**Junior Obligation**" means the Shares, and any other class of the Issuer's share capital and any instrument or other obligation (including without limitation any preference shares) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities by operation of law or contract.

"**Tier 2 Capital Securities**" means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract (including, without limitation, the U.S.$600,000,000 Subordinated Notes due 2020 issued by the Issuer, the U.S.$500,000,000 Subordinated Notes due 2022 issued by the Issuer, the S$800,000,000 Subordinated Notes due 2022 issued by the Issuer and the U.S.$500,000,000 Tier 2 Capital Dated Subordinated Notes due 2024 issued by the Issuer).

No Set-off	Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Securities and each Securityholder shall, by virtue of being the Securityholder of any Capital Security be deemed to have waived all such rights of such set-off, counter-claim or retention.
Form and Denomination.	The Capital Securities will be issued in registered form in the denomination of U.S.$150,000 each and integral multiples of U.S.$1,000 in excess thereof.
Distributions	Subject to Condition 4(B), the Capital Securities confer a right to receive Distributions on their principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(C)) from, and including, the Issue Date at the applicable Distribution Rate, payable semi-annually in arrear on 2 June and 2 December in each year.
Non-cumulative Distributions. . . .	Distributions will not be cumulative and Distributions which are not paid in accordance with the Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.
Distribution Rate	The Distribution Rate applicable to the Capital Securities shall be: (i) in respect of the period from, and including, the Issue Date to, but excluding, 2 December 2020 (the "**First Call Date**"), 5.50 per cent. per annum; and (ii) in respect of a Reset Distribution Period, the relevant Reset Distribution Rate.

Optional Distribution Cancellation Event	Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of a Distribution, in whole or in part, by giving a notice to the Trustee signed by two Directors of the Issuer, as further described in "*Terms and Conditions of the Capital Securities — Distributions — Distribution Restrictions — Optional Distribution Cancellation Event*".
Mandatory Distribution Cancellation Event	Notwithstanding that a Distribution Cancellation Notice may not have been given, the Issuer shall not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, upon a Mandatory Distribution Cancellation Event, as further described in "*Terms and Conditions of Capital Securities — Distributions — Distribution Restrictions — Mandatory Distribution Cancellation Event*".
No Obligation to Pay	The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with Condition 4(B) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution which is cancelled in accordance with the Conditions shall not be payable at any time thereafter whether in a Winding-Up or otherwise.
No Claim by Securityholders for Distributions.	No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable as described under "*Terms and Conditions of the Capital Securities — Distributions — Distribution Restrictions — Optional Distribution Cancellation Event*", "*Terms and Conditions of the Capital Securities — Distributions — Distribution Restrictions — Mandatory Distribution Cancellation Event*" and "*Terms and Conditions of the Capital Securities — Distributions — Distribution Payments — Non-Cumulative Distribution*". Accordingly, such Distribution shall not accumulate for the benefit of Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.
Distributable Reserves	Any Distribution may only be paid out of Distributable Reserves.
Dividend Stopper	If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of Condition 4(B), the Issuer shall not: (i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or

(ii) purchase, cancel or otherwise acquire any Shares or permit any of its Subsidiaries to do so,

in each case, unless or until the earlier of: (x) the Distribution scheduled to be paid on any subsequent Distribution Payment Date has been paid in full to Securityholders or a designated third party trust account for the benefit of the Securityholders, or (y) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero in accordance with the Conditions, or (z) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

See "*Terms and Conditions of the Capital Securities — Distributions — Distribution Restrictions — Dividend Stopper*" for further information.

Non-Viability Loss Absorption . . .

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Securityholders of the Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Capital Security (such reduction and cancellation or conversion, and the reduction and cancellation of any other Subordinated Capital Instruments so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the "**Write-off**", and "**Written-off**" shall be construed accordingly).

"**Non-Viability Event**" means the earlier of:

(a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and

(b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

Consequence of Non-Viability Loss Absorption . . . .

Once the principal amount of, and any accrued but unpaid Distribution under, the Capital Securities has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off.

Hong Kong Bail-in Power . . . . . .

Notwithstanding any other term of the Capital Securities including with limitation Condition 4(C) or any other agreement or arrangement, each Securityholder and the Trustee shall be subject, and shall be deemed to agree and acknowledge that they are each subject, to the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

(a) the reduction or cancellation of all or a part of the principal amount of, or distributions on, the Capital Securities;

(b) the conversion of all or a part of the principal amount of, or distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and

(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of distributions payable on the Capital Securities, or the date on which the distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the Conditions.

The rights of the Securityholders and the Trustee under the Capital Securities and the Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority.

No repayment of the principal amount of the Capital Securities or payment of Distributions on the Capital Securities shall become due and payable or be paid after the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or Distributions on the Capital Securities, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of the Conditions as a result of the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities shall constitute an Event of Default under Condition 9(A).

	See "*Terms and Conditions of the Capital Securities — Distributions — Hong Kong Bail-in Power*" for further information.
Maturity Date	The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with Condition 6.
Redemption for Taxation Reasons	Subject to Condition 6(F), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice if the Issuer satisfies the Trustee immediately before the giving of such notice that a Withholding Tax Event has occurred. Capital Securities so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non- Viability Event in accordance with Condition 4(C). See "*Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption for Tax Reasons*" for further information.
Redemption for Tax Deduction Reasons	Subject to Condition 6(F), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice if the Issuer satisfies the Trustee immediately before the giving of such notice that a Tax Deduction Event has occurred. A "**Tax Deduction Event**" occurs if (a) the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred to in Condition 6(C) that in respect of the Distributions payable on the Capital Securities, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective subsequent a Tax Ruling issued after the Issue Date by the relevant tax authorities in Hong Kong determining that Distributions are tax deductible, and (b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it, as further described in Condition 6(C). Capital Securities so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(C).

See "*Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption for Tax Deduction Reasons*" for further information.

Redemption for Regulatory Reasons	Subject to Condition 6(F), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice following the occurrence of a Capital Event. A "**Capital Event**" occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in Condition 6(D) that (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 Capital (or equivalent) of the Issuer and/or (b) the Capital Securities cease to be included in the calculation of the Issuer's capital adequacy ratio, as a result of changes or amendments in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap.155) of Hong Kong, Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any statutory guidelines issued by the Monetary Authority. Capital Securities so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(C). See "*Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption of the Capital Securities for Regulatory Reasons*" for further information.
Redemption at the Option of the Issuer	The Issuer may redeem all, but not some only, of the Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, as further described in "*Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption at the Option of the Issuer*".
Conditions for Redemption and Purchase in respect of the Capital Securities	The Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 9) and neither the Issuer nor any of its Subsidiaries shall purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, as further described in "*Terms and Conditions of the Capital Securities — Redemption and Purchase — Conditions for Redemption and Purchase in Respect of the Capital Securities*".

Taxation	All payments of principal and distributions by or on behalf of the Issuer in respect of the Capital Securities shall be made free and clear of, and without withholding or deduction for any withholding taxes imposed by Hong Kong, subject as provided in Condition 7. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
Governing Law	The Trust Deed, the Capital Securities and any non-contractual obligations arising out of or in connection with the Trust Deed and the Capital Securities are governed by, and shall be construed in accordance with, English law, save that the subordination provisions set out in Condition 3(B) (and related provisions of the Trust Deed) shall be governed by, and construed in accordance with, the laws of Hong Kong.
Rating	The Capital Securities are expected to be assigned a rating of "Ba2" by Moody's and BB by S&P. The rating does not constitute a recommendation to buy, sell or hold the Capital Securities and may be subject to suspension, reduction or withdrawal at any time by Moody's or S&P.
Clearing Systems	Euroclear and Clearstream, Luxembourg.
Use of proceeds	The net proceeds will be applied by the Issuer to fund the redemption of some or all of the outstanding U.S.$500,000,000 Step-Up Subordinated Notes due 2059 issued by the Issuer and the outstanding U.S.$500,000,000 Non-Cumulative Step-Up Preference Shares issued by Innovate Holdings Limited, to enhance the Issuer's capital adequacy and to raise additional capital to support the Issuer's business growth and for general corporate purposes.
Listing	Application has been made to the SEHK for the listing of, and permission to deal in, the Capital Securities (by way of debt issues to professional investors only) on the SEHK.
Capital Treatment of the Capital Securities	It is intended that the Capital Securities will qualify in full as Additional Tier 1 capital of the Issuer in accordance with the requirements of the Banking (Capital) Rules (Cap. 155L) of Hong Kong.

INVESTMENT CONSIDERATIONS

Prospective investors should carefully take into account the considerations described below, in addition to the other information contained herein, before investing in the Capital Securities. The occurrence of one or more events described below could have an adverse effect on the Group's business, financial condition, or results of operations, and could affect its ability to make payments of principal and interest under the Capital Securities. Additional considerations and uncertainties not currently known to BEA, or which BEA currently deems immaterial, may also have an adverse effect on an investment in the Capital Securities.

This section replaces the sub-section headed "Considerations relating to the Group" under the section headed "Investment Considerations" included on pages 20 to 33 of the Original Offering Circular in its entirety.

CONSIDERATIONS RELATING TO THE GROUP

Hong Kong Economy

The Group conducts most of its operations[1] and generates most of its revenue in Hong Kong. The Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in Hong Kong. As a result, any downturn in the Hong Kong economy may adversely affect the Group's business, financial condition and the results of its operations.

In 2003, the Hong Kong economy was severely affected by the Severe Acute Respiratory System ("**SARS**") epidemic, which resulted in, among other things, increased provisions which negatively affected the Group's profitability. Although the Hong Kong economy had, to a great extent, recovered from the impact of SARS in the subsequent years, the global credit markets have experienced, and may continue to experience, significant dislocation and turbulence which originated from the liquidity disruptions in the US credit and sub-prime residential mortgage markets since the second half of 2007. Sub-prime mortgage loans in the United States have experienced increased rates of delinquencies, foreclosures and losses. These and other related events, such as the collapse of a number of financial institutions, have resulted in an economic slowdown in the US and most economies around the world, substantial volatility in equity securities markets globally, fluctuations in foreign currency exchange rates and volatility and tightening of liquidity in global credit markets. Although there has been evidence of economic recovery mounting since the second half of 2009, recent economic downturns and sovereign debt concerns in the United States and certain European countries such as Greece, the economic slowdown in the PRC as well as the potential interest rate increases in the United States have led to renewed doubts regarding the sustainability of the global economic recovery. In addition, the global equity markets, including the United States, Europe, the PRC and Hong Kong, and the exchange rate of Renminbi against the U.S. dollar have been volatile. If there is any renewed economic downturn or slowdown in global economic recovery or if the market volatilities persist, there can be no assurance that the Hong Kong economy or the Group's business, financial condition and results of operations will not be adversely affected.

Although Hong Kong's gross domestic product in real terms (after adjustment for inflation) rose by 1.7% in 2012, 3.1% in 2013 and 2.5% in 2014 (year-on-year), BEA expects the recovery of, and the continued growth in, the Hong Kong economy to depend in part upon the economic performance of the US and the PRC, as well as certain other developed countries. There can be no assurance that the economic slowdown in the PRC or future global events will not have an adverse effect on the Hong Kong economy and the Group.

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(1) Operations based on size of total assets.

Competition

The Group is subject to significant competition from many other Hong Kong and foreign banks and financial institutions, including competitors which have significantly more financial and other capital resources, higher market share, and stronger brand recognition than the Group. In particular, the banking and financial services industry in Hong Kong is a mature market and, according to statistics published by the HKMA, supported 22 Hong Kong incorporated licensed banks and 135 banks incorporated outside Hong Kong as at 31 October 2015 competing for a customer population of approximately 7 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. There is a limited market, especially for retail banking products such as investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending businesses. The strength of competition in the past few years has had an adverse impact on the pricing of certain products.

In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business has become very aggressive. There can be no assurance that increased competition will not have a material adverse effect on the Group's business, financial condition or results of operations.

In particular, since 2000, certain banks in Hong Kong, including BEA, have lowered interest rates charged on non-Hong Kong government guaranteed new home mortgage advances ("**Mortgage Interest Rates**"). As at 31 December 2012, 2013 and 2014 and 30 June 2015, BEA charged an average of 1.84% (P-3.41%), 1.86% (P-3.39%), 1.89% (P-3.36%) and 1.90% (P-3.35%), respectively, on its home mortgage advances portfolio in Hong Kong, excluding the Government Home Ownership Scheme ("**GHOS**"), Private Sector Participation Scheme ("**PSPS**") and Tenants Purchase Scheme ("**TPS**") mortgages and staff advances, before accounting for the effect of cash incentive payments.

As a result of the intensified competition among banks, BEA has experienced downward pressure on its margins in recent years. To counter the effects of increased competition, BEA has actively pursued a strategy of diversifying its income sources by focusing on increasing its fee-based income, introducing innovative products and, at the same time, improving the cost efficiency of its operations. However, there can be no assurance that BEA will be able to compete successfully in the mature Hong Kong banking market and sustain its profitability in future.

The banking industry in Mainland China is highly competitive. The market has been dominated by the large state-owned commercial banks, which have long operating histories, well-established branch networks, large customer bases and better brand recognition. Besides, the joint-stock commercial banks and the city commercial banks have been aggressive in expanding their business for increasing their market share in recent years.

Moreover, the banking industry in Mainland China has been facing more challenges in recent years as the PRC government implemented a series of measures to liberalise the banking industry. BEA expects competition from foreign commercial banks to increase significantly as a number of foreign banks have established locally-incorporated banks in Mainland China and previous restrictions on their geographical presence, customer base and operating licences in Mainland China were removed in April 2007 pursuant to the PRC's World Trade Organisation ("**WTO**") commitments. Besides, the China Banking Regulatory Commission ("**CBRC**") encourages and guides private capital to enter the banking industry. The first batch of five privately-owned banks have been allowed to be set up in the cities of Shanghai and Tianjin and in Guangdong and Zhejiang provinces, which have intensified the competition of the banking sector in these regions. Furthermore, the rapid development of internet finance has brought new challenges to the banking sector in business areas of deposits, payment and settlement, lending as well as acquisition and retention of customers.

In addition, the PRC's Closer Economic Partnership Arrangement ("**CEPA**") with Hong Kong and Macau allows smaller banks from these jurisdictions to operate in Mainland China, which has also increased competition in the banking industry in Mainland China. Many of these banks compete with the Group for the same customer base and some of them may have greater financial, management and technical resources than the Group.

The intensified competition in the markets where the Group operates may adversely affect the Group's business and prospects, the effectiveness of its strategies, its results of operations and financial condition by potentially:

- reducing the Group's market share in its principal products and services;
- reducing the growth and quality of the Group's loan and deposit portfolios and other products and services;
- reducing the Group's interest income and net interest margin;
- reducing the Group's fee and commission income;
- increasing the Group's interest and operating expenses; and
- increasing competition for qualified managers and employees.

Expansion in Hong Kong and Mainland China Markets

The Group's strategy involves expansion of its business in the Hong Kong and Mainland China markets organically and through mergers and acquisitions ("**M&A**") and alliances, if suitable opportunities arise. BEA (China) obtained its business licence from the State Administration for Industry and Commerce as a locally-incorporated bank on 29 March 2007 and officially commenced business on 2 April 2007. The establishment of a locally-incorporated bank is one of the prerequisites for RMB retail banking service in Mainland China.

Further expansion into Mainland China may present the Group with new risks and challenges, such as interest rate liberalisation, slowdown in credit growth, margin compression, asset quality deterioration, more stringent and changing regulatory requirements, and new competition from internet finance players and online money market funds. For discussion of recent or proposed acquisitions and disposals of the Group's businesses, see "*Business of the Group — Mainland China and Other Asian Countries*". Expansion and integration of new M&A and alliances in the Hong Kong and Mainland China markets may also require significant financial, operational, administrative and management resources. The success of any M&A and alliances will depend in part on the ability of BEA's management to integrate the operations of newly acquired businesses with its existing operations and, where applicable, to integrate various departments, systems and processes. Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be affected due to the demand placed on existing resources by the process. There can be no assurance that the acquired entities will achieve the level of performance that BEA anticipates or that the projected demand for and margins of the Group's products and services will be realised. The failure to manage expansion effectively could have an adverse effect on the Group's business, financial condition and results of operations. As at the date of this First Supplementary Offering Circular, the Group has not identified any specific targets for merger and acquisition.

Changes in Regulations in the Mainland China Market

The regulations which apply to the Group's business in the PRC are extensive, complex and frequently changing. The PRC banking regulatory regime has been evolving continuously. Some of the changes in rules and regulations may result in additional costs or restrictions on BEA (China)'s operations and business expansion in China.

BEA (China)'s business and operations are directly affected by the changes in laws, rules, regulations or policies relating to the PRC banking industry. As some of the banking laws, rules, regulations or policies are relatively new, there is uncertainty regarding their interpretation and application. If BEA (China) fails to comply with any of these laws, rules, regulations or policies, it may result in enforcement actions, which may include fines to be imposed on BEA (China), restrictions on its business activities, or in extreme cases, suspension or revocation of its business licences, which would materially and adversely affect BEA (China)'s operations, reputation, business and financial position.

BEA (China) operates in a highly regulated industry. The principal regulators of the PRC banking industry are CBRC, the People's Bank of China ("**PBOC**") and SAFE. CBRC requires all commercial banks in China to maintain certain financial ratios, including but not limited to liquidity coverage ratio, liquidity ratio, net stable funding ratio and Capital Adequacy Ratio ("**CAR**").

In accordance with the amended Commercial Banking Law of the PRC, the previous requirement that all commercial banks in China should maintain a loan-to-deposit ratio of not more than 75% has been removed and loan-to-deposit ratio has been changed from a supervisory indicator to a liquidity monitoring indicator. However, CBRC will use other indicators, such as liquidity coverage ratio, liquidity ratio, and net stable funding ratio to monitor the liquidity status of commercial banks. If BEA (China) fails to fulfill these mandatory requirements, it may result in restrictions on its business expansion imposed by CBRC, such as suspension of new business application and establishment of new branch or sub-branch.

In recent years, CBRC has issued new regulations and guidelines governing the capital management of all commercial banks in the PRC. According to the Regulation Governing Capital of Commercial Bank (Provisional) released in June 2012, the new capital requirements of CBRC should be fulfilled by all commercial banks in China on or before 31 December 2018. The minimum capital requirements of CAR, Tier 1 CAR and Core Tier 1 CAR for non-systemically important banks in China are 8%, 6% and 5% respectively. On top of the minimum capital requirements, all commercial banks should make an additional provision of 2.5% on their risk weighted assets.

Dependence on Key Personnel and Recruitment

The Group's ability to sustain its growth and meet future business demands depends on its ability to attract, recruit and retain suitably skilled and qualified staff. Given the Group's rapid expansion in the Mainland China market, there can be no assurance that the Group will be able to recruit staff in sufficient numbers or with sufficient experience, or that pressure on recruitment will not lead to significant increases in the Group's employment costs. Competition for suitably skilled and qualified staff is particularly acute in Mainland China. Any of these factors could adversely affect the Group's business, financial condition and results of operations.

In addition, the Group also faces strong competition to retain skilled and qualified staff, and the loss of key personnel or any inability to manage attrition levels in different employee categories may have an adverse effect on the Group's business, its ability to grow, increased employment and training and development costs and its control over various business functions. There can be no assurance that there will be no departures of personnel from the senior management of BEA and that, if future departures do occur, the Group's business and operations will not be adversely affected.

Expanding Range of Products and Services Offered in Mainland China

In order to meet the needs of its customers and to expand its business, the Group has widened the range of products and services offered by BEA (China). Expansion of the business of the Group in Mainland China is subject to certain risks and challenges, including:

- may not be able to obtain regulatory approval for new products or services;

- new products and services may not be accepted by customers or are not able to generate the Group's expected return;

- difficulties in recruiting experienced professionals or qualified personnel to offer new products and services, due to keen competition in the labour market; and
- may not be able to enhance risk management capabilities and information technology systems to support a broader range of products and services.

If the Group is not able to achieve the intended results with respect to its new products and services to be offered in Mainland China, this could have an adverse effect on the business, financial condition and results of operations of the Group.

Exposure to Mainland China Market

As at 31 October 2015, BEA's wholly-owned subsidiary, BEA (China), headquartered in Shanghai, operated 29 branches in Shanghai, Beijing, Tianjin, Harbin, Dalian, Shenyang, Qingdao, Shijiazhuang, Zhengzhou, Urumqi, Hangzhou, Nanjing, Suzhou, Chengdu, Chongqing, Wuhan, Hefei, Xi'an, Shenzhen, Guangzhou, Zhuhai, Xiamen, Changsha, Kunming, Ningbo, Jinan, Wuxi, Fuzhou and Nanning as well as 98 sub-branches (including 16 cross-location sub-branches in Guangdong province established under the liberalisation measures of Supplement VI to the CEPA). As at 31 October 2015, BEA (China) also operated three 24-hour self-service banking centres and more than 190 ATMs in major urban areas in Mainland China. In addition to the BEA (China) network, BEA operated a rural bank in Fuping County, Weinan City in Shaanxi province as at 31 October 2015. BEA (China) has also obtained preliminary approval to establish one new branch in Mainland China. BEA also maintains two branches in Taiwan, which are located in Taipei and Kaohsiung, and one branch and four sub-branches in Macau. In addition, BEA offers a full array of wealth management services in Taiwan through its wholly-owned subsidiary, BEAWMS. See "*Recent Developments — Disposal of Shares in Tung Shing Holdings Company Limited and Disposal of Shares in BEAWMS*" for further information.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, advances to customers made by the Group's operations in Mainland China, Taiwan and Macau collectively amounted to HK$137,675 million, HK$156,479 million, HK$163,915 million and HK$161,074 million, respectively, representing approximately 39.3%, 38.6%, 37.0% and 35.6%, respectively, of the Group's total advances to customers. The value of the Group's advances in Mainland China, as well as its advances to companies that have business interests in Mainland China, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in Mainland China (including changes in political leadership, inflation rate, exchange controls and exchange rate, and the impact on the changes in regulations governing banking and other businesses). As at 31 December 2012, 2013 and 2014 and 30 June 2015, the non-performing loan ratio of the Group's advances in Mainland China was approximately 0.27%, 0.49%, 1.32% and 2.65%, respectively. The increase in the non-performing loan ratio of the Group's advances in Mainland China from 31 December 2014 to 30 June 2015 was as a result of, among other factors, the economic slowdown in the PRC resulting in deterioration of the asset quality in Mainland China. While the Group has tightened its credit policies and put more focus on lending to state-owned enterprises and large-scale enterprises, there can be no assurance that the non-performing loan ratio of the Group's advances in Mainland China will not further increase in the future, nor can there be any assurance that the Group's continued exposure to Mainland China or its strategy to grow its business in Mainland China will not have a negative impact on the Group's earnings or an adverse effect on the Group's business, financial condition or results of operations or that the economic and political environment in Mainland China will remain favourable to the Group's business in Mainland China in the future.

Concentration Risk — Exposure to the Property Market

The Group has significant direct and indirect exposure to the property market particularly in Hong Kong and Mainland China through its portfolio of property related advances and property used as collateral.

As at 30 June 2015, the Group's property related loans amounted to HK$64,556 million, representing approximately 14.3% of the Group's total loan portfolio.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, home mortgage advances (including advances under GHOS, PSPS and TDS) in Hong Kong represented one of the most significant segments of the Group's total advances to customers, which amounted to HK$26,508 million, HK$29,633 million, HK$34,110 million and HK$40,912 million, respectively, which accounted for approximately 7.6%, 7.3%, 7.7% and 9.0%, respectively, of the Group's total advances to customers. In particular, advances under GHOS, PSPS and TPS accounted for HK$1,171 million, HK$1,096 million, HK$1,058 million and HK$1,067 million, respectively, or approximately 0.3%, 0.3%, 0.2% and 0.2%, respectively, of the Group's total advances to customers. Advances for property development and investment in Hong Kong amounted to HK$52,982 million, HK$51,317 million, HK$56,083 million and HK$53,457 million, which accounted for approximately 15.1%, 12.7%, 12.7% and 11.8%, respectively, of the Group's total advances to customers.

The Hong Kong and the PRC property markets are highly cyclical and property prices in general have been volatile. For example, Hong Kong residential property prices, after reaching record highs in 1997, fell significantly as a result of the Asian economic downturn. In addition, while the Hong Kong property market showed improvement during the period from 2004 to the first half of 2008, property prices in Hong Kong declined in the second half of 2008 and early 2009, and have generally increased since the second half of 2009. Despite the introduction by the HKMA of prudential measures for mortgage lending and the implementation by the Hong Kong government of cooling measures from time to time as means to address the increasing risk of property price bubble, property prices in Hong Kong continued to follow an upward trend in recent years. Nevertheless, in the fourth quarter of 2015, signs of levelling out in property values were noted as a result of the expectation of an interest rate increase from the United States, concerns of a slowdown of the Hong Kong economy and the recent turbulence in investment markets in both Hong Kong and Mainland China.

Property prices in Hong Kong are affected by a number of factors, including, among other things, the supply of, and demand for, comparable properties, the rate of economic growth in Hong Kong, political and economic developments in the PRC, and the relationship between the PRC, Hong Kong and other countries. In Hong Kong, the HKMA has implemented regulatory measures in recent years to mitigate risks in residential mortgage lending in the banking sector. This has included prudential measures implemented gradually between late 2009 and 2015 to lower loan-to-value ratio caps for mortgages on various ranges of high end properties. More prudential measures for mortgage loans were imposed in 2015, including lowering of the loan-to-value ratio cap to 60% for property values lower than HK$10 million and requiring banks to apply a 5% knock down on the applicable debt servicing ratio caps if the total amount of mortgage loans, through any mortgage co-financing or insurance schemes, is 20% over the normal permissible loan-to-value caps set by the HKMA.

In the PRC, a build-up in inflationary pressure, resulting from changes in the external economic and political environment and a prolonged period of negative interest rates, fuelled a strong housing demand for wealth preservation during 2010. From time to time, the PRC government has launched various initiatives to rein in excessive appreciation in housing prices and as a result of these regulatory measures, the property market in the PRC has showed significant volatility in recent years.

Accordingly, any prolonged decrease or fluctuations in property values or liquidity of the Hong Kong and the PRC property markets could adversely affect the Group's business, financial condition and results of operations.

Liquidity and Funding Sources

The Group endeavours to diversify its funding sources in order to maintain the stability of its liquidity. The majority of the Group's funding requirements are met in the form of customer deposits. As at 31 December 2012, 2013 and 2014 and 30 June 2015, approximately 77.4%, 75.6%, 79.0% and 76.2%, respectively, of the Group's customer deposits had a remaining maturity of three months or less. Historically, a substantial portion of such customer deposits has been rolled over upon maturity and these deposits have been, in essence, a stable source of long-term funding. However, there can be no assurance that this pattern will continue. If a substantial number of depositors do not roll over deposited funds upon maturity, the Group's liquidity position would be adversely affected and the Group may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than existing deposits.

Although the Group has issued debt securities to diversify its funding sources, customer deposits remain its primary funding source in Hong Kong. In Mainland China, the Group's strategy is to increase the growth of customer RMB deposits in order to maintain stability in its source of funds and to minimise costs associated with interbank borrowing. From 31 December 2012 to 30 June 2015, the Group's total deposit funds increased from HK$526,140 million to HK$597,889 million, and the Group's customer deposits grew from HK$498,770 million to HK$551,409 million, representing a compound annual growth rate of 5.2% and 4.1%, respectively. However, there are many factors affecting the growth of the Group's deposits, some of which are beyond the Group's control, such as economic and political conditions, the availability of alternative investment choices (including but not limited to securities issued by governmental or corporate entities, unit trusts and mutual funds, investment-linked assurance schemes and structured investment products), change of government monetary policy and retail customers' changing perceptions toward savings. There can be no assurance that the Group will be able to grow its customer deposits at a pace sufficient to support its expanding business.

As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong Deposit Protection Board enhanced the Deposit Protection Scheme with an increased protection limit of HK$500,000 and expanded coverage including deposits pledged as security, came into effect on 1 January 2011. However, there can be no assurance that the level of customer deposits, and therefore of the Group's liquidity, will not be adversely affected by the withdrawal of, or any changes to, the Deposit Protection Scheme in the future.

The statutory liquidity coverage ratio ("**LCR**") requirement came into effect on 1 January 2015. The Group holds sufficient high quality liquidity assets ("**HQLA**"), which consist of cash, short terms funds, exchange fund bills, and notes to fulfill the LCR. In times of liquidity stress, the stock of HQLA can be easily and immediately converted into cash to meet unexpected and material cash outflows.

The HKMA acts as the lender of last resort to all authorised institutions in Hong Kong to provide liquidity support in the banking system generally as well as to specific institutions. As at 30 June 2015, 14.2% of BEA's interest-earning assets are acceptable to the HKMA for such emergency funding support, and such asset figures are subject to review by HKMA twice a month. Although the Hong Kong government has in the past taken measures on a case-by-case basis to maintain or restore public confidence in individual banks with an isolated liquidity crisis, there can be no assurance that the HKMA will provide such assistance in the future or that it would elect to provide such assistance in the future to BEA in the event of a liquidity crisis.

If the Group fails to maintain its expected growth rate in deposits or if a substantial portion of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the liquidity position, financial condition and results of operations of the Group may be materially and adversely affected and the Group may need to seek more expensive sources of funding to meet its funding requirements.

Interest Rate Risk

As with most banks, the Group's net interest income is a significant factor in determining its overall financial performance. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group's net interest income represented approximately 64.4%, 71.1%, 69.4%, 67.9% and 71.1%, respectively, of its operating income. Interest rates in Hong Kong have remained relatively low and have been falling steadily in recent years, however there can be no assurance that interest rates will not be raised or that increases in interest rates will not be frequent. The Group realises income from the margin between income earned on its assets and interest paid on its liabilities. The Group's net interest rate margins, as the weighted average of the difference between interest rates on the loan advances made by, and the cost of debt funding for BEA, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were approximately 1.67%, 1.90%, 1.77%, 1.79% and 1.71%, respectively. As some of its assets and liabilities are repriced at different times, the Group is vulnerable to fluctuations in market interest rates. As a result, volatility in interest rates could have an adverse effect on the Group's business, financial condition, liquidity and results of operations.

An increase in interest rates could lead to a decline in the value of securities in the Group's portfolio. A sustained increase in interest rates could also raise the Group's funding costs without a proportionate increase, or any increase at all, in loan demand. Rising interest rates would therefore require the Group to re-balance its assets and liabilities in order to minimise the risk of potential mismatches and maintain its profitability. In addition, high interest rate levels may adversely affect the economy in Hong Kong and the financial condition and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration in the Group's credit portfolio.

Classification of Advances and Adequacy of Allowance for Advance Losses

In 2007, Hong Kong implemented the Revised Framework of International Convergence of Capital Measurement and Capital Standards ("**Basel II**"). In accordance with guidelines set by the HKMA, BEA obtained approval to adopt the Foundation Internal Ratings-based Approach, and classifies its advances into twenty grades under which impaired loans are classified into one of the following three categories corresponding to levels of risk: "Sub-standard", "Doubtful" and "Loss". See "*Selected Statistical and Other Information*". The classification of impaired advances depends on various quantitative and qualitative factors, including the number of months by which payments have fallen into arrears, the type of advance, the tenor of the advance and the expected recovery status of the advance.

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued the final regulatory framework under the new Basel Capital Accord of the Bank for International Settlements (known as "**Basel III**") presenting the Committee's reforms to strengthen capital and liquidity standards in order to promote a more resilient banking sector.

In line with the international implementation timetable set by the Basel Committee, the Basel III rules pertaining to capital standards have been enacted into local banking regulations and implemented in Hong Kong on 1 January 2013.

The laws, regulations and guidelines governing the banking industry in Hong Kong differ from those applicable in certain other countries in certain respects and may result in particular advances being classified as impaired loan advances at a different time or being classified in a category reflecting a different degree of risk than would be required in certain other countries. While BEA believes that the Group's lending policies are more prudent than those that are required under Hong Kong laws and regulations, the Group is not required to maintain such policies at levels above those generally applicable to banks in Hong Kong. For a description of the banking regulations that apply to banks in Hong Kong, see "*Regulation and Supervision — Regulation and Supervision in Hong Kong*".

Currency Risks

The majority of the Group's revenue is generated spot in Hong Kong dollars. Nonetheless, as at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group held a substantial part of its spot assets in U.S. dollars amounting to HK$150,217 million, HK$168,307 million, HK$192,783 million and HK$167,123 million, respectively, and Renminbi amounting to HK$632,345 million, HK$400,338 million, HK$398,802 million and HK$361,667 million, respectively. Although the Hong Kong dollar has been linked to the U.S. dollar since 1983, there can be no assurance that such linkage will be maintained in the future. In order to ensure continued liquidity of the Hong Kong dollar, the HKMA has entered into bilateral repurchase agreements with the central banks of Australia, Mainland China, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore and Thailand. In addition, the Hong Kong government has in the past expressed its commitment to maintaining exchange rate stability under the Linked Exchange Rate System, an automatic interest rate adjustment mechanism. However, there can be no assurance that the Hong Kong dollar will continue to be linked to the U.S. dollar or that, in the event of a liquidity problem affecting the Hong Kong dollar, such bilateral repurchase agreements or automatic interest rate adjustment mechanism will help to maintain adequate liquidity of the Hong Kong dollar. The Group's business, financial condition and results of operations could be adversely affected by the impact on the Hong Kong economy of the discontinuation of the link of the Hong Kong dollar to the U.S. dollar or any revaluation of the Hong Kong dollar.

In addition, the Group generates some of its revenue in the PRC and a portion of its assets and liabilities are denominated in Renminbi. As a result, fluctuations in the exchange rate of Renminbi against the Hong Kong dollar or the U.S. dollar could affect the Group's profitability and financial condition. The volatility in exchange rates of Renminbi against the U.S. dollar and other currencies is affected by, among other factors, changes in the PRC's and international political and economic conditions and the fiscal and monetary policies of the PRC government. Also, it is difficult to predict how the Renminbi exchange rates may change in the future. There can be no assurance that Renminbi will not experience significant fluctuations against the U.S. dollar or other currencies in the future.

The Group's Unsecured Lending Portfolio

A part of the Group's corporate loan portfolio comprises unsecured loans, the repayment of which is largely dependent on the cashflow of the borrower and adherence to the financial covenants contained in the loans. The majority of the Group's personal banking loan portfolio comprises loans secured by properties while the remaining portion comprises mainly unsecured personal loans and credit card receivables, which generally carry higher rates of interest. As at 31 December 2012, 2013 and 2014 and 30 June 2015, at least 70% of the Group's advances were secured by collateral and the average loan-to-value ratio was approximately 72.2%, 71.1%, 73.6% and 72.6%, respectively. Although the Group carefully assesses the repayment ability of such borrowers, loan products which are not secured by any collateral entail a higher degree of credit risk than secured loan products. If there is a downturn in the economy, the credit quality and charge-off rates experienced by the Group may deteriorate.

Investments in Debt Securities

The Group holds a portfolio of debt securities with different investment grades. The Group has analysed its investments in debt securities according to the designation of external credit institutions such as Moody's. As at 30 June 2015, the Group had a total investment in debt securities of HK$106,674 million, of which approximately 9% were rated Aaa, approximately 19% were rated between Aa1 to Aa3, approximately 31% were rated between A1 to A3, approximately 28% were rated lower than A3 and approximately 13% were unrated.

Given the uncertainties in the current credit and capital markets, there can be no assurance that the Group will not suffer any future marked-to-market losses on its original investment amount in its portfolio of debt securities.

Operational Risks Associated with the Group's Industry

Like all other financial institutions, the Group is exposed to many types of operational risks, including the risk of fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, and other regulations governing the Group's business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. There can be no assurance that any of such operational risks or operational errors will not materialise or occur in the future, or that, if such risks or errors do materialise or occur, the Group's business, reputation, results of operations and financial conditions will not be adversely affected. The Group is further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to it (or will be subject to the same risk of fraud or operational errors by their employees).

Given the Group's high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Group's dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or employee tampering or manipulation of those systems that will result in losses that may be difficult to detect. The Group may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to it. The Group also faces the risk that the design of its controls and procedures may prove inadequate or are circumvented, thereby causing delays in detection of errors in information. Although, like all other financial institutions, the Group maintains a system of controls designed to reduce operational risks to a reasonably low level, the Group has suffered losses from operational risks and there can be no assurance that the Group will not suffer material losses from operational risks in the future. The Group's reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties. In addition to internal factors that may affect the Group's operations, the rapid growth and expansion of its business in recent years as compared to other banks may have also resulted in increasing complexity in its internal and external control systems and risk management measures, which may add to its operational risks.

Information Technology Systems

The Group is highly dependent on the ability of its information technology systems to process accurately a large number of transactions across numerous and diverse markets and its broad range of products in a timely manner. The proper functioning of its financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between its various branches and sub-branches and its main data processing centres, are critical to its business and its ability to compete effectively. Although there is backup data for key data processing systems and the Group has established a backup system to carry on principal functions in the event of a catastrophe or a failure of its primary systems, there can be no assurance that the Group's operations will not be materially disrupted if there is a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorised access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could have a material adverse effect on the Group's business, reputation, results of operations and financial condition.

In addition, the Group's ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis. Additionally, the information available to and received by the Group through its existing information technology systems may not be timely or sufficient for the Group to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. The Group is making, and intends to continue to make, investments to improve or upgrade its information technology systems. Any substantial failure to improve or upgrade its information technology systems effectively or on a timely basis could have a material adverse effect on the Group's competitiveness, financial condition and results of operations.

Internet Banking Services

To the extent that the Group's internet banking activities involve the storage and transmission of confidential information, security breaches could expose the Group to possible liability and damage the Group's reputation. The Group's networks may be vulnerable to unauthorised access, computer viruses and other disruptive problems. Costs incurred in rectifying any such disruptive problems may be high and may adversely affect the Group's business, financial condition and results of operations. Concerns regarding security risks may deter the Group's existing and potential customers from using its internet banking products and services. Eliminating computer viruses and alleviating other security problems may result in interruptions, delays or termination of service to users accessing the Group's Cyberbanking services. Undetected defects in software products that the Group uses when providing its Cyberbanking services, and the Group's inability to sustain a high volume of traffic, may have a material adverse effect on the Group's internet banking business.

Different Corporate Disclosure and Regulatory Requirements

BEA's issued shares are listed on the SEHK and, as such, BEA is required to publish annual audited and semi-annual unaudited financial information. The amount of information publicly available to investors in Hong Kong is governed by the Listing Rules and the Banking (Disclosure) Rules regulated by the HKMA.

Under the Banking Ordinance (Cap. 155) of Hong Kong (the "**Banking Ordinance**"), the HKMA regulates the business activities and operations of commercial banks and has the ability to influence banking and financial markets generally. Potential investors should be aware that regulatory requirements in Hong Kong may differ from those that prevail in other countries. See "*Regulation and Supervision — Regulation and Supervision in Hong Kong.*" Since the Group operates in the highly regulated banking and securities industries in Hong Kong, potential investors should also be aware that the regulatory authorities have been consistently imposing higher standards and developing new guidelines and regulatory requirements such as the Basel III capital standards which have been adopted in Hong Kong since January 2013.

In December 2010 and January 2011, the Basel Committee issued the Basel III requirements to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. Among other things, Basel III will increase the minimum capital adequacy ratio requirements in relation to risk-weighted assets, with the common equity requirement rising from 2% to 4.5% and the Tier 1 capital requirements rising from 4% to 6%. The total minimum capital requirement remains unchanged at 8%.

The initial stage of these proposed Basel III reforms has been implemented by the government of Hong Kong since the beginning of 2013, and the full implementation of the reforms is expected to be completed by 2022.

These standards require banks to disclose key pieces of information on capital, risk exposures, risk assessment processes and hence capital adequacy. The aim of the new standards is to encourage banks to demonstrate to the market participants that their risk management systems are robust and that all relevant risks have been identified and controlled.

Regarding the Basel III liquidity standards, the HKMA has publicly announced its plan to implement the standards in full following the Basel schedule and transitional arrangement. The Banking (Liquidity) Rules (Cap. 155L) of Hong Kong have been enacted into local regulations in October 2014 and these rules have commenced operation since 1 January 2015. The Group has fully implemented the Basel III compliance liquidity standards in accordance with the legislation. The Group's liquidity position and required disclosures have been revealed in the interim financial statement as at 30 June 2015.

Certain products and services provided by the Group are regulated by other regulators including the Securities and Futures Commission (the "**SFC**") in Hong Kong. The Group carefully manages legal and compliance risks, including in relation to the sale of financial products and anti-money laundering regulations. Since 2007, the regulators in Hong Kong have introduced recommendations which are intended to provide tighter control and more transparency in the Hong Kong banking sector, in particular, in relation to the marketing and sale of investment products.

In May 2010, the HKMA and the SFC each launched new investor protection measures. The HKMA measures apply to the sale of non-listed derivative products to retail customers. Authorised institutions are required to offer a pre-investment "cooling-off" period to certain groups of customers, such as elderly customers and first-time buyers with a high concentration (over 20% of the customer's assets). The SFC measures apply to the sale of unlisted structured investment products with a tenor of more than a year. Issuers of unlisted structured investment products are required to provide a five-day "cooling-off" period to investors. On 28 December 2010, the Group implemented the pre-investment "cooling-off" period. The Group continues to review its internal procedures and controls on risk exposures and implement new measures governing the sale process for financial products. Other recent measures that the Group implemented include, for example, the implementation on 4 September 2011 of investor characterisation measures, which were required to be implemented as part of the "Know Your Client" process, which seek from clients information in relation to each client's knowledge of derivative products.

The Group has taken steps to implement the recommendations by relevant regulators and to comply with any new or modified regulations. Increased regulation and the requirement for more stringent investor protections have increased its operational and compliance expenses. Any changes in regulation, governmental policies, income tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations in Hong Kong, could affect the Group's operations. There can be no assurance that the relevant regulatory authorities will not implement further regulations and that such change will not materially increase the Group's operational and compliance cost or adversely affect its business or operations. There can also be no assurance that breaches of legislation or regulations by the Group will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

Recurrence of SARS, Human Swine Influenza A (H1N1), Avian or Swine Influenza, Middle East respiratory syndrome or Other Highly Contagious Diseases in Asia and Elsewhere

In 2003, there was an outbreak of SARS, a highly contagious and potentially deadly disease in Hong Kong, along with many other countries in Asia. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Since the latter half of 2005, there have been media reports regarding the spread of the H5N1 virus or "Avian Influenza A" among birds and poultry and, in some isolated cases, transmission of Avian Influenza A virus from animals to human beings. Similarly, since early 2009, there have been reports regarding the spread of the H1N1 virus or "Swine Influenza A" from animals to humans and, in some isolated cases, of human-to-human transmission of Swine Influenza A. In 2014, a number of cases of the H7N9 and H10N8 viruses, different strands of Avian Influenza A, were reported in the PRC, while a few cases of the H7N9 virus were reported in Hong Kong. In 2015, a number of cases of Middle East respiratory syndrome occurred in Korea.

There can be no assurance that there will not be a recurrence of the outbreak of SARS or other epidemics, or that incidents of avian or swine influenza, Human Swine Influenza A (H1N1) or Middle East respiratory syndrome will not increase. The SARS outbreak caused an adverse effect on the economies of the affected regions, including Hong Kong and Mainland China. Like other financial institutions, the Group's operations in those affected regions were influenced by a number of

SARS-related factors including, but not limited to, a decline in demand for residential mortgage advances, a reduction in the number of customers visiting the Group's branches and an adverse impact on asset quality due to a weakened economy and higher unemployment rate. There can be no assurance that the Group's business, financial condition and result of operations would not be adversely affected if another outbreak of SARS or another highly contagious disease occurs.

Further Issuance of Securities

The Group's financial condition, results of operations and capital position are affected by a range of factors such as economic conditions, interest rates, the credit environment, asset quality, operating income and level of provisioning. A slowdown in the economy could lead to a deterioration in the Group's asset quality and an increase in provisions for bad and doubtful debts, which may result in a deterioration of BEA's capital adequacy position or breach capital requirements under Hong Kong law, rules and regulations (including guidelines issued by the HKMA).

In order to strengthen its capital adequacy position or to ensure that it remains in compliance with applicable capital requirements under Hong Kong law, rules and regulations (including guidelines issued by the HKMA), the Group may from time to time raise additional capital through such means and in such manner as it may consider appropriate including, without limitation, the issue of further subordinated notes or other hybrid capital instruments, subject to any regulatory approval that may be required. There can be no assurance that such future capital raising activities will not adversely affect the market price of the Capital Securities in the secondary market.

This section shall be added to the section headed "Investment Considerations" before the sub-section headed "Considerations relating to dated Subordinated Notes" on page 39 of the Original Offering Circular.

CONSIDERATIONS RELATING TO THE CAPITAL SECURITIES

The Capital Securities may not be a suitable investment for all investors

Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in the Offering Circular or any applicable supplement;

(b) have sufficient knowledge and experience (either alone or with the help of a financial adviser) to evaluate the effect or the likelihood of the occurrence of a Non-Viability Event for the Capital Securities which features loss absorption;

(c) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact such investment will have on its overall investment portfolio;

(d) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for principal or interest payments is different from the potential investor's currency;

(e) understand thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant financial markets; and

(f) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Capital Securities are complex financial instruments. The treatment of the Capital Securities, including in respect of tax, remains unclear. For example, as at the date of this First Supplementary Offering Circular, there has been no tax ruling from the relevant tax authorities in Hong Kong determining that Distributions on the Capital Securities are tax deductible. If, following a tax ruling determining that Distributions are tax deductible, and subsequently Distributions become no longer tax deductible as a result of any change in laws or regulations in Hong Kong, a Tax Deduction Event (as defined in the Terms and Conditions of the Capital Securities) may be triggered. Depending on how this and any other uncertainties are resolved, there could be a potential impact on the Capital Securities that may result in the Issuer having the option to exercise a call in respect of the Capital Securities. A potential investor should not invest in the Capital Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Capital Securities will perform under changing conditions, including the effects of inflation, the resulting effects on the value of the Capital Securities and the impact such investment will have on the potential investor's overall investment portfolio.

The Capital Securities are perpetual securities and investors have no right to require redemption

The Capital Securities are perpetual and have no maturity date. Securityholders have no right to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem the Capital Securities is subject to the Issuer (a) obtaining the prior written consent of the Monetary Authority (if then required) in respect of the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

This means that Securityholders have no ability to cash in their investment, except if the Issuer exercises its right to redeem the Capital Securities in accordance with the Conditions or by selling their Capital Securities. However, there can be no guarantee that the Issuer will redeem the Capital Securities and even if it does, that it will be able to meet the conditions required for redemption of the Capital Securities. Securityholders who wish to sell their Capital Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Capital Securities.

In addition, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Capital Securities may be redeemed at the relevant redemption amount, as more particularly described in the Conditions. Also, if any Non-Viability Event occurs, as more fully described in "— *The Capital Securities are subject to Non-Viability Loss Absorption provisions*", Securityholders may lose up to the full principal amount of the Capital Securities.

If the Capital Securities are redeemed by the Issuer in accordance with the Conditions, there can be no assurance that Securityholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities.

The Issuer's obligations under the Capital Securities are subordinated

The Issuer's obligations under the Capital Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank pari passu with Parity Obligations. Subject, *inter alia*, as discussed under *"— The Capital Securities are subject to Non-Viability Loss Absorption provisions*", to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation (as defined in Condition3(B)), the rights of the Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities are expressly subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 3(B) and will rank senior to all Junior Obligations.

In the event of a Winding-Up that requires Securityholders or the Trustee to provide evidence of their claim to principal or Distribution under the Capital Securities, such claims of the Securityholders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole. No amount may be claimed in respect of any Distribution that has been cancelled pursuant to a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event.

In the event of a shortfall of funds on a Winding-Up, there is a risk that an investor in the Capital Securities will lose all or part of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Capital Securities. The Capital Securities also do not limit the Issuer's ability or the ability of any entity in the Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Capital Securities.

The Capital Securities are subject to Non-Viability Loss Absorption provisions

Under the Conditions, a Non-Viability Event occurs on the earlier of: (a) when the Monetary Authority notifies the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or (b) when the Monetary Authority notifies the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of the Non-Viability Event), irrevocably reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part). See "*Terms and Conditions of the Capital Securities — Distribution — Non-Viability Loss Absorption*". The notification of a Non-Viability Event is at the discretion of the Monetary Authority and beyond the control of the Issuer. The circumstances in which such discretion is exercised are not limited and may include concerns about the Issuer's capital, funding and/or liquidity levels.

Securityholders should note that any amount that is written down upon the occurrence of a Non-Viability Event in accordance with the Conditions is permanent and will not be restored under any circumstances, even if the relevant Non-Viability Event has ceased to continue. In addition, a Non-Viability Event may occur on more than one occasion and each Capital Security may be written down on more than one occasion. As the Distribution Rate is calculated on the basis of the principal amount as adjusted following the occurrence of a Non-Viability Event, in the event that such principal amount is permanently reduced by the relevant Write-off, Securityholders will receive less Distributions on their Capital Securities. In addition, upon the occurrence of a Non-Viability Event, Securityholders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation.

The application of a non-viability loss absorption feature similar to Condition 4(C) has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

There are exchange rate considerations in enforcement

To the extent that the Trustee or the holders of the Capital Securities are entitled to any recovery with respect to the Capital Securities in any Hong Kong proceedings, the Trustee and such holders of the Capital Securities might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in Hong Kong dollars.

In Hong Kong proceedings, if the Issuer's assets become subject to the control of a court-appointed receiver, interest on the Capital Securities would cease to accrue on the date of the court order and the relevant U.S. dollar amounts would be converted to Hong Kong dollars as at such date for purpose of claims.

Credit Ratings of the Capital Securities may not remain in effect

The Capital Securities are expected to be assigned a rating of "Ba2" by Moody's and BB by Standard & Poor's. These ratings reflect the Issuer's ability to make timely payments of principal and interest on the Capital Securities. A rating is not a recommendation to buy, sell or hold any security, does not address the likelihood or timing of payment of the Capital Securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. There is no assurance that the ratings assigned to the Capital Securities will remain in effect for any given period or that the ratings will not be revised by the assigning rating organisation in the future if, in its judgment, circumstances so warrant. A downgrade in ratings may affect the secondary market price of the Capital Securities.

Liquidity of the Capital Securities may not develop

There can be no assurance as to the liquidity of the Capital Securities or that an active trading market will develop. If such a market were to develop, the Capital Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar securities. The Managers are not obliged to make a market for the Capital Securities and any such market-making, if commenced, may be discontinued at any time at the sole discretion of the Managers, acting together. No assurance can be given as to the liquidity of, or trading market for, the Capital Securities upon their listing on the SEHK. Lack of a liquid, active trading market for the Capital Securities may adversely affect the price of the Capital Securities or may otherwise impede a holder's ability to dispose of the Capital Securities.

Payments of Distribution are discretionary and Distributions are non-cumulative

Payment of Distributions on any Distribution Payment Date is at the sole discretion of the Issuer. Subject to the Conditions, the Issuer may elect to or, in certain cases, be required to cancel any Distribution on any Distribution Payment Date. The Issuer may make such election for any reason. In addition, the Issuer will not be obliged to pay, and will not pay, any Distribution upon the occurrence of a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event. Cancelled Distributions will not be reinstated and will not constitute an event of default.

In addition, Distributions would only be paid out of such amounts for the time being available to the Issuer for distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong as at the Issuer's latest audited balance sheet, and subject to certain capital conservation requirements as applicable to the Issuer. As at the date of this First Supplementary Offering Circular, pursuant to section 297(1) of the Companies Ordinance (Cap.622), the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap.622), the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

Any Distributions which are not paid on the applicable Distribution Payment Date following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off shall not accumulate or be payable at any time thereafter, whether or not funds are or subsequently become available. Securityholders will have no right thereto whether in a bankruptcy or dissolution as a result of the insolvency of the Issuer or otherwise. Therefore, any Distributions not paid following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off will be lost and the Issuer will have no obligation to make payment of such Distributions or to pay interest thereon.

If Distributions are not paid for whatever reason, the Capital Securities may trade at a lower price. If a Securityholder sells his Capital Securities during such a period, he may not receive the same return on investment as a Securityholder who continues to hold his Capital Securities until Distributions are resumed.

There are limited remedies for non-payment under the Capital Securities

Any scheduled Distribution will not be due if the Issuer elects not to pay that Distribution pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment of principal or any Distributions on any of the Capital Securities has become due and such failure continues for a period of 14 days in the case of Distributions or seven business days in the case of principal; or where an order is made or an effective resolution passed for the Winding-Up or dissolution of the Issuer. The only remedy against the Issuer available to any Securityholders for recovery of amounts in respect of the Capital Securities following the occurrence of a payment default after any sum becomes due in respect of the Capital Securities will be instituting winding-up proceedings and/or proving and/or claiming in winding-up in respect of any of the Issuer's payment obligations arising from the Capital Securities. In such a winding-up, the claims of the Securityholder will be subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 3(B).

The Issuer may raise other capital which affects the price of the Capital Securities

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or pari passu with, the Capital Securities, and there is no restriction on the Issuer issuing securities with or without Non-Viability Loss Absorption provisions (whether or not such provisions are similar to those of the Capital Securities). The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a dissolution or winding-up and/or may increase the likelihood of a cancellation of Distributions under the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Capital Securities and/or the ability of Securityholders to sell their Capital Securities.

Proposed establishment of a resolution regime in Hong Kong may override the contractual terms of the Capital Securities

In early 2014, the government of Hong Kong launched the initial stage of a public consultation on establishing a "resolution regime" for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. A consultation response paper dated 9 October 2015 (the "**Response Paper**") was published concluding the two consultations and summarising the key comments received and the authorities' responses and proposals in relation to those comments. The Response Paper also discuses certain further issues which remain under development internationally.

The proposed resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, it has been envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution, including but not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Capital Securities, and powers to amend or alter the contractual provisions of the Capital Securities. Although the resolution regime has not been formally established yet as at the date of this First Supplementary Offering Circular, Securityholders will be subject to and bound by the resolution regime once the legislative changes are effected.

The Trustee may decline to take actions requested by the Securityholders

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 9), the Trustee may (at its sole discretion) request the Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the Securityholders and shall not be obliged to take any such actions until it is indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact upon when such actions can be taken.

The Trustee may decline to take action requested by the Securityholders, notwithstanding the provision of an indemnity or security or pre-funding to it, where it is of the opinion that the action would be in breach of the terms of the Trust Deed (as defined in the Conditions) or where it is not satisfied that the action is permitted by applicable law or regulation and, to the extent permitted by the agreements and applicable law, it will be for the Securityholders to take such actions directly.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the Terms and Conditions of the Capital Securities (subject to completion and modification and excluding italicised text) which will be endorsed on each definitive certificate evidencing the Capital Securities.

The U.S.$650,000,000 5.50 per cent. undated non-cumulative subordinated additional Tier 1 capital securities (each a "**Capital Security**" and together, the "**Capital Securities**) of The Bank of East Asia, Limited 東亞銀行有限公司 (the "**Issuer**") issued on 2 December 2015 (the "**Issue Date**") are constituted by a trust deed (such trust deed as amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 16 June 2014 and made between the Issuer and DB Trustees (Hong Kong) Limited (the "**Trustee**", which expression shall include any successor as Trustee). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Capital Securities. The Securityholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 16 June 2014 and made between the Issuer, the Trustee, Deutsche Bank AG, Hong Kong Branch as issuing and paying agent (the "**Issuing and Paying Agent**", which expression shall include any successor thereto) and as transfer agent (the "**Transfer Agent**", which expression shall include any successor thereto), Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**", which expression shall include any successor thereto), the other paying agents and transfer agents named therein and the Trustee. For the avoidance of doubt, references to the "**Paying Agents**" include the Issuing and Paying Agent and references to the "**Transfer Agents**" include the Transfer Agent. References to the "**Issuing and Paying Agent**", the "**Registrar**", the "**Transfer Agent**" and the "**Agents**" below are to the issuing and paying agent, the registrar, the transfer agent and the agents for the time being for the Capital Securities. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Level 52, International Commercial Centre, 1 Austin Road West, Kowloon, Hong Kong) and at the specified offices of the Paying Agents and the Transfer Agent.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

The terms and conditions of the Notes as set out in the Offering Circular dated 16 June 2014 (as amended and/or supplemented by the First Supplementary Offering Circular dated 25 November 2015) shall be deemed to be replaced by these Conditions for the purposes of the Capital Securities.

1 FORM, DENOMINATION AND TITLE

(A) *Form and Denomination*

The Capital Securities are issued in registered form in the denomination of U.S.$150,000 each and integral multiples of U.S.$1,000 in excess thereof (referred to as the "**principal amount**" of a Capital Security). The principal amount of a Capital Security is subject to adjustment following the occurrence of a Non-Viability Event (as defined in Condition 4(C)) in accordance with Condition 4(C) and references in these Conditions to the "principal amount" of a Capital Security shall mean the principal amount of a Capital Security as so adjusted. The Capital Securities are represented by registered certificates ("**Certificates**") and each Certificate shall represent the entire holding of Capital Securities by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders which the Issuer will procure to be kept by the Registrar and at the office of the Issuer.

The Capital Securities are not issuable in bearer form.

(B) ***Title***

Title to the Capital Securities passes only by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Capital Security shall be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate)) and no person shall be liable for so treating the Securityholder.

In these Conditions, reference to "**Securityholders**" or "**holders**" in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered.

2 TRANSFERS OF THE CAPITAL SECURITIES

(A) ***Transfers of Interests in Capital Securities***

One or more Capital Securities may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Capital Securities to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Capital Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Capital Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Capital Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Securityholder upon request.

(B) ***Delivery of New Certificates***

Each new Certificate to be issued pursuant to Condition 2(A) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(B), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the Transfer Agent (as the case may be).

(C) ***Transfers Free of Charge***

Transfers of Capital Securities and Certificates on registration or transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the Transfer Agent may require) in respect of taxes or charges.

(D) ***Closed Periods***

No Securityholder may require the transfer of a Capital Security to be registered (i) during the period of 15 days prior to (and including) the due date of any payment of principal or Distributions in respect of the Capital Securities or (ii) during the period commencing on the date of a Non-Viability Event Notice (as defined in Condition 4(C) below) and ending on (and including) the close of business in Hong Kong on the effective date of the related Write-off.

(E) ***Exercise of Options or Partial Write-off in Respect of Capital Securities in Definitive Form***

In the case of an exercise of the Issuer's option in respect of, or a partial Write-off of (as the case may be) Capital Securities, and where a holding of Capital Securities is represented by a single Certificate, a new Certificate shall be issued to the relevant Securityholder to reflect the exercise of such option, or such partial Write-off, or in respect of the balance of the holding not redeemed or Written-off (as the case may be). New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or the Transfer Agent.

3 STATUS AND SUBORDINATION OF THE CAPITAL SECURITIES

(A) ***Status of the Capital Securities***

The Capital Securities constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Securityholders are subordinated in the manner described below.

(B) ***Subordination***

Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up (as defined below) of the Issuer (other than pursuant to a Permitted Reorganisation (as defined below)), the rights of the Securityholders to payment of principal and Distributions on the Capital Securities, and any other obligations in respect of the Capital Securities, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), (b) creditors in respect of Tier 2 Capital Securities of the Issuer, and (c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to and of all claims of the holders of Junior Obligations, in each case in the manner provided in the Trust Deed.

In the event of a Winding-Up that requires the Securityholders or the Trustee to provide evidence of their claim to principal or Distribution under the Capital Securities, such claims of the Securityholders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole. No amount may be claimed in respect of any Distribution that has been cancelled pursuant to a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event.

For the purposes of these Conditions:

"**Authorized Institution**" has the meaning given to that term in the Banking Ordinance (Cap. 155) of Hong Kong.

"**Capital Regulations**" means capital regulations from time to time applicable to the regulatory capital of Authorized Institutions incorporated in Hong Kong as published by the Monetary Authority.

"**Junior Obligation**" means the Shares, and any other class of the Issuer's share capital and any instrument or other obligation (including without limitation any preference shares) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities by operation of law or contract.

"**Monetary Authority**" means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap 66.) of Hong Kong or any successor thereto or such other authority having primary bank supervisory authority with respect to the Issuer.

"**Parity Obligation**" means any instrument or other obligation issued, entered into, or guaranteed by the Issuer that constitutes or qualifies as Additional Tier 1 Capital (or its equivalent) under applicable Capital Regulations or that ranks or is expressed to rank *pari passu* with the Capital Securities by operation of law or contract (including, without limitation, the 500,000 Units comprising Step-Up Subordinated Notes due 2059 issued by the Issuer and Non-cumulative Step-Up Preference Shares issued by Innovate Holdings Limited), which for the avoidance of doubt, excludes any Junior Obligations of the Issuer.

"**Permitted Reorganisation**" means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Capital Securities.

"**Shares**" means the ordinary share capital of the Issuer.

"**Subordinated Creditors**" means all creditors the indebtedness of which is subordinated, in the event of the Winding-Up of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer other than those whose claims rank or is expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the Securityholders of the Capital Securities. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

"**Tier 2 Capital Securities**" means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract (including, without limitation, the U.S.$600,000,000 Subordinated Notes due 2020 issued by the Issuer, the U.S.$500,000,000 Subordinated Notes due 2022 issued by the Issuer, the S$800,000,000 Subordinated Notes due 2022 issued by the Issuer and the U.S.$500,000,000 Tier 2 Capital Dated Subordinated Notes due 2024 issued by the Issuer).

"**Winding-Up**" means, with respect to the Issuer, a final and effective order or resolution for the bankruptcy, winding up, liquidation, administrative receivership, or similar proceeding in respect of the Issuer.

(C) ***Set-off***

Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Securities and each Securityholder shall, by virtue of being the Securityholder of any Capital Security be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Securityholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding in respect of the Issuer any payment by, or distribution of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Capital Securities, other than in accordance with this Condition 3(C), such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such payment or discharge to the liquidator for the time being in the winding up of the Issuer for distribution and each Securityholder, by virtue of becoming a Securityholder or any Capital Security, shall be deemed to have so agreed and undertaken with and to the Issuer and all depositors and other unsubordinated creditors of the Issuer for good consideration.

4 DISTRIBUTIONS

(A) *DISTRIBUTION PAYMENTS*

(i) *Non-Cumulative Distribution*

Subject to Condition 4(B) below, the Capital Securities confer a right to receive distributions (each a "**Distribution**") on their principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(C)) from, and including, the Issue Date at the applicable Distribution Rate, payable semi-annually in arrear on 2 June and 2 December in each year (each a "**Distribution Payment Date**").

Distributions will not be cumulative and Distributions which are not paid in accordance with these Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer. Unless otherwise provided in these Conditions, each Capital Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon surrender of the Certificate representing such Capital Security, payment of principal is improperly withheld or refused. In such event Distribution shall continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all amounts due in respect of such Capital Security have been paid; and (b) five days after the date on which the full amount of moneys payable in respect of such Capital Security has been received by the Issuing and Paying Agent and notice to that effect has been given to the Securityholders in accordance with Condition 11.

No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to Condition 4(A) and Condition 4(B) below. Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.

(ii) *Distribution Rate*

The rate of distribution (the "**Distribution Rate**") applicable to the Capital Securities shall be:

(a) in respect of the period from, and including, the Issue Date to, but excluding, 2 December 2020 (the "**First Call Date**"), 5.50 per cent. per annum; and

(b) in respect of a Reset Distribution Period, the relevant Reset Distribution Rate.

For the purposes of these Conditions:

"**Calculation Agent**" means the Issuing and Paying Agent and shall include any successor as calculation agent.

"**Calculation Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong.

"**Calculation Date**" means, in relation to a Reset Distribution Period, the Calculation Business Day immediately preceding the Distribution Reset Date on which such Reset Distribution Period commences.

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by the Calculation Agent as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years.

"**Comparable Treasury Price**" means, with respect to any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

"**Distribution Determination Date**" means the day falling two Business Days prior to a Distribution Payment Date.

"**Distributable Reserves**" means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended or modified from time to time, as at the date of the Issuer's audited balance sheet last preceding the relevant Distribution Payment Date, and subject to the Monetary Authority's then current capital conservation requirements as applicable to the Issuer on the relevant Distribution Payment Date (the "**Available Amount**"); provided that if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer's audited balance sheet last preceding the relevant Distribution Payment Date and is insufficient to pay the Distributions and any payments due on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distributions mean the Available Amount as set forth in such certificate.

As at the date hereof, pursuant to section 297(1) of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

"**Distribution Reset Date**" means the First Call Date and each anniversary falling five years thereafter.

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected by the Calculation Agent that are primary U.S. Government securities dealers.

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5.00 p.m. (New York City time), on the third Calculation Business Day preceding such Calculation Date.

"**Reset Distribution Rate**" means, in relation to a Reset Distribution Period, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate (as determined as set out below) and (b) the Spread.

"**Reset Distribution Period"** means the period from, and including, a Distribution Reset Date to, but excluding, the immediately following Distribution Reset Date.

"**Spread**" means 3.834 per cent. per annum.

"**U.S. Treasury Rate**" means the rate in percentage per annum notified by the Calculation Agent to the Issuer and the Securityholders equal to the yield on U.S. Treasury securities having a maturity of five years as is displayed on Bloomberg page "PX1" (or any successor page or service displaying yields on U.S. Treasury securities as agreed between the Issuer and the Calculation Agent) at 5.00 p.m. (New York time) on the third Calculation Business Day preceding such Calculation Date. If such page (or any successor page or service) does not display the relevant yield at 5.00 p.m. (New York time) on the Calculation Business Date, "**U.S. Treasury Rate**" shall mean the rate in percentage per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date.

(iii) *Calculation of Distribution and Relevant Reset Distribution Rate*

The Calculation Agent will calculate the amount of Distribution in respect of any period by applying the applicable Distribution Rate to the Calculation Amount. If Distribution is required to be paid in respect of a Capital Security on any date other than the Distribution Payment Date, it shall be calculated by applying the applicable Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal amount of such Capital Security divided by the Calculation Amount, where:

(a) **"Calculation Amount**" means U.S.$1,000, subject to adjustment following occurrence of a Non-Viability Event; and

(b) "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months).

The Calculation Agent will, on the Calculation Date prior to each Distribution Reset Date, calculate the applicable Reset Distribution Rate payable in respect of each Capital Security. The Calculation Agent will cause the Distribution and applicable Reset Distribution Rate determined by it to be promptly notified to the Issuing and Paying Agent. Notice thereof shall also promptly be given by the Calculation Agent to the Issuer, the Trustee and the Registrar.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(A) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Issuing and Paying Agent and the Securityholders and no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes unless caused directly by the fraud, gross negligence or wilful misconduct of the Calculation Agent.

(iv) *Publication of Relevant Reset Distribution Rate*

The Issuer shall cause notice of the then applicable Reset Distribution Rate to be notified to the Securityholders as soon as practicable in accordance with Condition 11 after determination thereof.

(v) *Determination or Calculation by Successor Calculation Agent*

If the Calculation Agent does not at any time for any reason so determine the applicable Reset Distribution Rate, the Issuer shall as soon as practicable appoint a reputable financial institution of good standing as a successor calculation agent to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the successor calculation agent shall apply the foregoing provisions of this Condition 4(A), with any necessary consequential amendments, to the extent that, in the opinion of the successor calculation agent, it can do so and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(B) ***Distribution Restrictions***

(i) *Optional Distribution Cancellation Event*

Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of a Distribution, in whole or in part, by giving a notice to the Trustee signed by two Directors of the Issuer, which shall be conclusive and binding on the Securityholders (such notice, a "**Distribution Cancellation Notice**") of such election to the Securityholders in accordance with Condition 11, the Trustee and the Agents at least 10 business days prior to the relevant Distribution Payment Date. The Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date if it validly elects not to do so in accordance with this Condition 4(B)(i) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

(ii) *Mandatory Distribution Cancellation Event*

Notwithstanding that a Distribution Cancellation Notice may not have been given, the Issuer shall not be obliged to pay, and shall not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, if and to the extent that:

(a) the Distribution scheduled to be paid together with any dividends, distributions or other payments scheduled to be paid or made during the Issuer's then current fiscal year on any Parity Obligations or any instruments which rank or are expressed to rank *pari passu* with any Parity Obligations shall exceed Distributable Reserves as at such Distribution Determination Date; or

(b) the Monetary Authority directs the Issuer to cancel such Distribution (in whole or in part) or applicable Hong Kong banking regulations or other requirements of the Monetary Authority prevent the payment in full of dividends or other distributions when due on Parity Obligations (a "**Mandatory Distribution Cancellation Event**").

The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with this Condition 4(B)(ii) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution which is cancelled in accordance with these Conditions shall not be payable at any time thereafter, whether in a Winding-Up or otherwise.

(iii) *Distributable Reserves*

Any Distribution may only be paid out of Distributable Reserves.

(iv) *Dividend Stopper*

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of this Condition 4(B), the Issuer shall not:

(a) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or

(b) purchase, cancel or otherwise acquire any Shares or permit any of its Subsidiaries to do so,

in each case, unless or until the earlier of: (x) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to such subsequent Distribution Payment

Date in respect of a Distribution Payment Date preceding such subsequent Distribution Payment Date) has been paid in full (1) to Securityholders or (2) irrevocably to a designated third party trust account for the benefit of the Securityholders pending payment by the trustee thereof to the Securityholders on such subsequent Distribution Payment Date, or (y) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero in accordance with these Conditions, or (z) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

(v) *No Default*

Notwithstanding any other provision in these Conditions, the cancellation or non-payment of any Distribution in accordance with this Condition 4(B) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9(A)) on the part of the Issuer.

(C) ***Non-Viability Loss Absorption***

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Securityholders of the Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Capital Security (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Capital Instruments so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the "**Write-off**", and "**Written-off**" shall be construed accordingly).

Concurrently with the giving of the notice of a Non-Viability Event, the Issuer shall procure unless otherwise directed by the Monetary Authority that a similar notice be given in respect of other Subordinated Capital Instruments in accordance with their terms.

For the avoidance of doubt, any Write-off pursuant to this provision will not constitute an Event of Default under the Capital Securities.

Any Capital Security may be subject to one or more Write-offs in part (as the case may be), except where such Capital Security has been Written-off in its entirety. Any references in these Conditions to principal in respect of the Capital Securities shall thereafter refer to the principal amount of the Capital Securities reduced by any applicable Write-off(s).

Once the principal amount of, and any accrued but unpaid Distribution under, the Capital Securities has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off.

For the purposes of this Condition 4(C):

"**Non-Viability Event"** means the earlier of:

(a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and

(b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

"**Non-Viability Event Notice**" means the notice which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the Securityholders of the Capital Securities, in accordance with these Conditions, and to the Trustee and the Paying Agents in writing and which shall state:

(a) in reasonable detail the nature of the relevant Non Viability Event; and

(b) the Non-Viability Event Write-off Amount for (i) each Capital Security and (ii) each other Subordinated Capital Instrument in accordance with its terms.

"**Non-Viability Event Write-off Amount**" means the amount of distributions and/or principal to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue. For the avoidance of doubt, (i) the full amount of the Capital Securities will be Written-off in full in the event that the amount Written-off is not sufficient for the Non-Viability Event to cease to continue and (ii) in the case of an event falling within paragraph (b) of the definition of Non-Viability Event, the Write-off will be effected in full before any public sector injection of capital or equivalent support. Further, the Non-Viability Event Write-off Amount in respect of each Capital Security will be calculated based on a percentage of the principal amount of that Capital Security.

"**Subordinated Capital Instrument**" means any Parity Obligation which contains provisions relating to a write-down or conversion into ordinary shares in respect of its principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

(D) ***Hong Kong Bail-in Power***

Notwithstanding any other term of the Capital Securities, including without limitation Condition 4(C), or any other agreement or arrangement, each Securityholder and the Trustee shall be subject, and shall be deemed to agree and acknowledge that they are each subject, to the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

(a) the reduction or cancellation of all or a part of the principal amount of, or distributions on, the Capital Securities;

(b) the conversion of all or a part of the principal amount of, or distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and

(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of distributions payable on the Capital Securities, or the date on which the distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of these Conditions.

With respect to (a), (b) and (c) above, references to principal and distributions shall include payments of principal and distributions that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any Hong Kong Bail-in Power. The rights of the Securityholders and the Trustee under the Capital Securities and these Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority.

No repayment of the principal amount of the Capital Securities or payment of Distributions on the Capital Securities shall become due and payable or be paid after the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities, the Issuer shall provide a written notice as soon as practicable regarding such exercise of the Hong Kong Bail-in Power to the Securityholders in accordance with Condition 11 and to the Trustee in writing.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or Distributions on the Capital Securities, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of these Conditions as a result of the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities shall constitute an Event of Default under Condition 9(A).

The Hong Kong Government has completed the second consultation on the introduction of a resolution regime for financial institutions in Hong Kong. Legislation, however, has yet to be introduced into the Legislative Council of Hong Kong as at the Issue Date. Therefore, the "Hong Kong Bail-in Power" referred to in this Condition 4(D) will only become effective upon the passing of such legislation. It is expected that all licensed banks in Hong Kong will be subject to such legislation when passed.

For the purposes of this Condition 4:

"**Group**" means the Issuer and its Subsidiaries.

"**Hong Kong Bail-in Power**" means any power which may exist from time to time under any laws, regulations, rules or requirements relating to the resolution of financial institutions, including banks, banking group companies, credit institutions and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group, as the same may be amended from time to time (whether pursuant to the relevant ordinances or otherwise), and pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, transferred, modified and/or converted into shares or other securities or obligations of the obligor or any other person.

"**relevant Hong Kong Resolution Authority**" means any authority with the ability to exercise a Hong Kong Bail-in Power.

Please see the risk factor entitled "Proposed establishment of a resolution regime in Hong Kong may override the contractual terms of the Capital Securities" for further information.

5 PAYMENTS

(A) ***Payments in Respect of the Capital Securities***

(i) Payments of principal in respect of Capital Securities shall be made against presentation and surrender of the relevant Certificates at the specified office of the Transfer Agent or of the Registrar and in the manner provided in Condition 5(A)(ii).

(ii) Distributions shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of Distributions in respect of each Capital Security shall be made in U.S. dollars by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Capital Security at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or the Transfer Agent before the Record Date, such payment of Distributions may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(iii) Securityholders will not be entitled to any Distribution or other payment for any delay after the due date in receiving the amount due on a Capital Security if the due date is not a business day, if the Securityholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 5(A)(ii) arrives after the due date for payment.

(B) ***Payments subject to Fiscal Laws***

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 7, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(C) ***Appointment of Agents***

The Issuing and Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Registrar and the Transfer Agent appointed under the Agency Agreement and any Calculation Agent appointed in respect of any Capital Securities act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Securityholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, any Registrar, any Transfer Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Agency Agreement, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s), and (v) such other agents as may be required by any other stock exchange on which the Capital Securities may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Securityholders.

(D) ***Non-Business Days***

If any date for payment in respect of any Capital Security is not a business day, the holder shall not be entitled to payment until the next following business day nor to any distribution or other sum in respect of such postponed payment. In this Condition 5, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if presentation and/or surrender of such Capital Security is required) in New York City and Hong Kong and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York City and Hong Kong.

6 REDEMPTION AND PURCHASE

(A) *No Fixed Redemption Date*

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(B) *Redemption for Tax Reasons*

Subject to Condition 6(F), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 11, the Securityholders (which notice shall be irrevocable and shall specify the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 7 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date and (ii) such obligation will apply on the occasion of the next payment due in respect of the Capital Securities and cannot be avoided by the Issuer taking reasonable measures available to it (a "**Withholding Tax Event**"); provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Capital Securities then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Distribution Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) a copy of the written consent of the Monetary Authority as referred to in Condition 6(F); and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 6(B) will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(C).

(C) *Redemption for Tax Deduction Reasons*

Subject to Condition 6(F), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and the Registrar, and, in accordance with Condition 11, the Securityholders (which notice shall be irrevocable, subject to Condition 4(C), and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 6(C), a "**Tax Deduction Event**" occurs if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(i) in respect of the Distributions payable on the Capital Securities, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective subsequent to any official ruling (a "**Tax Ruling**") issued after the Issue Date by the relevant tax authorities in Hong Kong determining that Distributions are tax deductible; and

(ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it, provided that: (a) the conditions for Redemption set out in Condition 6(F) have been satisfied and (b) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would cease to be able to claim a tax deduction in respect of the Distribution payable on the Capital Securities as provided in paragraph (a) above as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective subsequent to a Tax Ruling issued after the Issue Date by the relevant tax authorities in Hong Kong determining that Distributions are tax deductible.

Prior to the publication of any notice of redemption pursuant to this Condition 6(C), the Issuer shall deliver to the Trustee (a) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that: (1) the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it and (b) a copy of the written consent of the Monetary Authority as referred to in Condition 6(F) and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 6(C) will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(C).

At the Issue Date, there has been no Tax Ruling from the relevant tax authorities in Hong Kong determining that Distributions on the Capital Securities are tax deductible and no approach to the tax authorities in Hong Kong has been made by the Issuer. Redemption for tax deduction reasons may only be exercised if, following a Tax Ruling determining that Distributions are tax deductible, subsequently Distributions become no longer tax deductible as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the applicable or official interpretation of such laws or regulations.

(D) ***Redemption of the Capital Securities for Regulatory Reasons***

Subject to Condition 6(F), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 11, the Securityholders (which notice shall be irrevocable and shall specify the date fixed for redemption) following the occurrence of a Capital Event.

For the purposes of this Condition 6(D), a "**Capital Event**" occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 6(D) that (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 Capital (or equivalent) of the Issuer and/or (b) the Capital Securities cease to be included in the calculation of the Issuer's capital adequacy ratio, as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap. 155) of Hong Kong, Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any statutory guidelines issued by the Monetary Authority in relation thereto, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 6(D), the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem have occurred and (ii) a copy of the written consent of the Monetary Authority; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 6(D) will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(C).

(E) ***Redemption at the Option of the Issuer***

The Issuer may, having given:

(i) not less than 15 nor more than 45 days' notice to the Securityholders in accordance with Condition 11; and

(ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Trustee and the Issuing and Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all but not some only of the Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at the their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(C).

For the avoidance of doubt, the Issuer does not provide any undertaking that it will redeem the Capital Securities at any time.

(F) ***Conditions for Redemption and Purchase in Respect of the Capital Securities***

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 9) and neither the Issuer nor any of its Subsidiaries shall purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong, Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any statutory guidelines issued by the Monetary Authority in relation thereto.

For the avoidance of doubt, this provision shall not apply to the Issuer or any of its Subsidiaries holding the Capital Securities in a purely nominee capacity.

In these Conditions, a "**Subsidiary**" of the Issuer means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

7 TAXATION

All payments of principal and distributions by or on behalf of the Issuer in respect of the Capital Securities shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts as shall result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Capital Security:

(i) *Other connection*: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Capital Securities by reason of his having some connection with Hong Kong other than the mere holding of the Capital Securities; or

(ii) *Presentation more than 30 days after the Relevant Date*: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(iii) *Payment to individuals*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used in these Conditions, "**Relevant Date**" in respect of any Capital Security means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Securityholders that, upon further presentation of the Capital Security (or relative Certificate) being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Capital Securities, and all amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**distributions**" shall be deemed to include all Distributions and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "**distributions**" shall be deemed to include any additional amounts that may be payable under this Condition 7 or any undertaking given in addition to or in substitution for it under the Trust Deed.

8 PRESCRIPTION

Claims against the Issuer for payment in respect of the Capital Securities shall be prescribed and will become void unless made within a period of 10 years (in the case of principal) or five years (in the case of Distribution) from the Relevant Date (as defined in Condition 7).

9 EVENTS OF DEFAULT AND ENFORCEMENT

(A) ***Events of Default and Winding-up Proceedings***

(i) If default is made in the payment of any amount of principal or Distributions in respect of the Capital Securities on the due date for payment thereof and such failure continues for a period of seven days in the case of principal or 14 days in the case of Distribution (each, an "**Event of Default**") then in order to enforce the obligations of the Issuer, the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) institute a Winding-Up Proceeding against the Issuer. For the avoidance of doubt, no Distribution will be due and payable if such Distribution has been cancelled or is deemed cancelled (in each case, in whole or in part) in accordance with these Conditions. Accordingly, no default in payment under the Capital Securities will have occurred or be deemed to have occurred for the non-payment of any Distribution that has been so cancelled or deemed cancelled.

(ii) If an order is made or an effective resolution is passed for the Winding-Up of the Issuer (whether or not an Event of Default has occurred and is continuing) then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) give written notice to the Issuer declaring the Capital Securities to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of actual payment, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(C), without further action or formality.

In these Conditions:

"**Winding-Up Proceedings**" means, with respect to the Issuer, proceedings in Hong Kong for the bankruptcy, liquidation, winding-up, administrative receivership, or other similar proceeding of the Issuer (as applicable).

(B) ***Enforcement***

(i) Without prejudice to Condition 9(A), the Trustee may subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Capital Securities binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or Distributions in respect of the Capital Securities), provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or Distributions in respect of the Capital Securities sooner than the same would otherwise have been payable by it.

(ii) The Trustee shall not be bound to take action as referred to in Conditions 9(A) and 9(B)(i) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Securityholders holding at least 25 per cent. in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution of the Securityholders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(iii) No Securityholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

(iv) Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 9(A) and Conditions 9(B)(i) and 9(B)(ii) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Securityholders.

(v) No Securityholder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Securityholder may, on giving an indemnity and/or security and/or pre-funding satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

10 MEETINGS OF SECURITYHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

(A) *Meetings of Securityholders*

The Trust Deed contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Securityholders holding not less than 10 per cent. in principal amount of the Capital Securities for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in principal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Securityholders whatever the principal amount of the Capital Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Capital Securities or any date for payment of distribution or Distributions on the Capital Securities, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Capital Securities, (iii) to reduce the rate or rates of distributions in respect of the Capital Securities or to vary the method or basis of calculating the rate or rates or amount of distributions or the basis for calculating any distribution in respect of the Capital Securities, (iv) to vary any method of, or basis for, calculating the relevant redemption amount, (v) to vary the currency or currencies of payment or denomination of the Capital Securities, or (vi) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Capital Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Securityholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the Securityholders of not less than 90 per cent. in principal amount of the Capital Securities for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

(B) *Modifications and Waivers*

(i) *Modification*

The Trustee may (but shall not be obliged to) agree, without the consent of the Securityholders, to (a) any modification of any of the provisions of the Trust Deed or these Conditions that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and/or these Conditions that is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders, and unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Securityholders as soon as practicable.

(ii) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Securityholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or any holding company of the Issuer or any other subsidiary of any such holding company or their respective successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Capital Securities. In the case of such a substitution the Trustee may agree, without the consent of the Securityholders, to a change of the law governing the Capital Securities and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders.

(C) ***Entitlement of the Trustee***

In connection with the exercise of its functions, powers, rights and discretions (including but not limited to those referred to in this Condition 10), the Trustee shall have regard to the interests of the Securityholders as a class and shall not have regard to the consequences of such exercise for individual Securityholders and the Trustee, acting for and on behalf of Securityholders, shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in each case in respect of any tax consequence of any such exercise upon individual Securityholders.

11 NOTICES

Notices to the holders of the Capital Securities shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Capital Securities are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that exchange or a relevant authority so require, published in a daily newspaper having general circulation in the place or places required by those rules. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

So long as the Capital Securities are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the holders of the Capital Securities may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

12 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Securityholders on any report, confirmation or certificate or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, advice or opinion, in which event such report, confirmation, certificate, advice or opinion shall be binding on the Issuer and the Securityholders.

13 REPLACEMENT OF CERTIFICATES

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent and of the Registrar, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Capital Securities under the Contracts (Rights of Third Parties) Act 1999.

15 GOVERNING LAW AND SUBMISSION TO JURISDICTION

(A) *Governing Law*

The Trust Deed, the Capital Securities, and any non-contractual obligations arising out of or in connection with the Trust Deed and the Capital Securities are governed by, and shall be construed in accordance with, English law, save that the subordination provisions set out in Condition 3(B) (and related provisions of the Trust Deed) shall be governed by, and construed in accordance with, the laws of Hong Kong.

(B) *Submission to Jurisdiction*

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Capital Securities and accordingly any legal action or proceedings arising out of or in connection with any Capital Securities (a "**Dispute**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(C) *Appointment of Process Agent*

The Issuer has irrevocably appointed its London Branch at its registered office for the time being in England, currently at 75 Shaftesbury Avenue, London W1D 5BB (Attention: General Manager) as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of the Issuer's London Branch being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute and will notify the Trustee of such new process agent within 30 days of the Issuer's London Branch becoming unable or unwilling for any reason so to act. Nothing herein shall affect the right to serve process in any other manner permitted by law.

16 HEADINGS

Headings are for convenience only and do not affect the interpretation of these Conditions.

CAPITALISATION AND INDEBTEDNESS

This section replaces the section headed "Capitalisation and Indebtedness" included on pages 47 to 48 of the Original Offering Circular in its entirety.

As at 30 June 2015, BEA issued and fully paid up share capital of approximately HK$33,153 million consisting of approximately 2,616 million ordinary shares.

The following table sets out the Group's unaudited consolidated capitalisation and indebtedness as at 30 June 2015 and as adjusted for the issue of the Capital Securities.

	As at 30 June 2015	
	Actual (Unaudited)	**As adjusted (Unaudited)**
	HK$ (in millions)	**HK$ (in millions)**
Short-term borrowings[1]		
Customer deposit accounts	523,864	523,864
Certificates of deposits issued	40,933	40,933
Debt securities issued	9,298	9,298
Deposits and balances of banks and other financial institutions	34,711	34,711
Loan capital	—	—
Total short-term borrowings	608,806	608,806
Medium-term borrowings[2]		
Customer deposit accounts	27,545	27,545
Certificates of deposits issued	5,547	5,547
Debt securities issued	7,373	7,373
Deposits and balances of banks and other financial institutions	2,213	2,213
Loan capital	12,377	12,377
Total medium-term borrowings	55,055	55,055
Long-term borrowings[3]		
Loan capital	4,896	4,896
Customer deposit accounts	—	—
Certificates of deposits issued	—	—
Deposits and balances of banks and other financial institutions	58	58
Total long-term borrowings	4,954	4,954
Capital resources		
Share capital	33,153	33,153
Reserves	45,146	45,146
Shareholders' funds	78,299	78,299
Total Capital Securities to be issued[4]	—	5,070
Non-controlling interests	4,570	4,570
Total capital resources	82,869	87,939
Total capitalisation[5]	142,878	147,948
Short-term borrowings and total capitalisation	751,684	756,754

Notes:

(1) Short-term borrowings refer to borrowings of remaining maturity of not more than one year.

(2) Medium-term borrowings refer to borrowings of remaining maturity of over one year to five years.

(3) Long-term borrowings refer to borrowings of remaining maturity of more than five years.

(4) Capital Securities to be issued of U.S.$650,000,000 have been translated into HK$ for convenience purpose at a rate of U.S.$1.00 to HK$7.80.

(5) Total capitalisation comprises total medium-term borrowings, total long-term borrowings and total capital resources.

Save as disclosed in this Offering Circular, there has been no material change in the Group's total capitalisation and indebtedness since 30 June 2015.

BUSINESS OF THE GROUP

This section replaces the section headed "Business of the Group" included on pages 49 to 76 of the Original Offering Circular in its entirety.

INTRODUCTION

Overview

Incorporated in 1918, BEA is the largest independent local bank in Hong Kong in terms of assets. As at 30 June 2015, the Group's total consolidated assets, advances to customers and total deposits were HK$815,986 million (U.S.$104,614 million), HK$452,889 million (U.S.$58,063 million) and HK$597,889 million (U.S.$76,652 million), respectively.

The shares of BEA have been listed on the SEHK since the 1930s. As at 31 October 2015, approximately 2,640.93 million ordinary shares have been issued and are outstanding and have been fully paid. Based on the closing price of its shares on the SEHK as at 31 October 2015, BEA's market capitalisation was approximately HK$76,718.97 million (U.S.$9,836 million). BEA's shares have been a constituent stock of the Hang Seng Index since 1984.

The Group provides a comprehensive range of corporate and commercial banking, retail banking, wealth management and investment services through its Corporate Banking, Personal Banking, Wealth Management, Insurance & Retirement Benefits, Treasury Markets, China and International divisions. The Group's core business products and services include syndicated loans, trade finance, deposit taking, foreign currency savings, remittances, mortgage loans, consumer loans, credit cards, Cyberbanking, retail investment and wealth management services, foreign exchange margin trading, services related to the MPF Scheme, internet banking services and general and life insurance.

In addition, through BEA's wholly-owned subsidiaries, the Group is able to broaden its service offering to its customers. BEA Life and Blue Cross serve as the Group's life insurance and general insurance arms respectively providing a comprehensive range of insurance solutions including life and non-life insurance products and services for individual and corporate customers. Tricor, together with its subsidiaries, offers outsourced expertise in business support functions and provides its customers with a range of integrated business, corporate and investor services.

As at 31 October 2015, the Group offered a broad range of banking and related financial services in Hong Kong through a network of 89 branches, 56 SupremeGold Centres for high net-worth customers, and nine i-Financial Centres. Outside Hong Kong, as at 31 October 2015, the Group's operations included a total of 129 outlets in Mainland China, five outlets in Macau, three outlets in Taiwan (including a Taiwan Offshore Banking Branch in Taipei), and nine outlets in Singapore, Malaysia, the United Kingdom and the United States.

BEA is one of the first foreign banks to receive approval to establish a locally-incorporated bank in Mainland China. As a locally-incorporated bank and a wholly-owned subsidiary of BEA, BEA (China) obtained its business licence from the State Administration for Industry and Commerce on 29 March 2007 and officially commenced business on 2 April 2007. BEA (China) provides comprehensive RMB and foreign currency banking services to all customers. Services include personal banking and wealth management, loans and advances, debit cards and credit cards, Cyberbanking and cash management, private banking, investment and derivative products, agency services for life and general insurance, remittance and settlement, RMB cross-border business, trade finance facilities, supply chain financing, standby letters of credit and bank guarantees, distribution of local mutual funds, and third-party payment.

As at 31 October 2015, BEA (China), with its headquarters in Shanghai, operated 29 branches and 98 sub-branches in Mainland China. In addition to the BEA (China) network, BEA operated a rural bank in Fuping County, Weinan City in Shaanxi province as at 31 October 2015. As at 30 June 2015, the Group's total loans to customers and trade bills decreased by 1.0% while its customer deposits increased by 0.6% over the figures reported at 31 December 2014.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the assets of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 47.7%, 47.7%, 45.4% and 41.7% of the total assets of the Group, respectively. The corresponding figures for Hong Kong as at 31 December 2012, 2013 and 2014 and 30 June 2015 were 55.6%, 56.0%, 58.5% and 60.1%, respectively. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the profit before taxation of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 30.8%, 34.1%, 32.5%, 36.9% and 21.9% of the Group's consolidated profit before taxation, respectively. The corresponding figures for Hong Kong for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were 48.4%, 45.9%, 49.0%, 49.2% and 60.6%, respectively.

The majority of the Group's lending is on a secured basis and adheres to pre-established loan-to-value limitations depending on the underlying collateral and the credit risk of customers. Security typically consists of a first legal charge over real property, listed securities and cash deposits. Some of the Group's lending is on a guaranteed basis.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's total capital ratio was approximately 14.3%, 15.9%, 16.7% and 17.6%, respectively, compared with the statutory minimum requirement of 8.0%. As at 31 December 2013 and 2014 and 30 June 2015, the Group's CET1 ratio was approximately 11.4%, 11.8% and 13.2%, respectively. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's loan to deposit ratio was approximately 66.7%, 70.1%, 74.8% and 75.7%, respectively. The Group's consolidated average LCR was 137.5% for the second quarter of 2015, which is above the statutory minimum requirement of 60%. See "*Selected Statistical and Other Information*" for further details.

The Group relies on its deposit base for the majority of its funding requirements. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's customer deposits accounted for approximately 86.0%, 85.6%, 82.4% and 82.4%, respectively, of its borrowed funds. The remainder of the Group's funding requirements as at 31 December 2012, 2013 and 2014 and 30 June 2015 were primarily satisfied through the issuance of certificates of deposit and debt securities and, particularly for its RMB funding requirements, through interbank borrowings.

In order to diversify the Group's RMB funding sources, BEA (China) issued RMB4 billion in aggregate principal amount of RMB-denominated bonds in Hong Kong in July 2009. BEA (China) issued its first and second batch of RMB financial bonds with the issue sizes of RMB2 billion and RMB3 billion in Mainland China's interbank bond market in March and November 2011, respectively, and issued RMB1 billion in aggregate principal amount of senior unsecured bonds in Hong Kong in May 2012.

For the six months ended 30 June 2015, the Group's profit after taxation was HK$4,058 million (U.S.$520 million), representing a decrease of approximately 9.5% from the six months ended 30 June 2014 (HK$4,482 million (U.S.$575 million)). For the year ended 31 December 2014, the Group's profit after taxation was HK$8,424 million (U.S.$1,080 million), representing a decrease of approximately 0.7% from the year ended 31 December 2013 (HK$8,486 million (U.S.$1,088 million)). For the year ended 31 December 2013, the Group's profit after taxation was HK$6,707 million (U.S.$860 million), representing an increase of approximately 9.0% from the year ended 31 December 2012 (HK$6,154 million (U.S.$789 million)).

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group achieved an annualised return on average assets of approximately 0.9%, 0.9%, 0.8%, 0.9% and 0.8%, respectively, and an annualised return on average equity of approximately 11.6%, 10.4%, 9.0%, 11.2% and 9.2%, respectively.

History

Since its founding in 1918, BEA has dedicated itself to delivering professional banking services to the local community, particularly small and medium enterprises. BEA set up its first branch in Shanghai in 1920 and has operated in Mainland China ever since. The Group is well positioned to provide banking services to customers in Hong Kong, Mainland China and major Chinese communities overseas.

In 1975, BEA launched the first Hong Kong dollar credit card in conjunction with Bank of America, called the East Asia BankAmericard/VISA. In 1979, the East Asia BankAmericard/VISA credit card became the first credit card that was accepted in Mainland China as a result of an agreement between BEA and the Bank of China on foreign currency credit card settlement services.

BEA is one of the founders of Joint Electronic Teller Services Ltd. ("**JETCO**"), which was formed to set up a network of ATMs in Hong Kong and Macau. BEA is also one of the founders of EPS Company (Hong Kong) Limited ("**EPSCO**") in Hong Kong, which was formed to facilitate the electronic transfer of funds at the point of sale. In 1999, BEA was the first bank in Hong Kong to launch online stock trading through its wholly-owned subsidiary, East Asia Securities Company Limited ("**East Asia Securities**"). BEA was also the first bank in Hong Kong to provide comprehensive internet banking services to its customers, through its award-winning Cyberbanking service.

In 2008, BEA (China) became the first foreign bank to launch RMB debit cards and RMB credit cards in Mainland China.

In June 2009, BEA entered into a number of strategic co-operation agreements with Criteria CaixaCorp, S.A. (which changed its name to CaixaBank S.A. on 30 June 2011) ("**CaixaBank**"), a Spanish listed holding company controlled by "la Caixa", a major shareholder of BEA and a leading financial institution in Spain. The agreements set out the framework and conditions on which any future changes in CaixaBank's investment in BEA would be effected, whilst preserving BEA's independence. The alliance with "la Caixa" Group enhances BEA's access to the financial industry in Spain, Europe and Latin America, and creates opportunities for potential joint business development in the Asia-Pacific region.

In July 2009, BEA (China) became the first locally-incorporated foreign bank to issue RMB retail bonds to retail investors and raised RMB4 billion through its debut issue of RMB bonds in Hong Kong. In September 2009, BEA (China) was granted the status of Domestic Settlement Bank and Domestic Agent Bank for cross-border RMB trade settlement services, and completed its first cross-border RMB trade settlement transaction. In November 2010, BEA (China) completed its first cross-border RMB transaction for foreign direct investment.

In June 2013, BEA (China) was among the first batch of foreign banks to be granted a local mutual fund distribution licence in Mainland China. In February 2014, BEA (China) was approved by PBOC as the first foreign bank as a reserve bank for payment institutions. In May 2015, BEA (China) was among the first batch of foreign banks to be qualified as a direct participating bank of the Cross-border Interbank Payment System.

On 18 March 2015, BEA entered into a subscription agreement (the "**Subscription Agreement**") with Sumitomo Mitsui Banking Corporation ("**SMBC**") in relation to the subscription by SMBC for 222,600,000 new shares of BEA (the "**Subscription**"). In addition, BEA entered into an investment agreement (the "**Investment Agreement**") with SMBC regarding certain arrangements in respect of SMBC's investment in BEA which were intended to have effect upon completion of the Subscription. SMBC is headquartered in Tokyo, Japan, and is a wholly-owned subsidiary of Sumitomo Mitsui Financial Group, Inc. ("**SMFG**"). SMFG is a leading financial institution in Japan as well as a global provider of financial services. SMBC held a 100% interest in SMBC Nikko Capital Markets Limited as at the date of this First Supplementary Offering Circular.

The following chart highlights some of the milestone developments of the Group's business operations in the PRC:

Year	Events
1920	BEA established its first branch in Shanghai, China.
1979	BEA launched foreign currency credit card settlement services in the PRC through an agreement with the Bank of China. East Asia BankAmericard became the first credit card accepted in Mainland China.
1986	BEA co-founded Mainland China's first Sino-foreign joint-venture finance company.
1988	BEA was the first foreign bank to pioneer the property mortgage business in Mainland China.
1995	BEA received the "Best Foreign Bank in China" award from Euromoney magazine.
1998	BEA Shanghai and Shenzhen branches were among the first foreign bank branches approved to provide RMB business services to foreigners and foreign-invested enterprises.
2002	BEA was the first foreign bank in Mainland China to receive government approval for providing comprehensive foreign currency banking services to local residents and enterprises. BEA was one of the first foreign banks in Mainland China to receive government approval for providing Internet banking services in Mainland China.
2004	BEA was one of the first foreign banks in Mainland China to receive government approval for providing RMB services to local enterprises.
2005	BEA was one of the first foreign banks in Mainland China to receive government approval for offering agency services for both general and life insurance products in Mainland China.
2006	BEA was one of the first foreign banks in Mainland China to receive CBRC approval as a Qualified Domestic Institutional Investor ("**QDII**"), and the first foreign bank to obtain foreign exchange quota to conduct all QDII business activities. BEA was one of the first foreign banks in Mainland China to receive government approval for providing fixed deposits services with a minimum amount of RMB 1 million to local residents. BEA was one of the first foreign banks in Mainland China to receive government approval for conversion into a locally-incorporated foreign-invested banking corporation in Mainland China.
2007	BEA (China), a wholly owned subsidiary of BEA, was incorporated in Mainland China as one of the first four locally-incorporated foreign banks.

2008	BEA (China) was the first locally-incorporated foreign bank in the PRC to offer RMB credit cards and RMB debit cards in Mainland China. BEA (China) was one of the first locally-incorporated foreign banks in Mainland China to launch RMB trust products.
2009	BEA (China) was the first locally-incorporated foreign bank to issue RMB retail bonds in Hong Kong, raising RMB4 billion through its debut RMB bond issue. BEA (China) became both a domestic settlement bank and domestic agent bank in Mainland China for cross-border RMB trade settlement services.
2010	BEA (China) became the first foreign bank to open its own data centre in Mainland China (in Shanghai). BEA (China) celebrated the grand opening of its new flagship in Mainland China - BEA Finance Tower in Lujiazui, Shanghai. BEA (China) received approval from PBOC in December 2010 to issue RMB financial bonds worth up to RMB5 billion in the PRC's interbank bond market, with a maximum tenor of 3 years.
2011	In March, BEA (China) completed the issue of its first batch of RMB financial bonds with an issue size of RMB2 billion in the PRC's interbank bond market.
	In November, BEA (China) completed the issue of its second batch of RMB financial bonds with an issue size of RMB3 billion in the PRC's interbank bond market.
2012	In May, BEA (China) completed the issue of RMB senior unsecured bonds with an issue size of RMB1 billion in Hong Kong.
2013	BEA (China) was among the first batch of foreign banks to be granted a local mutual fund distribution licence in Mainland China.
	BEA was approved as a RMB Qualified Foreign Institutional Investor ("**RQFII**") by the China Securities Regulatory Commission ("**CSRC**").
2014	BEA (China) was approved by PBOC to be the first foreign bank as a reserve bank for payment institutions.
	BEA (China)'s registered capital increased from RMB8 billion to RMB10 billion after BEA injected additional capital of RMB2 billion into BEA (China).
	BEA (China) became the first foreign bank to provide cross-border electronic RMB payment service in the China (Shanghai) Pilot Free Trade Zone ("**Shanghai FTZ**").
2015	BEA (China) was approved by PBOC to provide 'Free Trade Account' service to eligible customers in Shanghai FTZ.
	Brilliance-BEA Auto Finance Co., Ltd., a joint-venture company formed by CGFC, CaixaBank, S.A.'s wholly-owned subsidiary, Finconsum EFC, S.A., and Brilliance China Automotive Holdings Limited, commenced business in Mainland China.

BEA (China) was among the first batch of foreign banks to be qualified as a direct participating bank of the Cross-border Interbank Payment System.

BEA (China) entered into a strategic co-operation agreement with WeBank Co., Ltd.

During the first six months of 2015, BEA received a number of awards in recognition of its achievements, including:

- "2015 Best SME's Partner Award" (for the eighth consecutive year) from The Hong Kong General Chamber of Small and Medium Business;

- "Quamnet Outstanding Enterprise Award 2014 — Outstanding SME Service Provider (Bank)" (for the second consecutive year) from Quam (H.K.) Limited;

- "Outstanding Corporate Banking Services Award 2014" (for the second consecutive year) and "Outstanding Corporate Banking Renminbi Services Award" (for the second consecutive year) from Wen Wei Po;

- "Best Retail Banking Branch Innovation" in the International Excellence in Retail Financial Services Awards from The Asian Banker;

- "Most Innovative Branch Offering" in the Asia Trailblazer Awards from Retail Banker International;

- "The Best Youth Program Launched In 2014 In Hong Kong — i-Titanium Card", "The New Contactless Card Launched In 2014 In Hong Kong — i-Titanium Card", "The Highest Market Share In 2014 Contactless Cardholder Spending In Hong Kong", "The Highest Number Transaction Tap In Contactless In 2014 In Hong Kong", "The Highest Growth Rate In 2014 Number of Open Cards In Hong Kong — 2nd Runner Up", "The Highest Growth Rate In 2014 Cardholder Spending In Hong Kong — 1st Runner Up" and "The Highest Growth Rate In 2014 Outstandings In Hong Kong — 1st Runner Up" from MasterCard Worldwide;

- "Highest Card Volume Growth (Credit Card) — Gold Award" from UnionPay International; and

- "The 2014 Global Service Quality Award, the Chargeback to Sale Ratio, Non-Fraud Acquirer" from Visa Inc.

In addition, BEA (China) earned the following distinctions:

- "2014 Best Marketing Financial Institution" from Oriental Morning Post;

- "Best Bank in Trade Finance Products Innovation" in the China Trade Finance Excellence Award from China Banking Association;

- "Best Special Trade Finance Bank" in "The 4th (2014) Most Trusted Financial Service Providers By Foreign Trade & Economic Enterprises in China" from Trade Finance Magazine and www.sinotf.com; and

- "21st Century Touchstone Best Visual-Spatial Experience Award" from 21st Century Business Review and Continuum.

Blue Cross received the following awards:

- "Medical and General Insurance Award" in the 15th Capital Outstanding Enterprise Awards Programme organised by CAPITAL Magazine (for the fourth consecutive year);

- "Hong Kong Leaders' Choice Award — Excellent Brand of Travel Insurance 2015" from Metro Finance & Metro Finance Digital Radio; and

- "The Most Favourite Travel Insurance Company Award 2014" (for the 10th consecutive year) from Weekend Weekly Magazine.

Other members of the Group also received recognition during the first half of 2015. For example:

- Credit Gain Finance Company Limited ("**CGFC**") won the "Finance Service Award" in Capital Weekly's 2015 Service Awards (for the third consecutive year); and

- BEA Union Investment Management Limited was named "One of the Top Investment Houses in Asian Local Currency Bonds" in The Asset Benchmark Research.

BEA Union Investment Management Limited also received a number of awards in recognition of the performance of its funds. The BEA Union Investment Asian Bond and Currency Fund received the following awards:

- "2015 Gold Winner in Regional Bond" from Fund Selector Asia Hong Kong;

- "Best of the Best Performance Awards 2014 — Asian Bonds" from Asia Asset Management (for its 3-year performance);

- "Best Bond Fund, Asia Pacific — Local Currency" from Lipper Fund Awards Programme 2015 Hong Kong (for its 3-year performance); and

- "FSM Fund Picks 2015/16 — Asian Fixed Income" from Fundsupermart.com.

The BEA Union Investment Global Resources Fund was awarded "FSM Fund Picks 2015/16 — Global Resource Equity" from Fundsupermart.com.

The BEA China Tracker Fund under BEA (MPF) Master Trust Scheme was awarded "The 2015 MPF Awards — Best Hong Kong/China Equity Fund" from Asia Asset Management (for its 1-year performance).

During the first half of 2015, BEA also received a number of awards in recognition of its corporate social responsibility efforts.

STRATEGY

BEA's core objectives are to strengthen its position and to further develop its domestic franchise as the largest independent local bank in Hong Kong, and to further diversify its operations and expand its operations in Mainland China and other overseas countries. The Group will continue to maintain its growth strategy for its businesses and operations and, at the same time, keep up the process of enhancing its cost-to-income performance. Given the increasingly close economic connection among Mainland China, Hong Kong and the countries of Southeast Asia, the Group will continue to integrate its services across Hong Kong, Mainland China and international networks. The key components of the Group's strategy are below.

Expansion in Mainland China and Other Overseas Countries

The Group intends to continue to develop its business in Mainland China and other overseas markets. The Mainland China market remains an important focus for the Group. The Group intends to consolidate and strengthen its position in Mainland China through capitalising on opportunities arising from the liberalisation of the banking sector and the internationalisation of RMB. Through the establishment of a locally-incorporated bank, BEA (China), the Group is able to provide a comprehensive range of RMB and foreign currency banking products and services to customers in Mainland China. BEA (China) will continue to optimise the use of its assets and of its Mainland China - Hong Kong connection to deliver a wide range of tailored services for its clients, in particular to meet the demands of high net-worth and corporate clients in Mainland China seeking to expand their businesses in Hong Kong and overseas. As a key driver of growth, BEA (China) will further strengthen cross-border businesses between Mainland China, Hong Kong and overseas to capture opportunities arising from increasing business flows to and from the Mainland China. Leveraging from the Group's international banking experience and long history of presence in Mainland China, BEA (China) aims to position itself as a "Chinese foreign bank" — a foreign bank run by ethnic Chinese which understands the local culture and needs of its customers.

Given the size of the Mainland China market and the already extensive physical presence of the domestic banks, the Group does not intend to compete with the domestic banks directly by opening an extensive branch network. Instead, the Group will accelerate the development of mobile platforms, such as mobile banking, WeChat banking and pad banking, to extend its reach to customers. The Group currently focuses on lending to state-owned enterprises and large-scale enterprises, supply chain financing, trade finance, treasury products, cash management, and wealth management services and considers other major foreign banks and city commercial banks to be its main competitors.

BEA (China) piloted its supply chain financing programme in early 2013 and has extended it widely since 2014 to reach more customers. BEA (China) will continue to promote the scheme in 2015, focusing on quality customers in selected industries. In view of the internationalisation of RMB, the Group intends to further strengthen collaboration among its business units in Hong Kong, Mainland China and overseas. To capture opportunities arising from increasing business flows to and from Mainland China, BEA (China) provides integrated cross-border financial services for both trade and non-trade transactions, so as to meet clients' growing needs in overseas acquisition and business expansion. Furthermore, BEA (China) will increase participation in business arising from the three main national strategies (the "One Belt One Road", the "Collaborative Development of Beijing-Tianjin-Hebei" and the "Yangtze River Economic Belt") and the free-trade zones.

BEA (China) intends to optimise its branch network, improve its outlet productivity, carry out a cost-effective branch network expansion plan and readjust the layout of its sub-branches according to business needs. It will further strengthen cross-selling synergies between corporate and personal banking in Mainland China.

Diversification of non-interest income

The Group implements its strategy in Hong Kong by continuing to broaden its product range, upgrading product features and exploring new market opportunities. The Group's wealth management and private banking business will continue to be the focus of the Group's core business development in the near future. The Group will further develop and enhance its corporate services and share registration businesses through BEA's subsidiary, Tricor. The Group will also continue to develop the insurance business of Blue Cross and BEA Life, and intensify cross-selling opportunities to its existing customer base. In addition, the Group will drive and implement ongoing improvements on customer platforms, such as the Cyberbanking and BEA apps, to further enhance service quality and offer communication for new customers that are less readily accessible through traditional physical channels.

Enhancement of profitability via active asset and liability management

The Group intends to continue to optimise its asset mix through active asset and liability management and allocation in order to enhance its profitability and net worth.

Transformation of its branch network

Through repositioning and rationalising its branch network and re-distributing resources, the Group seeks to transform its Hong Kong branches into deposit taking centres and sales centres to provide banking products and services to its customers and in particular, to target high net worth customers. The Group will endeavour to enhance its appeal to capture affluent individuals. As at 31 October 2015, BEA's network covered 89 branches, 56 SupremeGold Centres and nine i-Financial Centres in Hong Kong, offering a comprehensive platform for the Group to provide priority services to high net worth customers. The Group also piloted its first "digital branch" in February 2014 to meet the needs of an increasingly tech-savvy consumer base. BEA will further enhance its "digital branch" model with the aim to do more with less, expanding the range of services it offers.

The Group intends to increase its investments in digital strategy to reduce the cost of banking operations, and continue to embrace technology in driving mobile transactions with payment and lifestyle features. The Group will also continue to implement a straight-through, paperless branch operation model to enhance efficiency and service delivery, and upgrade its branch services with new technologies and processes to achieve its goal of becoming the primary service provider for its clients.

Organic growth and partnerships

The Group maintains a close focus on creating value for customers and investors, providing high quality financial services and seeking investment opportunities that generate favourable returns. The Group aims to grow organically, by providing one-stop financial services to customers, and through partnerships, by establishing partnerships to generate new business across the Group. BEA will continue to capture new business opportunities and enhance service quality by tapping into the strengths and expertise of its shareholders and strategic partners. As at the date of this First Supplementary Offering Circular, the Group has not identified any specific targets for merger and acquisition.

Focus on enhancing operational efficiency

The Group aims to further enhance efficiency and market competitiveness. The Group will continue to maintain strict control over costs throughout the Group and maintain cost discipline while investing in areas that offer good growth potential. The Group will also continue to enforce and explore technological innovation to streamline the selling, servicing and operation processes. A selection of banking products will be sold with the transaction processed via a wide range of e-channels. The Group will focus on growth across its operations and implement strategies to optimise its asset and portfolio mix, as well as remaining vigilant in managing its risks and striving to enhance efficiency and productivity. In addition, the Group will allocate more resources to proactively manage its credit risk control and protect asset quality.

BUSINESS OVERVIEW

The Group's core businesses are the acceptance of deposits and home mortgage lending in Hong Kong. As at 31 December 2012, 2013 and 2014 and 30 June 2015, approximately 7.6%, 7.3%, 7.7% and 9.0%, respectively, of the Group's total advances to customers constituted advances to individuals for the purchase of residential property (including advances under GHOS, PSPS and TPS), and approximately 15.1%, 12.7%, 12.7% and 11.8%, respectively, comprised advances for property development and property investment in Hong Kong. As at 30 September 2015, BEA had over 1.5 million personal customers in Hong Kong. BEA's general banking services include the provision of chequing and deposit accounts, ATMs, telephone banking, internet banking, mobile banking, foreign exchange services and money remittance. Other operations offered by the Group include consumer finance, credit cards, insurance, investment services, Mandatory Provident Fund ("**MPF**") services, trade finance, project finance, loan syndication, stock broking and asset management services.

As at 31 October 2015, BEA had 89 branches, 56 SupremeGold Centres and nine i-Financial Centres in Hong Kong. BEA is a founding member of JETCO, which provided over 3,000 ATMs throughout Hong Kong, Macau and major cities in Mainland China as at 31 October 2015. BEA is also one of the founding members of EPSCO, which currently processes debit card transactions at more than 40,000 acceptance locations in Hong Kong, Macau and Shenzhen.

BEA introduced multi-function ATM terminals in February 2011 at strategic locations that allow customers to withdraw cash, deposit cash with instant credit to accounts and deposit cheques. In August 2011, BEA introduced chip-based ATM technology to enhance customer protection against ATM fraud. BEA was one of the first banks in Hong Kong to issue an ATM chip card and introduce chip-enabled ATM terminals.

As of 31 October 2015, BEA has 32 branches and 102 sub-branches in Mainland China, Taiwan and Macau. In addition, BEA has two subsidiaries, Shaanxi Fuping BEA Rural Bank Corporation in Mainland China and BEAWMS in Taiwan. As at 31 October 2015, headquartered in Shanghai, BEA (China) operated 29 branches and 98 sub-branches and plans to strategically expand its network in Mainland China.

BEA (China) provides comprehensive RMB and foreign currency banking services to all customers. Services include but are not limited to personal banking and wealth management, loans and advances, debit cards and credit cards, cyberbanking and cash management, private banking, investment and derivative products, agency services for life and general insurance, remittance and settlement, RMB cross-border business, trade finance facilities, supply chain financing, standby letters of credit and bank guarantees, distribution of local mutual funds, and third-party payment. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the assets of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 47.7%, 47.7%, 45.4% and 41.7% of the Group's total assets, respectively, and the profit before taxation of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 30.8%, 34.1%, 32.5%, 36.9% and 21.9% of the Group's consolidated profit before taxation for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group's operating income and profit before taxation by business segment were as follows:

	Operating income/(expense)				
	Year ended 31 December			Six months ended 30 June	
	2012 Restated(1)	2013 Restated(2)	2014	2014	2015
	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)
Hong Kong Region					
Personal Banking (3)	2,867	2,834	3,325	1,602	1,774
Corporate Banking (4)	1,940	3,055	2,837	1,451	1,542
Treasury Markets (5)	535	53	38	81	(333)
Wealth Management (6)	461	608	625	316	434
Financial Institutions (7)	190	115	179	101	43
Others (8)	684	789	899	428	569
China Operations (9)	5,740	6,976	7,417	3,793	3,165
Overseas Operations (10)	1,305	1,265	1,273	626	646
Corporate Services (11)	1,053	1,074	1,147	567	600
Others (12)	663	818	837	406	442
Inter-segment elimination	(329)	(334)	(345)	(169)	(183)
Total	15,109	17,253	18,232	9,202	8,699

	Profit/(Loss) before taxation				
	Year ended 31 December			Six months ended 30 June	
	2012 Restated(1)	2013 Restated(2)	2014	2014	2015
	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)
Hong Kong Region					
Personal Banking (3)	1,274	1,151	1,558	784	869
Corporate Banking (4)	1,686	2,797	2,589	1,361	1,438
Treasury Markets (5)	481	(80)	(41)	59	(335)
Wealth Management (6)	318	428	430	224	348
Financial Institutions (7)	177	101	166	94	37
Others (8)	211	245	259	133	224
China Operations (9)	2,155	2,773	2,514	1,540	791
Overseas Operations (10)	1,502	1,499	1,324	517	589
Corporate Services (11)	312	284	340	179	189
Others (12)	(551)	(712)	(715)	(409)	(92)
Inter-segment elimination	—	—	—	—	—
Total	7,565	8,486	8,424	4,482	4,058

Notes:

(1) The 2012 figures have been restated due to the modification of the internal fund transfer pricing methodology of the Issuer with a view to further enhancing the allocation process of interest income and expenses of Hong Kong banking operations.

(2) The 2013 figures of interest income and fee and commission income have been restated to better reflect the nature of income in respect of certain credit card products provided in Mainland China.

(3) Personal banking includes branch operations, personal internet banking, consumer finance, property loans and credit card business in Hong Kong.

(4) Corporate banking includes corporate lending and loan syndication, asset based lending, commercial lending and securities lending in Hong Kong.

(5) Treasury markets includes treasury operations and securities dealing in Hong Kong.

(6) Wealth management includes private banking business and related assets in Hong Kong.

(7) Financial institutions includes trade financing activities with correspondent banks in Hong Kong.

(8) Other Hong Kong banking operations include insurance business, trust business, securities & futures broking, money lender activities and corporate financial advisory in Hong Kong.

(9) China operations include the back office unit for China operations in Hong Kong, all branches, subsidiaries and associates operated in China, except those subsidiaries carrying out corporate services, data processing and other back office operations in China.

(10) Overseas operations include the back office unit for overseas banking operations in Hong Kong, all branches, subsidiaries and associates operated in overseas, except those subsidiaries carrying out corporate services in overseas.

(11) Corporate services include company secretarial services, share registration and business services, and offshore corporate and trust services.

(12) Other businesses include property related business, supporting units of Hong Kong operations, investment properties, bank premises, the net results of other subsidiaries in Hong Kong except for those subsidiaries which are included in other Hong Kong banking operations.

For the six months ended 30 June 2015, the Group achieved a profit attributable to owners of the parent of HK$3,354 million, representing a decrease of HK$226 million or approximately 6.3%, compared to the HK$3,580 million earned for the six months ended 30 June 2014. For the six months ended 30 June 2015, the Group's net interest income amounted to HK$6,186 million, representing a decrease of HK$62 million or approximately 1.0%, compared to the HK$6,248 million reported for the six months ended 30 June 2014. The Group's impairment losses for the six months ended 30 June 2015 amounted to HK$782 million, representing an increase of HK$466 million or approximately 147.5%, compared to the HK$316 million reported for the six months ended 30 June 2014. The Group's operating profit after impairment losses for the six months ended 30 June 2015 was HK$3,297 million, representing a decrease of HK$696 million or approximately 17.4%, compared to the HK$3,993 million reported for the six months ended 30 June 2014.

For the year ended 31 December 2014, the Group achieved a profit attributable to owners of the parent of HK$6,661 million, representing an increase of HK$48 million or approximately 0.7%, compared to the HK$6,613 million earned for the year ended 31 December 2013. For the year ended 31 December 2014, the Group's net interest income amounted to HK$12,653 million, representing an increase of HK$391 million or approximately 3.2%, compared to the HK$12,262 million reported for the year ended 31 December 2013. The Group's impairment losses for the year ended 31 December 2014 amounted to HK$1,001 million, representing an increase of HK$474 million or approximately 89.9%, compared to the HK$527 million reported for the year ended 31 December 2013. The Group's operating profit after impairment losses for the year ended 31 December 2014 was HK$7,382 million, representing an increase of HK$239 million or approximately 3.3%, compared to the HK$7,143 million reported for the year ended 31 December 2013.

For the year ended 31 December 2013, the Group achieved a record high profit attributable to owners of the parent of HK$6,613 million, representing an increase of HK$557 million or approximately 9.2%, compared to the HK$6,056 million earned for the year ended 31 December 2012. For the year ended 31 December 2013, the Group's net interest income amounted to HK$12,262 million, representing an increase of HK$2,538 million or approximately 26.1%, compared to the HK$9,724 million reported for the year ended 31 December 2012. The Group's impairment losses for the year ended 31 December 2013 amounted to HK$527 million, representing an increase of HK$262 million or approximately 98.9%, compared to the HK$265 million reported for the year ended 31 December 2012. The Group's operating profit after impairment losses for the year ended 31 December 2013 was HK$7,143 million, representing an increase of HK$1,024 million or approximately 16.7%, compared to the HK$6,119 million reported for the year ended 31 December 2012.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group's operating income and profit before taxation by geographical location were as follows:

	Operating income				
	Year ended 31 December			Six months ended 30 June	
	2012 Restated	2013	2014	2014	2015
	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)
Hong Kong	7,856	8,719	9,081	4,574	4,629
PRC[(1)]	5,920	7,150	7,716	3,926	3,346
Other Asian Countries	907	1,019	1,052	512	533
Others	798	760	795	390	411
Inter-segment elimination	(372)	(395)	(412)	(200)	(220)
Total	15,109	17,253	18,232	9,202	8,699

	Profit/(Loss) before taxation				
	Year ended 31 December			Six months ended 30 June	
	2012 Restated	2013	2014	2014	2015
	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)
Hong Kong	3,661	3,898	4,130	2,205	2,459
PRC[(1)]	2,328	2,892	2,735	1,654	889
Other Asian Countries	852	929	847	353	433
Others	724	767	712	270	277
Inter-segment elimination	—	—	—	—	—
Total	7,565	8,486	8,424	4,482	4,058

Note:

(1) This includes Mainland China, Taiwan and Macau but excludes Hong Kong.

HONG KONG

Home Mortgages

As at 31 December 2012, 2013 and 2014 and 30 June 2015, home mortgages (including advances under GHOS, PSPS and TPS) in Hong Kong represented one of the most significant segments of the Group's total advances to customers, accounting for HK$26,508 million, HK$29,633 million, HK$34,110 million and HK$40,912 million, respectively, or approximately 7.6%, 7.3%, 7.7% and 9.0%, respectively, of the Group's total advances to customers. As at 31 December 2012, 2013 and 2014 and 30 June 2015, advances under GHOS, PSPS and TPS accounted for HK$1,171 million, HK$1,096 million, HK$1,058 million and HK$1,067 million, respectively, or approximately 0.3%, 0.3%, 0.2% and 0.2%, respectively, of the Group's total advances to customers.

The majority of home mortgages are extended to buyers of housing units in Hong Kong who intend to occupy the premises, which include advances guaranteed by the Hong Kong Government under GHOS, PSPS and TPS to assist lower income families in purchasing homes. Other home mortgages are extended to individuals purchasing residential units for investment purposes.

The Group intends to continue maintaining its market share in the mortgage business by diversifying and customising the mortgage loans offered to its customers and providing tailor-made services to its existing and potential customers. To increase its market share, the Group acquired a book of mortgage loans of PrimeCredit Limited in May 2015.

All home mortgage advances are secured by a first legal charge on the property and, in certain circumstances, the Group may also require personal guarantees as additional security. The Group provides various different mortgage plans, including floating Prime-based rate and floating HIBOR-based rate mortgage plans which are repayable by instalments. As at 30 June 2015, the average original advance maturity was approximately 23 years for home mortgages (excluding advances under GHOS, PSPS and TPS), and the average size of a home mortgage advance (excluding advances under GHOS, PSPS and TPS) at origination was approximately HK$2.4 million. For a discussion of the Group's loan-to-value lending limits applicable to home mortgage advances, see "*Selected Statistical and Other Information — Risk Management and Credit Policies*". For a discussion of the Group's lending rates applicable to home mortgage advances, see "*Selected Statistical and Other Information — Advance Portfolio — Advance Analysis*". The Group maintains close relationships with most property developers in Hong Kong, which has enabled the Group to source a significant amount of home mortgage and commercial mortgage advance business.

Trade Finance and Commercial Mortgages

Commercial mortgages comprise advances to individuals and small-to-medium-sized enterprises ("**SMEs**") to purchase retail shops, office space, factories and residential properties, whereas trade finance comprises loans to companies to accommodate their working capital requirements through overdraft facilities, short-term advances, trust receipts, invoice financing loans, corporate tax loans, export credit, packing loans and factoring facilities. The Group also provides treasury products and other trade finance related services to its customers, including advice on export documentary credits to be received by the customer, shipping guarantees, issuance of all types of documentary credits, negotiation of bills under documentary credits and collection of bills.

All commercial mortgage advances are secured by a first legal charge over the property and, in some circumstances, by additional collateral such as time deposits, listed securities and other financial instruments that the Group deems acceptable. As at 30 June 2015, the average advance maturity was approximately 15 years for commercial mortgages. For a discussion of commercial mortgage advances, see "*Selected Statistical and Other Information — Advance Portfolio — Advance Analysis*".

The customers of the Group's trade finance services range from manufacturing companies to large trading companies and multinational corporations. The Group intends to continue to increase income contribution and market share from trade finance by providing its customers with more market-oriented products through its business managers. The trade finance sector in Hong Kong is well developed and, consequently, the Group is seeking to capitalise on its network in Mainland China to market its trade finance services to the increasing number of customers with operations in Mainland China. In 2013, the Group created a dedicated department to focus on the development of cross-border business, and on the regions and industries with the greatest potential nationwide. This further enhanced collaboration with BEA (China) and helped drive growth in the Group's trade bills portfolio. As a result of these efforts, and underpinned by rising external trade and the cost benefit of financing in Hong Kong, BEA believes that the Group is in a position to take advantage of the demand from Chinese corporations.

Trade finance advances are made on either a fully or partially secured basis by way of a mortgage of property or cash collateral or on an unsecured basis. Factoring facilities are offered to exporters to provide financing through purchase of receivables as well as offering credit protection and receivables collection services. The receivables managed under factoring are assigned to the Group, and credit protection is supported by back-to-back credit insurance issued by accredited insurance agencies or covered by inter-factoring arrangements. The Group has guidelines in place for assessing mortgage credit, based on asset criteria (including, in the case of individual customers, price, appraised value of the property, location, current market conditions and liquidity of the property) and customer criteria (including, in the case of individual customers, occupation, age, income and debt servicing ability). Trade finance advances typically have a relatively short maturity. For example, advances used to finance imports often have a maturity of only 90 to 120 days.

As at 30 June 2015, trade finance and commercial mortgage advances amounted to HK$27,015 million, representing an increase of approximately 4.4% as compared to the HK$25,886 million reported as at 31 December 2014, and accounted for approximately 6.0% of the Group's total advances to customers as at 30 June 2015. As at 31 December 2014, trade finance and commercial mortgage advances amounted to HK$25,886 million, representing an increase of approximately 3.1% as compared to the HK$25,098 million reported as at 31 December 2013, and accounted for approximately 5.8% of the Group's total advances to customers as at 31 December 2014. As at 31 December 2013, trade finance and commercial mortgage advances amounted to HK$25,098 million, representing an increase of approximately 12.4% as compared to the HK$22,321 million reported as at 31 December 2012, and accounted for approximately 6.2% of the Group's total advances to customers as at 31 December 2013.

Consumer Finance

Consumer advances include unsecured advances to individuals for purposes such as education, tax payments, travel and home improvement and decoration, and also include overdrafts. In addition, the Group also offers its consumers application facilities for personal advances through its Cyberbanking and ATM services.

The Group offers a series of lending programmes with varied product features including a personalised interest rate based on the relevant customer's credit standing and tax advance packages.

In 2015, the Group launched a number of consumer loan packages with competitive offers in order to broaden its customer base and expand its market share in the consumer lending business. In July 2015, the Group launched the second "Loan Express" at Tsuen Wan Fou Wah Centre, which offers instant approval and drawdown in 30 minutes.

In 2015, the Group strategically grew its high-yield products and acquired new customers in its consumer loan business. As at 30 June 2015, total outstanding consumer advances amounted to HK$3,096 million, representing an increase of approximately 8.7% as compared to the HK$2,848 million reported as at 31 December 2014, which accounted for approximately 0.68% of the Group's total advances to customers as at 30 June 2015. As at 31 December 2014, total outstanding consumer advances amounted to HK$2,848 million, representing a decrease of approximately 28.2% as compared to the HK$3,965 million reported as at 31 December 2013, which accounted for approximately 0.6% of the Group's total advances to customers as at 31 December 2014. As at 31 December 2013, total outstanding consumer advances amounted to HK$3,965 million, representing an increase of approximately 25.7% as compared to the HK$3,154 million reported as at 31 December 2012, which accounted for approximately 1.0% of the Group's total advances to customers as at 31 December 2013.

CGFC is a wholly-owned subsidiary of BEA which has engaged in the Hong Kong sub-prime loan business since late 2006. As at 30 September 2015, CGFC operated through 19 branches across Hong Kong. In addition to unsecured loans, CGFC also offers various secured loan products to diversify its asset portfolio. CGFC intends to capitalise on the potential of the Mainland China market by establishing a presence in major cities nationwide. It opened two outlets in Shenzhen in 2013 and established a subsidiary, Chongqing Dongrong Business Consultancy Company Limited, in Chongqing in 2014. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the total portfolio balance of CGFC was HK$498 million, HK$599 million, HK$677 million and HK$692 million, respectively, representing approximately 0.1%, 0.1%, 0.2% and 0.2%, respectively, of the total advances to customers of the Group.

CGFC was awarded "Prime Awards for Banking and Finance Corporations 2014 — The Best Brand in Loans" by MetroBox Magazine and "Capital Weekly Service Awards 2014 — Finance Service" by Capital Weekly Magazine in 2014.

Credit Cards

As at 30 June 2015, credit card advances amounted to HK$4,390 million, which accounted for approximately 1.0% of the Group's total advances to customers and represented a decrease of approximately 13.6% as compared to the HK$5,079 million reported as at 31 December 2014. As at 31 December 2014, credit card advances amounted to HK$5,079 million, which accounted for approximately 1.1% of the Group's total advances to customers and represented an increase of approximately 22.8% as compared to the HK$4,137 million reported as at 31 December 2013. As at 31 December 2013, credit card advances amounted to HK$4,137 million, which accounted for approximately 1.0% of the Group's total advances to customers and represented an increase of approximately 8.8% as compared to the HK$3,802 million reported as at 31 December 2012.

The Group launched various promotional activities in recent years, with a focus on dining and entertainment in order to build habitual card usage, and has also participated in offering promotional deals with renowned dining groups, restaurants and retail shopping merchants. The best in market entertainment platform, including concert priority booking promotions and exclusive discounts for movie tickets at popular cinema chains as well as karaoke discounts, has proved to be appealing to the Group's customers. Different spending programmes with tailor made incentives were also offered to boost up the spending level.

In addition, to reward loyalty cardholders, a "BE A VIP" Disneyland Halloween buyout event in partnership with Visa was organised in September 2013. Over 13,000 BEA's guests were among the first to experience Disney's Haunted Halloween and the Park was open exclusively for BEA's guests. BEA also invited over 200 representatives from the Children's Cancer Foundation, Ebenezer School, Hong Kong Society for the Protection of Children, and New Life Psychiatric Rehabilitation Association to join the fun-filled outing.

The Group intends to continue to develop the credit card business and expects profits to increase as more customers increase their spending using BEA's credit cards.

Insurance Products and Services

Blue Cross, acquired by BEA in December 1999, is a wholly-owned subsidiary of BEA and a part of BEA's bancassurance services. With over 40 years of operational experience in the insurance industry, Blue Cross provides a comprehensive range of non-life products and services, including medical, travel, and general insurance, to cater for the needs of both individual and corporate customers. BEA believes that Blue Cross is one of the market leaders in the medical and travel insurance industry.

To enhance the customer experience and convenience, a wide range of personal general insurance products (relating to travel, household, domestic helpers, decoration and personal accident) are available for direct purchase through Blue Cross' and BEA's insurance websites.

Blue Cross has received a number of awards in recognition of its contributions in the spheres of insurance provision and customer service. In 2015, Blue Cross was assigned a financial strength rating of A (Excellent) and an issuer credit rating of "a" by A.M. Best Company, a global full-service credit rating firm specialising in the financial services industry.

BEA Life commenced business in January 2008. BEA Life is a wholly-owned subsidiary of BEA and serves as BEA's life insurance arm. It underwrites and distributes a full range of life insurance products and services including whole life, endowment, annuity, term plans, and investment-linked products. In addition, RMB-denominated short-term savings products have been launched to tie in with general public's anticipation of Renmimbi's appreciation in the long run. BEA Life also offers critical illness and medical savings plans with various benefits features to meet the diverse needs of its customers.

Blue Cross and BEA Life distribute their products through BEA's 89 branches, 56 SupremeGold Centres and nine i-Financial Centres, insurance agents, brokers, allied partners, and the BEA and Blue Cross websites.

The total premium income of Blue Cross and BEA Life for the period ended 30 June 2015 was HK$2,168 million, approximately a 16% increase as compared to the HK$1,861 million reported for the period ended 30 June 2014. The non-life insurance premium income of Blue Cross for the period ended 30 June 2015 was HK$780 million, approximately a 10% increase as compared to the HK$708 million reported for the period ended 30 June 2014.

The total premium income of Blue Cross and BEA Life for the year ended 31 December 2014 was HK$2,747 million, approximately an 11% increase as compared to the HK$2,481 million reported for the year ended 31 December 2013. The non-life insurance premium income of Blue Cross for the year ended 31 December 2014 was HK$1,130 million, approximately a 7% increase as compared to the HK$1,060 million reported for the year ended 31 December 2013.

The total premium income of Blue Cross and BEA Life for the year ended 31 December 2013 was HK$2,481 million, approximately a 4% increase as compared to the HK$2,387 million reported for the year ended 31 December 2012. The non-life insurance premium income of Blue Cross for the year ended 31 December 2013 was HK$1,060 million, approximately a 11% increase as compared to the HK$955 million reported for the year ended 31 December 2012.

The life insurance premium income of BEA Life for the period ended 30 June 2015 as calculated by the New Business Index, an index defined as the total amount of all regular premium plus 10% of single premiums (life insurance policies which require one lump sum payment), was HK$741 million, representing approximately a 43% increase as compared to the HK$519 million reported for the period ended 30 June 2014.

The life insurance premium income of BEA Life for the year ended 31 December 2014 as calculated by the New Business Index was HK$713 million, representing approximately an 18% increase as compared to the HK$605 million reported for the year ended 31 December 2013.

The life insurance premium income of BEA Life for the year ended 31 December 2013 as calculated by the New Business Index was HK$605 million, representing approximately an 14% increase as compared to the HK$532 million reported for the year ended 31 December 2012.

MPF Services and Other Trustee Services

In October 1999, Bank of East Asia (Trustees) Limited ("**BEAT**"), a wholly-owned subsidiary of BEA, was granted the status of an approved trustee under the MPF Schemes Ordinance. Through this subsidiary, the Group offers a full-range of MPF services, including trustee, scheme administration, investment management and custody services, to employers, employees and the self-employed persons. BEAT is one of two approved trustees under the MPF Schemes Ordinance licensed to offer both the Master Trust Schemes and the Industry Scheme in Hong Kong.

BEAT has committed to offer its scheme members a wide range of investment choices. As at 30 September 2015, BEA (MPF) Master Trust Scheme offered 16 constituent funds for investment including BEA (MPF) Growth Fund, BEA (MPF) Balanced Fund, BEA (MPF) Stable Fund, BEA (MPF) Global Equity Fund, BEA (MPF) European Equity Fund, BEA (MPF) North American Equity Fund, BEA (MPF) Asian Equity Fund, BEA (MPF) Greater China Equity Fund, BEA (MPF) Hong Kong Equity Fund, BEA (MPF) Japan Equity Fund, BEA China Tracker Fund, BEA Hong Kong

Tracker Fund, BEA (MPF) Global Bond Fund, BEA (MPF) RMB & HKD Money Market Fund, BEA (MPF) Long Term Guaranteed Fund and BEA (MPF) Conservative Fund. As at 30 September 2015, BEA (MPF) Value Scheme consisted of 10 constituent funds including BEA Growth Fund, BEA Balanced Fund, BEA Stable Fund, BEA Global Equity Fund, BEA Asian Equity Fund, BEA Greater China Equity Fund, BEA Greater China Tracker Fund, BEA Hong Kong Tracker Fund, BEA Global Bond Fund and BEA MPF Conservative Fund. As at 30 September 2015, BEA (MPF) Industry Scheme consisted of 10 constituent funds including BEA (Industry Scheme) Growth Fund, BEA (Industry Scheme) Balanced Fund, BEA (Industry Scheme) Stable Fund, BEA (Industry Scheme) Asian Equity Fund, BEA (Industry Scheme) Greater China Equity Fund, BEA (Industry Scheme) Hong Kong Equity Fund, BEA China Tracker Fund, BEA Hong Kong Tracker Fund, BEA (Industry Scheme) RMB & HKD Money Market Fund and BEA (Industry Scheme) MPF Conservative Fund.

All constituent funds under the BEA (MPF) Master Trust Scheme and BEA (MPF) Industry Scheme (except RMB & HKD Money Market Fund, China Tracker Fund, Hong Kong Tracker Fund, BEA (MPF) Long Term Guaranteed Fund and Conservative Fund) invest in two or more approved pooled investment funds based on the "fund-of funds" approach. This investment strategy seeks to diversify risks and aims at enabling BEAT to obtain competitive investment returns for its MPF customers by taking advantage of the strengths of different fund houses. To satisfy the different needs of the Group's customers, a new Master Trust Scheme, BEA (MPF) Value Scheme, was launched on 25 October 2012. The investment strategy under this scheme involves a single investment manager approach which is different from our BEA (MPF) Master Trust Scheme which has a multi-investment managers approach. Most constituent funds are solely investing in approved pool investment fund(s) managed by our Investment Manager, BEA Union Investment Management Limited.

Since their launch, the Group's Master Trust Schemes and Industry Scheme have recorded stable growth in both membership and assets. Offering a wide range of products and providing some of the strongest investment returns in the market, the Group has built a reputation as one of Hong Kong's premier MPF providers.

In addition to MPF services, BEAT also offers a complete range of trustee services to both individual and corporate clients. BEAT acts as executor and trustee of wills, an administrator of estates, attorney administrator for overseas estates having assets in Hong Kong and as escrow agent for commercial transactions. BEAT also acts as trustee for family or other trusts and settlement, investment funds, unit trusts, charities, public funds and capital market issues. For the six months ended 30 June 2015, BEAT's revenue from its private trust business was HK$9.74 million, representing a decrease of approximately 9.14% compared to the HK$10.72 million reported for the six months ended 30 June 2014. For the year ended 31 December 2014, BEAT's revenue from its private trust business was HK$22.09 million, representing an increase of approximately 26.01% compared to the HK$17.53 million reported for the year ended 31 December 2013. For the year ended 31 December 2013, BEAT's revenue from its private trust business was HK$17.53 million, representing an increase of approximately 17.18% compared to the HK$14.96 million reported for the year ended 31 December 2012.

Internet Banking Services

Internet banking services provided by the Group include BEA's Cyberbanking and Cybertrading services.

Cyberbanking

Launched in September 1999, BEA's Cyberbanking allows customers to manage up to 12 separate bank accounts by accessing a single account on the internet, over fixed-line telephones and mobile phones. BEA's Cyberbanking offers a variety of banking functions, including balance enquiry, estatement & eadvice, rate enquiry, change of address, funds transfer, remittance, placement and renewal of time deposit, bill payment, credit card transactions and redemption of bonus points for gifts, an online application for mortgages and free property valuation services, stock and gold trading, foreign exchange margin and option margin trading, unit trust subscription and redemption, linked deposits, electronic initial public offering and other investment products, purchase of TravelSafe insurance and MPF account enquiry and deposit. In order to provide more flexibility for scheme members to manage their MPF accounts effectively, the Group launched a new service, Cyberbanking (MPF), in February 2008. Cyberbanking (MPF) enables scheme members to access their BEA MPF accounts via the internet to review their account balance, deposit and withdrawal history and current investments and obtain fund information. In 2013, the Group started offering electronic bill presentment and payment service to its Cyberbanking customers.

In 2015, BEA's Cyberbanking allows customers to withdraw cash via BEA ATM network without ATM Card namely "Cardless ATM Withdrawal". The Group is the first bank in Hong Kong to provide this kind of new function. In addition, BEA's Cyberbanking provides a highly secure and innovative person-to-person payment service "i-P2P" to customers. BEA customer could make instant money transfers, e.g. share expenses on dining and other purchases to friends who are BEA customers or even non-BEA users. Customers simply need to use a phone number, with no need to collect any personal bank account information from the recipient.

Mobile Application

To extend its reach into mobile banking market, the Group rolled out a number of innovative products and services, including applications for iPhone and Android users in August and November 2010 respectively. In addition to providing customers with convenient access to banking and financial services, the application offers useful features such as a BEA branch and ATM locator, stock trading, "one-touch" service hotlines and information on the latest BEA credit card, consumer and property loan offers. BEA introduced additional features to its mobile application in 2013, including stock watch and fast trade, application for travel insurance, gold trading, property loan application, MPF account enquiry and latest fund price enquiry.

In 2015, a next generation version of its BEA App was further enhanced, combining a new online shopping platform "Shop Smart", an "i-P2P" function, and a range of other mobile banking features.

Corporate Cyberbanking

Launched in July 2001, Corporate Cyberbanking has been designed to help companies enhance their efficiency by centralising and streamlining their financial management. Through one highly secure, flexible, and easy to operate account, companies can effectively manage their cashflow, payroll, expenses, and much more via the internet. Subsequently, Corporate Cyberbanking launched mobile phone channel in January 2010 including account balance enquiry, today activity enquiry, account history enquiry and funds transfer to associated & pre-designated accounts. In 2013, an enhanced liquidity management service and an electronic bill presentment and payment service were launched.

As at 30 September 2015, the number of registered Cyberbanking users and Corporate Cyberbanking users were up approximately 13% and 6.4%, respectively, as compared with the respective number of users as at 30 September 2014.

Cybertrading

In June 1999, BEA's Cybertrading service was launched by BEA's wholly-owned subsidiary, East Asia Securities. It was the first internet-based brokerage service offered by a bank in Hong Kong. The service allows customers to trade securities via the internet, mobile phone and automated phone. In November 2000, East Asia Securities began to use its Broker Supplied System under AMS/3, which allowed its dealing operations to run under a fully automated straight-through processing environment. In 2010, East Asia Securities launched various promotional campaigns for its securities trading services, intended to gain new securities clients and increase its volume of transactions in anticipation of a potential recovery of the financial markets. As at 30 June 2015, more than 61% of East Asia Securities clients had subscribed to Cybertrading.

Futures Cybertrading Services was launched by BEA's wholly-owned subsidiary, East Asia Futures Limited ("**East Asia Futures**") in August 2004. The Futures Cybertrading Services provides clients with access to the futures market, which in turn allows them to leverage their investment exposure, take advantage of price volatility in the market and hedge against existing positions, as well as exploit spread trading or arbitrage opportunities.

East Asia Futures recorded an approximately 23.07% increase in net fees and commission income for the six months ended 30 June 2015 as compared with the corresponding period in 2014. Its net fees and commission income declined by approximately 26.68% for the year ended 31 December 2014 as compared with the corresponding period in 2013 and was up approximately 33.52% for the year ended 31 December 2013 as compared with the corresponding period in 2012. As at 30 September 2015, approximately 74.13% of East Asia Futures' total number of transactions were traded via the Cybertrading platform; whereas for East Asia Securities, the volume of transactions executed via the Cybertrading platform, expressed as a percentage of total turnover, reached 70%, 73%, 73%, 74% and 80% of the number of trades, respectively, and 48%, 47%, 45%, 46% and 49% of the gross transaction value, respectively, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015. BEA believes that the sustainable high volume of online trading recorded by East Asia Securities and East Asia Futures suggests that online trading is becoming increasingly popular with retail investors.

Bilateral Advances and Syndicated Advances

The Group's corporate lending activities include meeting general corporate funding requirements, financing and refinancing of property development, property investment and M&A as well as infrastructure projects. The majority of borrowers are medium to large-sized Hong Kong companies and Mainland China state-owned and private enterprises in Hong Kong, which typically use the funds for general working capital, projects and investments in Hong Kong and Mainland China.

The Group acts as arranger and participant in the Hong Kong syndicated lending market. The majority of the Group's syndicated advances are to local companies engaging in property development or investment in completed developments, large local conglomerates and large private or state-owned enterprises in Mainland China. The Group also acts as a co-arranger in club deal facilities which generally command better pricing than traditional syndicated loans.

Since the commencement of 2015, the Hong Kong corporate loan market has remained stable on the back of the greater funding requirement of property developers to finance their land acquisition during land tenders which are held more frequently. Given the increasing competition among banks in Hong Kong with abundant liquidity, the Group's overall margins for corporate loans remains under pressure, which dilutes the benefit from the reduced funding costs. In addition, due to the monetary easing policy of PBOC, there is a rising trend for Mainland China enterprises to adjust their borrowing profiles towards more onshore borrowings in Mainland China. In response to the slowdown of the Chinese economy, banks have also focused on striking a balance between credit quality and loan growth.

The majority of the project financing in which the Group participates is extended on a recourse basis and is secured by the underlying project. Typically, the average maturity of BEA's corporate advances is between one and five years. Loan-to-value ratios for project financings are determined on a case-by-case basis. For construction projects, the maximum loan-to-value ratio is 60% of the total estimated completion value of the project. For most property financing, the advance is secured by a first legal charge over the underlying property and a charge over all receivables derived from the property. The Group has been targeting medium-sized borrowers as the margins on advances to these borrowers are generally more attractive than margins on unsecured syndicated advances to large property developers.

As at 30 June 2015, bilateral advances and syndicated advances outstanding totalled HK$69,019 million, representing approximately a 1.7% decrease compared to the HK$70,199 million reported as at 31 December 2014, and accounted for approximately 15.2% of the Group's total advances to customers as at 30 June 2015. As at 31 December 2014, bilateral advances and syndicated advances outstanding totalled HK$70,199 million, representing approximately an 8.1% increase compared to the HK$64,945 million reported as at 31 December 2013, and accounted for approximately 15.8% of the Group's total advances to customers as at 31 December 2014.

Wealth Management

BEA's Wealth Management Division comprises Private Banking Department, Investment Products and Advisory Department and Trusts and Fiduciary Services Department. By offering a wide range of products and services, the Wealth Management Division caters to clients who are searching for asset allocation, wealth preservation, enhanced returns, better risk diversification and other tailor made investment solutions.

Services and products offered by the Wealth Management Division include investment services, structured and treasury products, mutual funds, medical and life insurance including premium financing, succession and estate planning services, services relating to the various immigration schemes of Hong Kong and other countries, asset custodian services, trusts and general banking services such as time deposits and loans. The division provides private banking services to the high net worth segment, and is also responsible for providing investment products support to the Personal Banking Division and also BEA (China)'s personal banking customers through the Investment Products and Advisory Department. The division is also responsible for BEA's private trust business so that customers can have all the wealth generation and protection needs serviced on the same platform.

BEA's private banking service ("**BEA Private Banking**") has now been in operation for approximately ten years and has achieved a critical mass in terms of clients and business acquisition, and it continues to expand its client base. BEA Private Banking places particular emphasis in the Greater China region, capitalising on its major network established in Mainland China. BEA believes that Hong Kong continues to be most important bridge as well as being the investment destination of choice for wealthy Mainland Chinese. As at 30 September 2015, Mainland Chinese customers accounted for 38% of BEA's private banking client base, and BEA expects that such proportion will continue to increase given Mainland China's gradual economic opening and the on-going internationalisation of Renminbi. The Group will continue to explore new avenues to leverage its extensive network in Mainland China to drive business, and add value to customers of the Group.

As at 30 September 2015, the assets under management of BEA Private Banking amounted to HK$58.3 billion. The net profit of the department for the years ended 30 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 amounted to HK$256.4 million, HK$389.1 million, HK$400.6 million, HK$211.3 million and HK$315.4 million, respectively.

BEA Private Banking continues to focus on the diversification of investments. Customers' interest in recent years has shifted from heavy emphasis into equity structured products towards more transparent and simpler products such as vanilla bonds, outright stocks and simple structured products, as well as wealth protection instruments such as trusts and insurance.

Regulatory changes also changed BEA Private Banking's landscape, with newer requirements in the investment selling process and risk monitoring measures, and due diligence for customers for the wealth management industry. Since 2009, the Group has enhanced its processes and procedures to follow the regulations and requirements that have been introduced. In 2015, the Group dedicated additional resources and taken various initiatives to digitalise and streamline work processes, with the aim of better risk control as well as enhancing customer experience.

BEA's Investment Products and Advisory Department continues to provide service in product provision and analysis to BEA's client-facing staff. BEA's Trust and Fiduciary Services Department enhances high net worth clients' family inheritance and planning to complete the wealth management and preservation objectives. Private Banking Department, Investment Products and Advisory Department and Trusts and Fiduciary Services Department together form the major platform to service high net worth customers for BEA.

Stock Broking and other Fee-based Activities

In addition to the range of traditional banking products and services offered by the Group to its customers, the Group also provides equity and futures stock broking. Stock broking activities and dealings in Hang Seng Index futures, options and other derivative products are conducted through BEA and its wholly-owned subsidiaries, East Asia Securities and East Asia Futures, on an agency basis for the execution of customers' orders.

The Group, through Tricor, provides business, corporate and investor services in the Asia Pacific region. These services include accounting, company formation, corporate compliance and company secretarial, executive search and selection, initial public offerings and share registration, payroll outsourcing and fund and trust administration.

Tricor is one of the key revenue contributors to the Group's fees and commission income. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, fees and commission income attributable to Tricor was approximately 25%, 22%, 23%, 22% and 23%, respectively, of the Group's total fees and commission income. During 2013, Tricor acquired a 30% interest in International Outsourcing Inc., a reputable, well established professional services firm in Korea, to further enhance the Group's servicing capabilities in Asia. Korea, one of the Four Asian Tigers (which includes Hong Kong, Singapore, South Korea and Taiwan), is a fast growing developed economy. With the addition of the Korean office, Tricor now operates a network covering 29 cities in 16 economies throughout Asia and other parts of the world.

MAINLAND CHINA AND OTHER ASIAN COUNTRIES

BEA first established its presence in Mainland China when it set up its Shanghai branch in 1920. In 1979, BEA established the first Sino-foreign joint venture in Mainland China and pioneered the provision of direct credit card settlement services in Mainland China. In 1988, it became the first foreign bank to provide foreign currency mortgages for foreign individuals (including residents of Hong Kong, Taiwan and Macau). In 1995, BEA was awarded the "Best Foreign Bank in China" by Euromoney magazine. In 2002, BEA was the first foreign bank authorised to conduct internet banking business in Mainland China and became one of the first foreign banks to obtain a licence to offer full foreign currency services at all its branches in Mainland China. In 2005, BEA was among the first batch of foreign banks that received approval to provide agency services for life insurance products in Mainland China. In 2006, BEA was one of the first foreign banks in China granted QDII status by CBRC and was the first foreign bank in Mainland China to obtain a foreign exchange quota to conduct QDII business.

In 2007, BEA was one of the first foreign banks to establish a locally-incorporated bank in Mainland China and to conduct RMB business with local residents.

In 2008, BEA (China) was the first foreign bank to launch RMB debit cards and RMB credit cards in Mainland China.

In 2009, BEA (China) was the first locally-incorporated foreign bank in Mainland China to issue RMB bonds to retail investors in Hong Kong and was granted the status of domestic settlement bank and domestic agent bank for cross-border RMB trade settlement services.

In March and November 2011, BEA (China) completed the issue of its first and second batches of RMB financial bonds with the issue sizes of RMB2 billion and RMB3 billion, respectively, in China's interbank bond market.

In May 2012, BEA (China) completed the issuance of RMB senior unsecured bonds in an aggregate principal amount of RMB1 billion in Hong Kong.

In June 2013, BEA (China) was among the first batch of foreign banks to be granted a local mutual fund distribution licence in Mainland China. In August 2013, BEA was approved as a RQFII by CSRC.

In February 2014, BEA (China)'s registered capital increased from RMB8 billion to RMB10 billion after BEA injected an additional capital of RMB2 billion into BEA (China). In addition, BEA (China) became the first foreign bank approved by PBOC as a reserve bank for payment institutions.

In April 2014, BEA (China) signed a Co-operation Agreement on Cross-border Electronic RMB Payment Business with Shanghai Shengpay e-payment Service Company Limited. With the signing of this agreement, BEA (China) became the first foreign bank to provide cross-border electronic RMB payment service in the Shanghai FTZ.

In June 2014, BEA (China) was one of the first foreign banks being approved by the regulators to be a member under China's Market Interest Rating Pricing Self-Discipline Mechanism. BEA (China) was granted a quota of RMB3 billion for 2014 for issuing interbank Negotiable Certificates of Deposit ("**NCDs**"), and in August 2014 BEA (China) successfully issued its first interbank NCDs in the amount of RMB500 million.

In April 2015, BEA (China) entered into a strategic co-operation agreement (the "**Strategic Agreement**") with WeBank Co., Ltd. ("**WeBank**"), a privately owned bank in Qianhai, Shenzhen. In accordance with the Strategic Agreement, BEA (China) and WeBank agreed to fully explore their respective competitive advantages for mutually beneficial business development. The business under co-operation includes but not limited to customer referrals, credit card business, micro and personal loans, wealth management business, interbank lending and internet finance business. See "*Recent Developments — Strategic Agreement with Webank*" for further information.

As at 31 October 2015, BEA's wholly-owned subsidiary, BEA (China), headquartered in Shanghai, operated 29 branches in Shanghai, Beijing, Tianjin, Harbin, Dalian, Shenyang, Qingdao, Shijiazhuang, Zhengzhou, Urumqi, Hangzhou, Nanjing, Suzhou, Chengdu, Chongqing, Wuhan, Hefei, Xi'an, Shenzhen, Guangzhou, Zhuhai, Xiamen, Changsha, Kunming, Ningbo Jinan, Wuxi, Fuzhou and Nanning as well as 98 sub-branches (including 16 cross-location sub-branches in Guandong province established under the liberalisation measures of Supplement VI to the CEPA). BEA (China) also operated three 24-hour self-service banking centres and more than 190 ATMs in major urban areas in Mainland China. In addition to the BEA (China) network, BEA operated a rural bank in Fuping County, Weinan City in Shaanxi province as at 31 October 2015. As at 31 October 2015, BEA operated two branches in Taiwan, located in Taipei and Kaohsiung, to provide corporate banking services. It also operated an offshore banking unit in Taipei, which provides a wide range of foreign currency services, including RMB financing and deposit, to offshore clients. In February 2013, the domestic banking units of BEA's Taiwan Branches launched RMB services to serve the RMB financing needs of domestic companies in Taiwan. The Group provides a wide range of wealth management services in Taiwan through BEAWMS, which include securities brokerage, wealth management, insurance brokerage, and securities investment consultancy services for high net worth clients. See "*Recent Developments — Disposal of Shares in Tung Shing Holdings Company Limited and Disposal of Shares in BEAWMS*" for further information.

In order to expand its presence in the Mainland China market, the Group has been expanding the range of products and services it provides in Mainland China and will seek to capitalise on the opportunities that it expects to arise following the liberalisation of the banking sector and from the CEPA between Hong Kong and Mainland China. BEA (China)'s strategy is to increase the growth of customer RMB deposits in order to maintain stability in its source of funds and to minimise costs associated with interbank lending. However, there are many factors affecting the growth of deposits such as economic and political conditions, the availability of alternative investment choices (including but not limited to securities issued by governmental or corporate entities, unit trusts and mutual funds, investment-linked assurance schemes and structured investment products) and retail customers' changing perceptions towards savings.

BEA (China) aims at optimising the allocation and utilisation of its resources to better develop its retail banking in areas with business potential by strategically repositioning some of the business outlets. Selected existing outlets provide both corporate and retail banking services, while the rest of the existing outlets and newly established outlets focus on corporate banking services supported by basic retail banking services. The Group will continue to expand its branch network strategically according to the business demand and the market environment in Mainland China.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the profit before taxation of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 30.8%, 34.1%, 32.5%, 36.9% and 21.9% of the Group's total profit before taxation, respectively, and the assets of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 47.7%, 47.7%, 45.4% and 41.7% of the Group's total assets as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

The main source of income for the Group's operations in Mainland China, Taiwan and Macau is interest income generated from loans business. As part of the Group's expansion plan, the Group aims to strengthen its marketing efforts in other business areas (including trade finance, personal banking, wealth management, treasury and cash management) to increase its fee income.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, BEA (China)'s RMB-denominated lending amounted to HK$115,176 million, HK$129,949 million, HK$134,351 million and HK$130,445 million, respectively, accounting for approximately 90.0%, 90.1%, 90.1% and 88.7% of the total customer advances of BEA (China), respectively. Borrowers comprise companies registered to do business in Mainland China and individual customers including local residents. BEA expects to further expand its RMB-denominated lending business as its existing customers continue to grow and demand for RMB advances remains strong.

INTERNATIONAL

The Group's international operations were commenced to meet the requirements of its core customers as their interests expanded overseas from Hong Kong. The Group seeks to establish a presence in cities with large concentrations of overseas Chinese. The following table sets out BEA's branches and representative offices outside Hong Kong, the PRC, Macau and Taiwan as at 30 September 2015.

Country	Location	Year Opened
Malaysia	Branch in Labuan; Representative Office in Kuala Lumpur	1997 and 1997
Singapore	Branch in Singapore	1952
United States	Branches in New York and Los Angeles	1984 and 1991
United Kingdom	Branches in London, Birmingham and Manchester	1990, 1997 and 2013

The Group's operations in the United States have performed well with steady growth in loans and profit, driven by the gradual economic recovery, low interest rates and strong appetite among domestic and foreign investors for commercial properties and high-end residential condominiums in gateway cities. The New York and Los Angeles branches of BEA will continue their focus on wholesale and corporate banking business, and expanding and diversifying the Group's loan portfolio by seeking high margin bilateral relationship, club and syndication deals in commercial real estate and other sectors.

Benefiting from sustained demand from foreign investors for prime real estate assets in the United Kingdom, the Group's operations in the United Kingdom have maintained healthy loan and profit growth. BEA's United Kingdom operations will continue to seek business expansion in construction financing, corporate syndication, and cross-border business from the PRC, as well as residential and commercial lending.

Singapore's economic growth decelerated in the first half of 2015. As the regional hub for syndicated loans, Singapore was impacted by sluggish demand from corporate borrowers in the Asia Pacific region. Notwithstanding, the Singapore Branch of BEA expands its exposures to top-tier ASEAN (the Association of Southeast Asian Nations) corporations through both the syndicated loan and corporate bond markets, and adopts a cautious stance towards its exposures in the SME segment. The Singapore Branch of BEA continues to leverage its presence in Southeast Asia and the Group's extensive network in the PRC to capture new business opportunities arising from the trade and investment flows between China and member states of ASEAN. It also improved its net interest margin through lowering costs and diversifying funding sources with issuances under the Branch's US$2 billion multi-currency Medium-Term Note Programme, which was established in the second half of 2014. However, market uncertainties weigh on the outlook for the rest of 2015.

In Malaysia, BEA's Labuan Branch and representative office in Kuala Lumpur continue to take an active role in cross-referrals of business with BEA (China), as well as AFFIN Bank Berhad, a subsidiary of AFFIN Holdings Berhad, in which BEA held a 23.52% interest as at 30 September 2015.

Group Structure

BEA is the holding company and the principal operating company of the Group. In addition, BEA has a number of significant subsidiaries and associated companies through which the Group conducts various operations such as stock-broking, asset management and certain fee-based activities.

For the six months ended and as at 30 June 2015, except for BEA (China), none of BEA's subsidiaries accounted for more than 10% of the consolidated net profit and loss of the Group or had a book value in excess of 10% of the Group's consolidated total assets.

As at 30 June 2015, the Group's principal subsidiaries were as follows:

Name of subsidiary of the Issuer	Place of incorporation and operation of the Group	Issued and paid-up capital	% held by		Nature of business
			The Issuer	The Group	
Ample Delight Limited	Hong Kong	HK$450,000,000		100%	Investment holding
Bank of East Asia (Trustees) Limited	Hong Kong	HK$150,000,000	100%		Trustee
BEA Blue Sky Real Estate Fund L.P.	Cayman Islands	N/A		50.50%	Acting as a limited partner to BEA/AGRE China Real Estate Fund, L.P.
BEA Life Limited	Hong Kong	HK$500,000,000	100%		Life insurance
Blue Care (JV) BVI Holdings Limited	BVI	HK$20,000,000		80%	Investment holding
Blue Cross (Asia-Pacific) Insurance Limited	Hong Kong	HK$625,000,000	100%		Insurance
BEA Union Investment Management Limited	Hong Kong	HK$374,580,000	51%		Asset management
BEA Wealth Management Services (Taiwan) Limited *(Note 2)*	Taiwan, Republic of China	NTD283,200,000		100%	Wealth management services
Central Town Limited	Hong Kong	HK$2	100%		Property investment
Century Able Limited	Hong Kong	HK$929,752,849		100%	Investment holding
Chongqing Liangjiang New Area Credit Gain Finance Company Limited	PRC	US$50,000,000	100%		Micro-finance loan
Chongqing Dongrong Business Consultancy Company Limited	PRC	HK$6,300,000		100%	Business consultancy services
Corona Light Limited	BVI	HK$929,752,849		100%	Investment holding
Credit Gain Finance Company Limited	Hong Kong	HK$390,000,000	100%		Money lenders
Crystal Gleaming Limited	BVI	HK$929,752,849	100%		Investment holding
Dean Street Property Limited	BVI	GBP1,900,000		100%	Property development
East Asia Electronic Data Processing (Guangzhou) Limited *(Note 1)*	PRC	US$3,000,000		100%	Servicing
East Asia Facility Management Limited	Hong Kong	HK$10,000		100%	Facility management
East Asia Futures Limited	Hong Kong	HK$25,000,000	100%		Futures and options trading
East Asia Holding Company, Inc.	US	US$5	100%		Bank holding company
East Asia Indonesian Holdings Limited	Seychelles	US$100,000		100%	Investment holding
East Asia International Trustees Limited	BVI	US$1,301,000		100%	Trustee services
East Asia Investments Holdings (BVI) Ltd.	BVI	HK$186,038,725	100%		Investment holding
East Asia Property Agency Company Limited	Hong Kong	HK$1,000,000	100%		Property agency
East Asia Property Holdings (Jersey) Limited	BVI	GBP9	100%		Property holding
East Asia Secretaries (BVI) Limited	BVI	HK$300,000,000		75.61%	Investment holding
East Asia Securities Company Limited	Hong Kong	HK$25,000,000	100%		Securities broking
East Asia Strategic Holdings Limited	BVI	US$50,000,000	100%		Investment holding
Innovate Holdings Limited	BVI	US$1 (Ordinary) US$500,000,000 (with a liquidation preference of US$1,000 per share)	100%		Special purpose vehicle company
Keen Sight Development Limited	BVI	US$29,490,000	100%		Investment holding
Powerhouse Worldwide Limited	BVI	US$29,490,000		100%	Investment holding
Shaanxi Fuping BEA Rural Bank Corporation *(Note 1)*	PRC	CNY20,000,000	100%		Banking and other financial businesses
Shenzhen Credit Gain Finance Company Limited *(Note 1)*	PRC	CNY300,000,000	100%		Micro-finance loan
Skyray Holdings Limited	BVI	HK$450,000,000	100%		Investment holding
Speedfull Limited	BVI	HK$450,000,000		100%	Investment holding
The Bank of East Asia (China) Limited *(Note 1)*	PRC	CNY10,160,000,000	100%		Banking and related financial services
Tricor Consultancy (Beijing) Limited *(Note 1)*	PRC	US$1,850,000		75.61%	Business consultancy in China

Name of subsidiary of the Issuer	Place of incorporation and operation of the Group	Issued and paid-up capital	% held by The Issuer	% held by The Group	Nature of business
Tricor Greater China Limited	Hong Kong	HK$1		75.61%	(1) Investor of Tricor Beijing Wholly Foreign Owned Enterprise and (2) Provision of supporting service
Tricor Holdings Limited	BVI	US$7,001		75.61%	Investment holding
Tricor Holdings Pte. Ltd.	Singapore	S$5,000,002		75.61%	Investment holding
Tricor Investor Services Limited	Hong Kong	HK$2		75.61%	Investor services
Tricor Japan Holdings GK	Japan	N/A		52.93%	Nominee holding company
Tricor Services Limited	Hong Kong	HK$2		75.61%	Business, corporate and investor services
Tricor Services (BVI) Limited	BVI	US$250,000		75.61%	Provision of registered agent and trustee services
Tricor Services (Malaysia) Sdn. Bhd.	Malaysia	RM5,672,484		68.05%	Investment holding
Tung Shing Holdings Company Limited *(Note 2)*	BVI	US$20,000,000	100%		Investment holding

Notes:

1. Represents a wholly foreign-owned enterprise registered under the PRC laws.
2. On 23 October 2015, BEA entered into agreements to dispose of all the issued shares in BEAWMS and Tung Shing Holdings Company Limited. See "*Recent Developments - Disposal of Shares in Tung Shing Holdings Company Limited and Disposal of Shares in BEAWMS*" for further information.
3. The above subsidiaries have no non-controlling interests material to the Group.
4. BVI denotes the British Virgin Islands.

ORGANISATION

The Board of Directors of BEA is responsible for the overall management of the Group. To assist the Board of Directors in managing the Group, a number of committees have been established, including the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee. The Executive Committee is responsible for reviewing all major functions and critical issues relating to the businesses and operations of the Group. The Audit Committee is responsible for reviewing corporate governance functions, financial controls, internal control and risk management systems, the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function, annual report and accounts, and half-year interim report. The Remuneration Committee is responsible for making recommendations to the Board of Directors regarding BEA's remuneration policy, and for the formulation and review of the remuneration packages of the Directors, Chief Executive, Senior Management and key personnel of the Group. The Nomination Committee is responsible for making recommendations to the Board of Directors on relevant matters relating to appointments, re-appointment, removal and succession planning of Directors, Chief Executive, Senior Management, Division Heads, Chief Compliance Officer and Group Chief Auditor of BEA, defining succession planning and diversity of the Board of Directors and performing evaluation of the Board performance and Directors' contribution to the effectiveness of the Board. The Risk Committee is responsible for dealing with risk management related issues, in particular strategic issues, of the Group, including risk appetite, risk management strategies, risk management framework, risk management policies and risk profiles.

In addition to the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee, BEA has a number of other committees which assist management in the operation of BEA. These include the Risk Management Committee, which is responsible for assisting the Risk Committee in the daily management of the risk-related issues of the

Group including risk appetites, risk profiles, regulatory updates and stress-testing; the Credit Committee, which is responsible for dealing with all credit risk related issues of the Group; the Asset and Liability Management Committee ("**ALCO**"), which is responsible for dealing with all issues related to market, interest rate, liquidity, strategic risks and capital management of the Group; the Operational Risk Management Committee, which is responsible for dealing with all issues relating to operational, legal and reputation risks of the Group; the Investment Committee, which is responsible for reviewing and formulating investment strategies as well as making investment decisions in respect of fixed income, equity and equity related investments for BEA and The Bank of East Asia, Limited Employees' Provident Fund; the Policy Committee, which is responsible for discussing and formulating various strategies and policies for managing businesses and operations of the Group; and the Crisis Management Committee, which is responsible for dealing with the Group's management of crisis scenarios which jeopardise or have the potential to jeopardise the Group in its reputation, liquidity/financial position and business continuity.

BEA has 15 divisions, each of which is responsible for a specific operational function. The divisions are the Personal Banking Division, the Corporate Banking Division, the Wealth Management Division, the Insurance & Retirement Benefits Division, the Treasury Markets Division, the China Division, the International Division, the Strategic Planning & Control Division, the Operations Support & Services Division, the Technology & Productivity Division, the Human Resources & Corporate Communications Division, the Risk Management Division and the Legal, Secretarial & Tax Division, Compliance Division and Internal Audit Division.

PROPERTIES

As at 30 September 2015, BEA owned properties with aggregate floor areas of approximately 405,205 square feet, 469,464 square feet and 37,678 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. Most of BEA's properties are used as banking offices, as branches or for storage, and the remainder are leased to third parties. In addition, as at 30 September 2015, BEA also leased properties with aggregate floor areas of approximately 56,506 square feet, 120,080 square feet and 70,193 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. These leased properties are used as banking offices, as branches or for storage. As at 30 June 2015, the fair value for the Group's investment properties and bank premises amounted to HK$4,885 million and HK$11,339 million, respectively.

INTELLECTUAL PROPERTY

The Group relies on domain name registrations to establish and protect its internet domain names. The Group has registered a number of internet domain names. The Group has also registered "The Bank of East Asia Limited cyber banking" as a trademark with the Hong Kong government.

INSURANCE

The Group currently maintains insurance cover to mitigate its risk. Such insurance can broadly be categorised into property insurance to cover the loss of or damage to building structure and content, electronic equipment and motor vehicles; public liability insurance to cover legal liability as a result of physical bodily injury and/or property damage caused to third parties; bankers' blanket bonds insurance to cover the loss resulting from fraudulent acts by employees, loss of money on premises and in transit and forgery of bank instruments; professional indemnity insurance to indemnify the Group for loss arising out of claims for wrongful or negligent professional acts; and directors' and officers' liability insurance to cover the personal liability of BEA's directors and officers against any claims resulting from any wrongful act. There is a centralised independent function within the Group that handles the validity and adequacy of insurance cover.

COMPETITION

The banking industry in Mainland China is highly competitive. The market has been dominated by the large state-owned commercial banks, which have a long operating history, well-established branch networks, strong customer bases and better brand recognition.

Although BEA is the largest independent local bank in Hong Kong in terms of assets, given increasing competition among the local banks in Hong Kong, the Group has placed greater focus on diversifying its revenue sources and increasing its fee-based income, particularly from its wealth management, private banking and retail investment businesses. In addition, the Group focuses on optimising its presence in Mainland China through BEA (China) by strategically establishing new branches and sub-branches in major cities in Mainland China. However, China's economic growth has slowed down, which adversely affected the loan growth and asset quality of BEA (China).

For a further discussion of the risks of competition faced by the Group in Hong Kong and China, see "*Investment Considerations — Considerations Relating to the Group — Competition*".

LITIGATION

Save as disclosed below, neither BEA nor any of its subsidiaries is currently involved in any material litigation, arbitration or similar proceedings, and BEA is not aware of any such proceedings pending or threatened against it or any of its subsidiaries, which are or might be material in the context of Capital Securities to be issued under the Programme.

Repurchase of Lehman Brothers Mini-Bonds subscribed or purchased through BEA

On 22 July 2009, on a without-liability basis, BEA entered into an agreement with the HKMA, the SFC and 15 other distributing banks pursuant to which BEA has made an offer to eligible persons to repurchase their holdings in the Mini-Bonds subscribed or purchased through BEA. BEA made an announcement on the same date setting out the details of the offer.

As at 30 September 2015, approximately 99.77% of the eligible persons have accepted the offer and the remaining 0.23% (i.e. two Mini-Bonds holders, with amounts due totaling HK$200,000) have rejected the offer. It is still uncertain at this stage whether the remaining two Mini-Bonds holders will make monetary or compensatory claims against BEA.

EMPLOYEES

As at 30 September 2015, the Group had a total of 13,443 employees as set forth in the following table:

	No. of employees
Hong Kong	5,896
Greater China excluding Hong Kong	6,242
Overseas	1,305
Total	**13,443**

Management believes that BEA maintains a good relationship with its employees and has not experienced any material employment disputes. Other than all local employees of BEA (China) and certain local employees at its Singapore branch, none of BEA's employees are members of a trade union. BEA provides attractive remuneration and benefits packages to its employees including medical health care plans, group life insurance, various paid leave, staff housing loan with preferential interest rate, staff account with preferential deposit interest rate and retirement benefits under either the MPF

Scheme or the MPF exempted ORSO Scheme. In addition, BEA operates share options schemes under which options to purchase ordinary shares of BEA have been granted to eligible employees and executive directors. As at 31 October 2015, approximately 26,271,500 shares, representing approximately 0.99% of BEA's issued capital on a fully diluted basis, were issuable upon the exercise of options (including vested and unvested options) granted under BEA's staff share option scheme adopted in 2011.

In addition to benefits packages, BEA continues to provide career advancement opportunities and a healthy, positive working environment to its employees. BEA offers a wide range of training courses to support its employees' ongoing professional development.

PROTECTION OF DEPOSITORS

BEA is a member of the Deposit Protection Scheme, which was launched in September 2006. Accordingly, all eligible depositors of BEA are automatically protected under the Deposit Protection Scheme. As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced in 2006 a Deposit Protection Scheme to provide a level of protection to depositors with deposits held with authorised institutions in Hong Kong. An enhanced Deposit Protection Scheme with an increased protection limit of HK$500,000 and expanded coverage including deposits pledged as security for banking services, came into effect on 1 January 2011.

RECENT DEVELOPMENTS

INCREASE IN THE NON-PERFORMING LOAN RATIO OF THE GROUP'S ADVANCES IN MAINLAND CHINA

The non-performing loan ratio of the Group's advances in Mainland China increased from approximately 1.32% as at 31 December 2014 to approximately 2.65% as at 30 June 2015 as a result of, among other factors, the economic slowdown in the PRC resulting in deterioration of the asset quality in Mainland China. While the Group has tightened its credit policies and put more focus on lending to state-owned enterprises and large-scale enterprises, there can be no assurance that the non-performing loan ratio of the Group's advances in Mainland China will not further increase in the future, nor can there be any assurance that the Group's continued exposure to Mainland China or its strategy to grow its business in Mainland China will not have a negative impact on the Group's earnings or an adverse effect on the Group's business, financial condition or results of operations or that the economic and political environment in Mainland China will remain favourable to the Group's business in Mainland China in the future.

DISPOSAL OF SHARES IN TUNG SHING HOLDINGS COMPANY LIMITED AND DISPOSAL OF SHARES IN BEAWMS

On 23 October 2015, BEA entered into a share purchase agreement with SinoPac Securities (Cayman) Holdings Limited ("**SPSC**"), a subsidiary of SinoPac Financial Holdings Company Limited ("**SinoPac Financial Holdings**"), on the sale of all the issued shares of Tung Shing Holdings Company Limited ("**Tung Shing**") by BEA to SPSC. The disposal requires regulatory approvals from the SFC and the Financial Supervisory Commission of Taiwan (the "**FSC**"). After completion of the disposal, BEA will continue to provide securities and futures brokerage services in Hong Kong through BEA's other subsidiaries, East Asia Securities and East Asia Futures.

On 23 October 2015, BEA also entered into an agreement with SinoPac Securities Corporation ("**SinoPac Securities**") to dispose of all the issued shares in BEAWMS through the merger of BEAWMS into SinoPac Securities, a subsidiary of SinoPac Financial Holdings. The merger requires approvals from the FSC and the Investment Commission of the Ministry of Economic Affairs in Taiwan.

STRATEGIC AGREEMENT WITH WEBANK

On 16 April 2015, BEA (China) entered into the Strategic Agreement with WeBank. In accordance with the Strategic Agreement, BEA (China) and WeBank will treat each other as an important partner. The parties agree to fully explore their respective competitive advantages with a view to achieving joint business development and maximising mutual benefits through business co-operation under the Strategic Agreement. The business under co-operation includes but not limited to customer referrals, credit card business, micro and personal loans, wealth management business, interbank lending and internet finance business.

The Strategic Agreement sets out the framework for future co-operation, and the parties will separately agree and enter into contract(s) on their subsequent business co-operation, if any. Furthermore, the launch of the businesses mentioned above is subject to all the necessary regulatory approvals being obtained.

Established in 2014, WeBank is one of the first private commercial banks in the PRC and also the first officially launched online bank in the PRC.

SUBSCRIPTION OF NEW SHARES BY SUMITOMO MITSUI BANKING CORPORATION AND THE ENTRY INTO OF AN INVESTMENT AGREEMENT BETWEEN THE BEA AND SUMITOMO MITSUI BANKING CORPORATION

On 18 March 2015, BEA entered into the Subscription Agreement with SMBC in relation to the Subscription. In addition, BEA entered into the Investment Agreement with SMBC regarding certain arrangements in respect of SMBC's investment in BEA which were intended to have effect upon completion of the Subscription.

Completion of the Subscription took place on 27 March 2015 and the obligations of BEA and SMBC pursuant to the Investment Agreement became effective on the same date. BEA will comply with all applicable laws and regulations (including the Listing Rules), the articles of association of BEA as well as any applicable internal corporate procedures when performing its obligations under the Investment Agreement and the Subscription Agreement, including in respect of any matters concerning the board representation of SMBC, having regard to the requirement in the Listing Rules to treat all shareholders fairly and equally. The Investment Agreement will terminate and the rights and obligations of BEA and SMBC pursuant to it (including the board representation right of SMBC thereunder) will cease upon, among other things, SMBC (together with its affiliates) being interested in less than 5% of the total number of issued shares of BEA from time to time. As at 31 October 2015, SMBC (together with its affiliates) held approximately 17.24% of the total number of issued shares of BEA.

SMBC is headquartered in Tokyo, Japan, and is a wholly-owned subsidiary of SMFG. SMFG is a leading financial institution in Japan as well as a global provider of financial services. SMBC held a 100% interest in SMBC Nikko Capital Markets Limited as at the date of this First Supplementary Offering Circular.

This section replaces the section headed "Selected Statistical and Other Information" on pages 77 to 95 of the Original Offering Circular in its entirety.

The selected statistical and other information set forth below relates only to the Group and has, except where otherwise indicated, been compiled as at and for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, and should be read in conjunction with the information contained elsewhere in this Offering Circular, including "*Business of the Group*".

ADVANCE PORTFOLIO

Overview

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's total outstanding advances to customers were HK$350,720 million, HK$405,357 million, HK$443,287 million and HK$452,889 million, respectively, which represented approximately 50.7%, 53.8%, 55.7% and 55.5%, respectively, of its total assets.

The majority of the Group's advances are in respect of home mortgages and advances for property investment and development (excluding advances under GHOS, PSPS and TPS), which together, as at 31 December 2012, 2013 and 2014 and 30 June 2015, represented approximately 22.3%, 19.7%, 20.1% and 20.6%, respectively, of the Group's total advances to customers.

The table below sets forth a summary of the Group's gross advances by sector as at the dates indicated.

The Group

	As at 31 December						As at 30 June	
	2012	Percentage of total	2013	Percentage of total	2014	Percentage of total	2015	Percentage of total
	(in HK$ millions, except percentages)							
Loans for use in Hong Kong								
Industrial, commercial and financial								
- Property development	13,460	3.8%	13,743	3.4%	17,177	3.9%	15,039	3.3%
- Property investment	39,522	11.3%	37,574	9.3%	38,906	8.8%	38,418	8.5%
- Financial concerns	11,557	3.3%	13,780	3.4%	15,562	3.5%	12,949	2.9%
- Stockbrokers	804	0.2%	1,222	0.3%	1,901	0.4%	9,538	2.1%
- Wholesale and retail trade	10,232	2.9%	14,296	3.5%	21,070	4.8%	21,631	4.8%
- Manufacturing	6,331	1.8%	6,963	1.7%	7,090	1.6%	5,620	1.3%
- Transport and transport equipment	5,414	1.5%	5,954	1.5%	6,835	1.5%	6,449	1.4%
- Recreational activities	215	0.1%	96	—	138	—	143	0.0%
- Information technology	1,170	0.3%	1,063	0.3%	836	0.2%	1,132	0.2%
- Others[1]	7,580	2.2%	10,189	2.5%	19,113	4.3%	22,526	5.0%
- Sub-total	96,285	27.4%	104,880	25.9%	128,628	29.0%	133,445	29.5%

	As at 31 December						As at 30 June	
	2012	Percentage of total	2013	Percentage of total	2014	Percentage of total	2015	Percentage of total
	(in HK$ millions, except percentages)							
Individuals								
- Loans for the purchase of flats in the GHOS, PSPS and TPS.	1,171	0.3%	1,096	0.3%	1,058	0.2%	1,067	0.2%
- Loans for the purchase of other residential properties .	25,337	7.2%	28,537	7.0%	33,052	7.5%	39,845	8.8%
- Credit card advances.	3,802	1.1%	4,137	1.0%	5,079	1.2%	4,390	1.0%
- Others[2]	16,297	4.7%	19,453	4.8%	19,181	4.3%	20,986	4.6%
- Sub-total	46,607	13.3%	53,223	13.1%	58,370	13.2%	66,288	14.6%
Total loans for use in Hong Kong	142,892	40.7%	158,103	39.0%	186,998	42.2%	199,733	44.1%
Trade finance	5,156	1.5%	5,895	1.5%	5,527	1.2%	5,727	1.3%
Loans for use outside Hong Kong[3]	202,672	57.8%	241,359	59.5%	250,762	56.6%	247,429	54.6%
Total advances to customers	350,720	100.0%	405,357	100.0%	443,287	100.0%	452,889	100.0%

Notes:

(1) "Others" includes the industry sectors of civil engineering works, electricity and gas, hotels, boarding houses and catering, non-stockbroking companies and individuals for the purchase of shares, professional and private individuals for other business purposes and all others not specified.

(2) "Others" includes professional and private individuals for other private purposes.

(3) This refers to loans to customers the proceeds of which are not used in Hong Kong.

Geographical Concentration

The table below sets forth a summary of the Group's gross advances to customers by geographical location as at the dates indicated.[1]

	As at 31 December						As at 30 June	
	2012	Percentage of total	2013	Percentage of total	2014	Percentage of total	2015	Percentage of total
	(in HK$ millions, except percentages)							
Hong Kong	159,038	45.3%	172,436	42.5%	186,000	41.9%	193,896	42.8%
PRC[2]	151,588	43.2%	189,924	46.9%	213,984	48.3%	215,545	47.6%
Other Asian Countries[3]	19,446	5.6%	22,124	5.5%	20,813	4.7%	20,714	4.6%
Others[4]	20,648	5.9%	20,873	5.1%	22,490	5.1%	22,734	5.0%
Total	350,720	100.0%	405,357	100.0%	443,287	100.0%	452,889	100.0%

Notes:

(1) The above geographical analysis has been classified by the location of the counterparties, after taking into account any transfer of risk.

(2) This includes Mainland China, Taiwan and Macau.

(3) This includes all Asian countries other than Mainland China, Taiwan and Macau.

(4) This includes North America, Western Europe and other countries.

Customer Advance Concentration

The Banking Ordinance generally prohibits any bank incorporated in Hong Kong from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its capital base. For a discussion of "financial exposure", see "*Regulation and Supervision — Regulation and Supervision in Hong Kong — Principal Obligations of Licensed Banks — Financial Exposure to Any One Customer*". As at 30 June 2015, the Group's exposure to its 20 largest borrowers (including groups of individuals and companies) amounted to approximately HK$60,038 million, or approximately 13.3% of the Group's gross advances, with the largest representing HK$5,183 million, or approximately 1.1% of the Group's gross advances. As at 31 December 2014, the Group's exposure to its 20 largest borrowers (including groups of individuals and companies) amounted to approximately HK$56,638 million, or approximately 12.8% of the Group's gross advances, with the largest representing HK$4,626 million, or approximately 1.0% of the Group's gross advances. As at 31 December 2013, the Group's exposure to its 20 largest borrowers (including groups of individuals and companies) amounted to approximately HK$45,354 million, or approximately 11.2% of the Group's gross advances, with the largest representing HK$4,450 million, or approximately 1.1% of the Group's gross advances. As at 31 December 2012, the Group's exposure to its 20 largest borrowers (including groups of individuals and companies) amounted to approximately HK$43,290 million, or approximately 12.3% of the Group's gross advances, with the largest representing HK$4,242 million, or approximately 1.2% of the Group's gross advances.

Advance Analysis

As a significant proportion of the Group's gross advances are made for the purchase of residential property, as at 31 December 2012, 2013 and 2014 and 30 June 2015, approximately 22.1%, 20.5%, 20.4% and 20.1% of advances had a remaining maturity of more than five years, respectively.

The table below sets forth a summary of the Group's gross advances by remaining maturity as at the dates indicated.

	As at 31 December						As at 30 June	
	2012	Percentage of total	2013	Percentage of total	2014	Percentage of total	2015	Percentage of total
	(in HK$ millions, except percentages)							
Repayable on demand[1]	5,499	1.6%	6,897	1.7%	6,777	1.5%	8,165	1.8%
3 months or less	62,941	17.9%	71,914	17.7%	97,196	21.9%	90,636	20.0%
1 year or less but over 3 months	72,805	20.8%	81,073	20.0%	93,131	21.0%	95,521	21.1%
5 years or less but over 1 year	130,953	37.3%	161,367	39.8%	154,184	34.8%	164,892	36.4%
Over 5 years	77,567	22.1%	82,974	20.5%	90,232	20.4%	91,217	20.1%
Undated	955	0.3%	1,132	0.3%	1,767	0.4%	2,458	0.6%
Gross advances to customers	350,720	100.0%	405,357	100.0%	443,287	100.0%	452,889	100.0%

Note:

(1) Includes overdrafts.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, approximately 80.7%, 79.9%, 80.0% and 80.0% of advances made by the Group were at floating rates of interest, respectively. See "— *Asset and Liability Management*". The current rate for home mortgage advances in Hong Kong generally ranges from 1.7% to 2.1% above the 1-month HIBOR. The interest rate for Hong Kong dollar consumer finance advances is typically calculated on the initial principal amounts of such advances and typically ranges from 0.2% to 1.2% per month flat for fixed rate products and from 3.5% (P-1.75%) to 8.25% (P+3%) per annum for prime based products. The interest rate for Hong Kong dollar trade finance advances made by the Group is typically a margin over the prime rate. The interest rate for project finance lending and syndicated lending is typically a margin over HIBOR. As at 31 December 2012, 2013 and 2014 and 30 June 2015, approximately 43.4%, 40.4%, 40.1% and 42.2%, respectively, of advances made by the Group were denominated in Hong Kong dollars, approximately 15.0%, 18.9%, 20.0% and 18.5%, respectively, were denominated in U.S. dollars and approximately 33.5%, 32.9%, 32.6% and 32.2%, respectively, were denominated in RMB. Rates which are lower than the above rates may be offered by the Group under appropriate circumstances subject to internal approvals.

An important component of the Group's asset and liability policy is its management of interest rate risk, which is the relationship between market interest rates and the Group's interest rates on its interest-earning assets and interest-bearing liabilities. See "— *Asset and Liability Management*".

As at 31 December 2012, the amounts, in Hong Kong dollars, and percentages represented by fixed and floating-rate advances denominated in Hong Kong dollars and foreign currencies, respectively, were as follows:

	Advances outstanding as at 31 December 2012					
	HK dollar advances		Foreign currency advances		Total	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(in HK$ millions, except percentages)					
Fixed rate	33,895	22.3%	33,684	17.0%	67,579	19.3%
Floating rate	118,239	77.7%	164,902	83.0%	283,141	80.7%
Total	152,134	100.0%	198,586	100.0%	350,720	100.0%

As at 31 December 2013, the amounts, in Hong Kong dollars, and percentages represented by fixed and floating-rate advances denominated in Hong Kong dollars and foreign currencies, respectively, were as follows:

	Advances outstanding as at 31 December 2013					
	HK dollar advances		Foreign currency advances		Total	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(in HK$ millions, except percentages)					
Fixed rate	35,335	21.6%	46,168	19.1%	81,503	20.1%
Floating rate	128,310	78.4%	195,544	80.9%	323,854	79.9%
Total	163,645	100.0%	241,712	100.0%	405,357	100.0%

As at 31 December 2014, the amounts, in Hong Kong dollars, and percentages represented by fixed and floating-rate advances denominated in Hong Kong dollars and foreign currencies, respectively, were as follows:

	Advances outstanding as at 31 December 2014					
	HK dollar advances		Foreign currency advances		Total	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(in HK$ millions, except percentages)					
Fixed rate	32,017	18.0%	56,776	21.4%	88,793	20.0%
Floating rate	145,867	82.0%	208,627	78.6%	354,494	80.0%
Total	177,884	100.0%	265,403	100.0%	443,287	100.0%

As at 30 June 2015, the amounts, in Hong Kong dollars, and percentages represented by fixed and floating-rate advances denominated in Hong Kong dollars and foreign currencies, respectively, were as follows:

	Advances outstanding as at 30 June 2015					
	HK dollar advances		Foreign currency advances		Total	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(in HK$ millions, except percentages)					
Fixed rate	35,711	18.7%	54,944	21.0%	90,655	20.0%
Floating rate	155,315	81.3%	206,919	79.0%	362,234	80.0%
Total	191,026	100.0%	261,863	100.0%	452,889	100.0%

As at 31 December 2012, 2013 and 2014 and 30 June 2015, at least 70% of the Group's advances were secured by collateral. Home mortgages are secured by a first legal charge over the underlying property. Working capital advances for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory and receivables. Term advances for specific projects or developments are typically secured against the underlying project's assets and its receivables, while additional guarantees are typically provided by the sponsors or shareholders. The Group also receives guarantees in relation to certain of its other advances to cover, in the case of trade finance, any shortfall in security or, in the case of consumer advances to younger or less financially secure customers, to provide security on what are normally unsecured advances.

All forms of security taken as collateral against credit facilities are monitored by the respective departments which extended the advances. In general, the collateral is periodically valued by an independent valuer to determine whether any additional collateral is required.

RISK MANAGEMENT AND CREDIT POLICIES

The Group's lending policies have been formulated on the basis of its own experience, the Banking Ordinance, HKMA guidelines and policies issued by the Hong Kong Association of Banks and other statutory requirements (and, in the case of overseas branches and subsidiaries, the relevant local laws and regulations). BEA believes it has a history of, and reputation for, prudent lending practices. The majority of the Group's lending is on a secured basis, and the Group has established loan-to-value lending limits based on the appraised market value of the relevant collateral.

Risk Management

The risk management mechanisms are built around a centralised framework and include the Risk Committee, Crisis Management Committee, Risk Management Committee, specialised risk management committees namely, Credit Committee, Asset and Liability Management Committee and Operational Risk Management Committee, and the Risk Management Division.

These mechanisms capture risk-related management activities on a Group basis including the formulation of policies, risk assessment, setting up of procedures and control limits, and ongoing monitoring before the same are reported to the Board of Directors. The mechanisms ensure compliance with the Group's policies, and with legal and regulatory requirements in Hong Kong, Mainland China and overseas. They are supplemented by active management involvement, effective internal controls, and comprehensive audits.

The Risk Management Division is headed by the Group Chief Risk Officer & General Manager, who reports directly to the Chairman & Chief Executive and is responsible for initiating, implementing and monitoring risk management policies throughout the Group with regard to different types of risk. The Risk Management Division assesses regulatory requirements, in particular the requirements under the Supervisory Policy Manuals issued by the HKMA, and is responsible for:

(i) formulating risk management policies and guidelines and performing regular reviews in order to ensure that such policies and guidelines are kept up to date;

(ii) monitoring risk exposure and compliance with the risk management framework using a risk-based approach that incorporates independent risk assessment and review of regular reports and new products/specific issues;

(iii) co-ordinating risk-related projects; and

(iv) reporting monitoring results and significant risk related issues to the specialised risk management committees, and/or the Risk Management Committee, and/or the Risk Committee and/or the Board, where appropriate, so as to assist them to discharge their duty of oversight of risk management activities. Departments within the Risk Management Division have been assigned responsibility for different types of risk, including credit risk, interest rate risk, legal risk, liquidity risk, market risk, operational risk, reputational risk and strategic risk.

For interest rate risk, ALCO sets the strategy and policy for managing interest rate risk and the means for ensuring that such strategy and policy are implemented. The Risk Management Division is responsible for monitoring interest rate related activities to ensure compliance with the related bank policies, rules and regulations. The Internal Audit Department performs periodic review, to make sure the interest rate risk management functions are effectively carried out.

For the banking book, additional monitoring focuses on the repricing mismatches. Gap analysis provides a static view of the maturity and repricing characteristics of the Group's balance sheet positions. Repricing gap limits are set to control the Group's interest rate risk.

Sensitivity analysis on earnings and economic value to interest rate changes is assessed through a hypothetical interest rate shock of 200 basis points across the yield curve on both sides of the balance sheet and performed on a monthly basis. Sensitivity limits are set to control the Group's interest rate risk exposure under both earnings and economic value perspectives. The ALCO monitors the results thereof and decides remedial action if required.

In addition to the above, the ALCO sets the strategy and policy for managing liquidity risk and the means for ensuring that such strategy and policy are implemented.

The Group monitors its liquidity position on a daily basis to ensure the Group's funding needs can be met and the statutory liquidity ratio is complied with. The Group's consolidated average LCR was 137.5% for the second quarter of 2015, which is above the statutory minimum requirement of 60%.

The stock of HQLA can be easily and immediately converted into cash to meet unexpected and material cash outflows.

Stress testing is regularly conducted to analyse liquidity risk. With reference to the stress-testing results, the Group identifies potential vulnerabilities within the Group and formulates a Contingency Funding Plan that describes the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

Credit Policies

The Group's primary credit approval body is the Credit Committee, which comprises two Senior Advisors, four Deputy Chief Executives, three General Managers (one of whom is the Group Chief Risk Officer). The Credit Committee has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. Under the oversight of the Credit Committee, officers of the Group are authorised to approve credit based on the size of the advance, the collateral provided, the credit standing of the applicant and other prescribed credit guidelines. The following table sets out the credit approval limits for various types of advances in Hong Kong:

	Hong Kong	
	Corporate Lending	**Retail Lending**
	(in HK$ millions)	
Credit Committee	Any amount	Any amount
Division Head	100 (25)[(1)]	100 (25)[(1)]
Department Head	60 (10)[(1)]	60 (10)[(1)]
Manager (Levels M4 to SM2)	1.5 (0.5)[(1)] to 10 (3.5)[(1)]	4 (0.4)[(1)] to 20 (1.8)[(1)]

Note:

(1) The numbers in parentheses represent credit limits for unsecured portions of advances.

The Credit Risk Management Department under the Risk Management Division is responsible for reviewing credit applications for significant loan amounts. When a customer fills out an advance application or requests a credit line, the branch or lending department account officer collects information through customer interviews, documentation requests and feasibility studies as well as other sources. After a thorough evaluation, the application is submitted to the appropriate person having sufficient lending authority for approval.

The Group has adopted lending policies with loan-to-value limits which apply to advances secured by a legal charge over an asset or property. Loan-to-value ratios on owner-occupied residential mortgages in Hong Kong (excluding advances under GHOS, PSPS and TPS) are limited to 50% (for property value at or above HK$10 million); 60% (for property value at HK$7 million or above but below HK$10 million, and maximum loan amount being capped at HK$5 million); 60% (for property value below HK$7 million). Loan-to-value ratios on non-owner occupied residential mortgages and commercial / industrial mortgages are limited to 50% and 40%, respectively. Lower loan-to-value limits will be applied to applicants whose income is mainly derived from outside HK. Underlying property values are based on the lower of the purchase price and the independently appraised value of the property.

Besides, the Group's lending policies limit the maximum customer debt servicing ratio to 40% to 50%, while stress test on the borrower's repayment ability by assuming a rise in interest rate of 3% is imposed for property mortgages.

Meanwhile, for property mortgages under the approach of assessment by net worth of the borrower (with the asset-to-total debt obligation ratio of the borrower of at least 100%), the loan-to-value ratio is limited to 20% to 40%.

Hong Kong has adopted the Basel II Accord capital adequacy standards from the beginning of 2007. In December 2007, BEA received the approval from the HKMA to adopt the advanced approaches under the Basel II Accord, namely the Foundation Internal Ratings-based ("**IRB**") Approach for credit risk, the Internal Models Approach for market risk and the Standardised Approach for operational risk. Since 31 December 2007, the Group has used the IRB Approach to determine its credit risk weighted assets for calculating the CAR. The business benefits of adopting these advanced approaches are significant, including enhanced risk management, more efficient use of capital and higher transparency in the disclosure of risk-related information.

In December 2010, the Basel Committee issued the final Basel III regulatory framework presenting the Committee's reforms to strengthen capital and liquidity standards in order to promote a more resilient banking sector.

In line with the international implementation timetable set by the Basel Committee, the Basel III rules pertaining to capital standards have been enacted into local banking regulations and implemented in Hong Kong on 1 January 2013.

ASSET QUALITY

Overview

The performance of the Hong Kong economy is heavily dependent on the property sector, and, as at 31 December 2012, 2013 and 2014 and 30 June 2015, home mortgages and advances for property investment and development (excluding advances under GHOS, PSTS and TPS) together accounted for approximately 22.3%, 19.7%, 20.1% and 20.6%, respectively, of the Group's total advances to customers. As a result, the Group's asset quality is vulnerable to deflation in property prices. The ability of borrowers, including homeowners, to make timely repayment of their advances may be adversely affected by rising interest rates or a slowdown in economic growth. See "*Investment Considerations — Considerations Relating to the Group — Hong Kong Economy*" and "*Investment Considerations — Considerations Relating to the Group — Interest Rate Risk*". As at 31 December 2012, 2013 and 2014 and 30 June 2015, home mortgage advances (including advances under GHOS, PSPS and TPS) in Hong Kong amounted to HK$26,508 million, HK$29,633 million, HK$34,110 million and HK$40,912 million, respectively, or approximately 7.6%, 7.3%, 7.7% and 9.0%, respectively, of the Group's total advances to customers and was one of the most significant segments of the Group's total advances to customers. See "*Investment Considerations — Considerations Relating to the Group — Concentration Risk — Exposure to the Property Market*".

The Group is committed to expanding its business and operations in the PRC and remains susceptible to risks associated with lending in the PRC, which could lead to an increase in the Group's classified advances. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's PRC exposure is approximately 39.3%, 38.6%, 36.9% and 35.5%, respectively, of the Group's total advances and its PRC classified advances account for approximately 0.3%, 0.5%, 1.2% and 2.4%, respectively, of its total PRC exposure. See "*Investment Considerations — Considerations Relating to the Group — Exposure to Mainland China Market*".

Advance classification

The Group classifies the advances in a "two dimensional" structure: one dimension reflects exclusively the borrower's repayment ability and another dimension reflects the transaction specific characteristics.

The dimension that reflects the borrower 's repayment ability is classified into the following grading:

- Grades 1 through 15 — pass;
- Grade 16-17 — special mention;
- Grade 18 — sub-standard;
- Grade 19 — doubtful; and
- Grade 20 — loss.

In classifying the individual borrowers into one of the 20 gradings, the Group considers relevant factors including: (i) estimation of probability of default from the internal rating systems comprising statistical measurement and expert judgment with consideration of quantitative and qualitative elements such as the borrower 's financial condition, the management and operation of the borrower's business, market conditions affecting the borrower 's industry and demographic characteristics; (ii) the payment history of the borrower; and (iii) the history of the Group's dealings with the borrower concerned.

Another dimension that reflects the transaction specific characteristics considers relevant factors including: (i) type of advance; (ii) seniority of the advance; and (iii) credit mitigation such as collateral and guarantee.

BEA believes that its advance classification policy is in compliance with the Banking Ordinance and the applicable guidelines of the HKMA.

Recognition of impaired loans

The Group's impaired loans are sub-divided into three categories: "sub-standard" (Grade 18), "doubtful" (Grade 19) and "loss" (Grade 20). When the repayment of an advance is uncertain (for example, there is a past-due record of 90 days or more), the Group downgrades the advance to sub-standard. If full recovery of the advance is in doubt and the Group expects to sustain a loss of principal or interest, the Group classifies the advance as doubtful. Loss advances are those which are considered non-collectible after exhausting all collection efforts, such as the realisation of collateral and the institution of legal proceedings, and the liquidator or official receiver has ascertained the relevant recovery ratio.

Impairment of Loans and Receivables

At each balance sheet date, the carrying amount of the Group's assets are reviewed to determine whether there is objective evidence of impairment. If internal and external sources of information indicate such evidence exists, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognised in the profit and loss account.

The total allowance for impairment losses consists of two components: individual impairment allowances, and collective impairment allowances.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgments about the borrower 's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgment, the Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable and that its provisioning policies are in compliance with the Banking Ordinance and the applicable guidelines of the HKMA.

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

The table below sets forth a summary of the Group's impairment allowance for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	(in HK$ millions, except percentages)				
Beginning balance	1,063	954	1,054	1,054	1,386
Provision during the period	435	634	1,332	417	852
Bad debts charges recovered	(222)	(175)	(334)	(96)	(71)
Loans written off	(402)	(473)	(849)	(197)	(522)
Other movements	80	114	183	32	46
Closing balance	954	1,054	1,386	1,210	1,691
Impairment allowance as a percentage of:					
Total loans at period/year end	0.3%	0.3%	0.3%	0.3%	0.4%
Total impaired loans at period/year end	83.8%	66.7%	50.7%	63.0%	36.3%
Write-offs as a percentage of:					
Average total loans during the period/year	0.1%	0.1%	0.2%	0.0%	0.1%
Total loans at period/year end	0.1%	0.1%	0.2%	0.0%	0.1%
Total impaired loans at period/year end	35.3%	29.9%	31.0%	10.3%	11.2%
Impaired loan	1,138	1,581	2,736	1,920	4,659
Total loan	350,720	405,357	443,287	438,802	452,889

As at 30 June 2015, the provision for impairment allowance was HK$852 million which had decreased by HK$480 million as compared with the provision as at 31 December 2014 (HK$1,332 million). As at 31 December 2014, the provision for impairment allowance was HK$1,332 million which had increased by HK$698 million as compared with the provision as at 31 December 2013 (HK$634 million). As at 31 December 2013, the provision for impairment allowance was HK$634 million which had increased by HK$199 million as compared with the provision as at 31 December 2012 (HK$435 million). BEA believes its provisions for impaired loans are appropriate and more adequate in the current uncertain economic environment.

For the six months ended 30 June 2015, HK$71 million of bad debts had been recovered, which represents a decrease of HK$25 million as compared against the bad debts recovered for the six months ended 30 June 2014 (HK$96 million). For the year ended 31 December 2014, HK$334 million of bad debts had been recovered, which represents a decrease of HK$159 million as compared against the bad debts recovered for the year 31 December 2013 (HK$175 million). For the year ended 31 December 2013, HK$175 million of bad debts had been recovered, which represents a decrease of HK$47 million as compared against the bad debts recovered for the year 31 December 2012 (HK$222 million).

Top Ten Impaired Loans

As at 30 June 2015, the Group's ten largest impaired loans accounted for approximately 0.4% of its total advances and approximately 38.6% of its gross impaired loan portfolio. The majority of the borrowers of such ten largest impaired loans were engaged in hotels and property development and accounted for approximately 70.2% of the aggregate exposure relating to such ten largest impaired loans as at 30 June 2015. As at 30 June 2015, the Group's exposure under its ten largest impaired loans ranged from HK$575 million to HK$59 million per impaired loan, and amounted to approximately HK$1,798 million in the aggregate. As at 31 December 2014, the Group's exposure under its ten largest impaired loans ranged from HK$611 million to HK$50 million per impaired loan, and amounted to approximately HK$1,199 million in the aggregate. As at 31 December 2013, the Group's exposure under its ten largest impaired loans ranged from HK$28 million to HK$97 million per impaired loan, and amounted to approximately HK$571 million in the aggregate. As at 31 December 2012, the Group's exposure under its ten largest impaired loans ranged from HK$25 million to HK$89 million per impaired loan, and amounted to approximately HK$535 million in the aggregate.

Impaired Loans That Have Been Restructured

The Group's classified advances/impaired loans are restructured on a case-by-case basis, subject to the approval of the appropriate lending parties for both the restructured limits and recovery measures. The Group believes that it maintains a prudent reclassification policy. For example, if payments under an advance are rescheduled, that advance will not be reclassified and will remain under adverse classification (either as a "sub-standard" or "doubtful" advance) and may only be upgraded to a special mention advance if the revised payment terms are honoured for a period of six months, in the case of monthly payments, and 12 months, in the case of quarterly or semi-annual repayments.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's impaired loans including those that have been restructured through the rescheduling of principal repayments and deferral or waiver of interest were as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(in HK$ millions, except percentages)			
Gross impaired loans	1,138	1,581	2,736	4,659
Aggregate individual impairment loss allowance	238	323	419	562
Net impaired loans	900	1,258	2,317	4,097
Gross impaired loans as a percentage of total loan portfolio	0.3%	0.4%	0.6%	1.0%
Net impaired loans as a percentage of total loan portfolio	0.3%	0.3%	0.5%	0.9%

Held-to-maturity Debt Securities

The Group's held-to-maturity debt securities included listed and unlisted debt securities. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the book value of these securities were HK$4,320 million, HK$5,048 million, HK$6,747 million and HK$7,779 million, respectively, which represented approximately 4.9%, 5.4%, 6.4% and 6.9% of the Group's total investments in securities, respectively. These debt securities included both Hong Kong dollar and U.S. dollar denominated bonds and notes. See "— *Asset and Liability Management*".

The table below sets forth a summary of the carrying values of the Group's held-to-maturity debt securities, categorised by the types of issuers as at the dates indicated:

	As at 31 December						As at 30 June	
	2012	Percentage	2013	Percentage	2014	Percentage	2015	Percentage
	(in HK$ millions, except percentages)							
Held-to-maturity securities issued by:								
Central governments and central banks	1,552	35.9%	1,745	34.6%	1,546	22.9%	1,602	20.6%
Public sector entities	316	7.3%	153	3.0%	22	0.3%	22	0.3%
Banks and other financial institutions	1,108	25.7%	803	15.9%	2,495	37.0%	3,828	49.2%
Corporate entities	1,344	31.1%	2,347	46.5%	2,684	39.8%	2,327	29.9%
Total	4,320	100.0%	5,048	100.0%	6,747	100.0%	7,779	100.0%

ASSET AND LIABILITY MANAGEMENT

The Group's objective on asset and liability management is to maximise its net interest income and return on assets and equity while providing for liquidity and effective risk management. Recommendations to management on liquidity, interest rate policy and other significant asset and liability management matters are made by ALCO, which consists of three Senior Advisors; four Deputy Chief Executives; Group Chief Risk Officer; Group Chief Financial Officer and Head of Treasury Markets Division. The Head of Asset and Liability Management Department acts as the secretary of ALCO.

One of the key components of the Group's asset and liability management is the management of market risk, interest rate risk, liquidity risk and strategic risk. The Group's policies regarding the management of these risks are formulated, and their implementation are co-ordinated, by ALCO. ALCO meets on a weekly basis to formulate the asset and liability strategy, such as the deposit rates and advance pricing strategies. The Treasury Markets Division is responsible for the daily operating management of the discretionary portion of the Group's assets and liabilities within the approved internal limits, including re-pricing gap limits. The derivative transactions entered into by the Group are substantially in response to customer demands, in addition to BEA book hedging, and no significant proprietary trading positions are maintained by the Group.

The Group measures the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of gap analysis which provides the Group with a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing dates whichever is earlier. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would then give the Group an indication of the extent to which the Group is exposed to the risk of potential changes in the net interest income.

As at 31 December 2012, the combined currency asset-liability gap position for the Group was as follows:

	3 months or less	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
			HK$ Mn			
ASSETS						
Cash and balances with banks and other financial institutions	80,508	91	8	—	4,905	85,512
Placements with banks and other financial institutions	31,486	19,132	—	—	—	50,618
Trade bills	36,317	19,416	—	—	7	55,740
Trading assets	610	1,327	1,017	93	1,166	4,213
Financial assets designated at fair value through profit or loss	554	1,291	10,535	2,371	418	15,169
Positive fair value of derivatives	—	—	—	—	3,125	3,125
Advances to customers and other accounts	291,083	42,152	15,886	1,667	36,485	387,273
Available-for-sale financial assets	30,052	5,236	22,268	4,773	2,402	64,731
Held-to-maturity investments	1,524	985	1,765	46	—	4,320
Non-interest bearing assets	—	—	—	—	21,413	21,413
Total assets	472,134	89,630	51,479	8,950	69,921	692,114
LIABILITIES						
Deposits and balances of banks and other financial institutions	28,585	360	—	—	1,652	30,597
Deposits from customers	373,704	98,532	10,409	—	16,125	498,770
Trading liabilities	—	—	—	—	21	21
Negative fair value of derivatives	—	—	—	—	3,806	3,806
Certificates of deposit issued	6,818	14,760	5,792	—	—	27,370
Debt securities issued	3,146	4,152	1,359	—	—	8,657
Loan capital	—	—	9,125	5,138	—	14,263
Non-interest bearing liabilities	—	—	—	—	46,991	46,991
Total liabilities	412,253	117,804	26,685	5,138	68,595	630,475
Interest rate sensitivity gap	59,881	(28,174)	24,794	3,812		

As at 31 December 2013, the combined currency asset-liability gap position for the Group was as follows:

	3 months or less	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
			HK$ Mn			
ASSETS						
Cash and balances with banks and other financial institutions	62,507	29	8	—	6,233	68,777
Placements with banks and other financial institutions	55,001	2,371	—	—	—	57,372
Trade bills	26,970	32,907	—	—	55	59,932
Trading assets	2,524	948	379	51	1,429	5,331
Financial assets designated at fair value through profit or loss	310	3,979	5,010	1,952	355	11,606
Positive fair value of derivatives	—	—	—	—	3,625	3,625
Advances to customers and other accounts	335,596	57,734	11,391	649	42,885	448,255
Available-for-sale financial assets	32,485	9,772	20,572	5,849	2,911	71,589
Held-to-maturity investments	1,961	546	2,495	46	—	5,048
Non-interest bearing assets	—	—	—	—	22,419	22,419
Total assets	517,354	108,286	39,855	8,547	79,912	753,954
LIABILITIES						
Deposits and balances of banks and other financial institutions	25,893	1,680	298	—	1,052	28,923
Deposits from customers	392,041	107,156	18,872	—	16,902	534,971
Trading liabilities	—	—	—	—	11	11
Negative fair value of derivatives	—	—	—	—	4,545	4,545
Certificates of deposit issued	23,443	14,373	5,113	—	—	42,929
Debt securities issued	1,296	2,152	1,280	—	—	4,728
Loan capital	—	—	8,817	4,815	—	13,632
Non-interest bearing liabilities	—	—	—	—	55,981	55,981
Total liabilities	442,673	125,361	34,380	4,815	78,491	685,720
Interest rate sensitivity gap	74,681	(17,075)	5,475	3,732		

As at 31 December 2014, the combined currency asset-liability gap position for the Group was as follows:

	3 months or less	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	HK$ Mn					
ASSETS						
Cash and balances with banks and other financial institutions	65,139	—	—	—	5,219	70,358
Placements with banks and other financial institutions	45,291	5,478	—	—	—	50,769
Trade bills	26,905	33,731	—	—	39	60,675
Trading assets	309	257	820	26	1,473	2,885
Financial assets designated at fair value through profit or loss	2,293	1,242	3,934	881	363	8,713
Positive fair value of derivatives	—	—	—	—	3,537	3,537
Advances to customers and other accounts	358,729	60,707	19,248	4,260	39,196	482,140
Available-for-sale financial assets	33,396	10,580	28,942	9,039	4,859	86,816
Held-to-maturity investments	2,640	1,292	2,629	186	—	6,747
Non-interest bearing assets	—	—	—	—	23,251	23,251
Total assets	534,702	113,287	55,573	14,392	77,937	795,891
LIABILITIES						
Deposits and balances of banks and other financial institutions	28,141	4,023	1,079	—	80	33,323
Deposits from customers	418,723	94,487	15,364	63	19,547	548,184
Trading liabilities	—	—	—	—	21	21
Negative fair value of derivatives	—	—	—	—	4,823	4,823
Certificates of deposit issued	26,266	14,353	3,779	—	—	44,398
Debt securities issued	7,332	7,588	7,504	—	—	22,424
Loan capital	—	—	12,436	4,899	—	17,335
Non-interest bearing liabilities	—	—	—	—	51,939	51,939
Total liabilities	480,462	120,451	40,162	4,962	76,410	722,447
Interest rate sensitivity gap	54,240	(7,164)	15,411	9,430		

The following table sets out the Group's sensitivity analysis on interest rate risk as at 31 December 2012, 2013 and 2014 and 30 June 2015, which measures the potential effect of changes in interest rates on its net interest income and economic value change:

	As at 31 December									As at 30 June		
	2012			2013			2014			2015		
	HK$	U.S.$	RMB	HK$	U.S.$	RMB	HK$	U.S.$	RMB	HK$	U.S.$	RMB
	(HK$ millions)											
Impact on earnings over the next 12 months if interest rates rise by 200 basis points . .	235	(74)	475	289	(76)	706	534	3	570	476	100	664
Impact on economic value if interest rates rise by 200 basis points	(126)	8	58	(117)	122	622	(199)	118	59	(108)	226	576

As at 30 June 2015, if interest rates increased by 200 basis points (a basis point being a unit that is equal to one hundredth of 1%), BEA would expect that the annualised net interest income in respect of the Group's dealings in Hong Kong dollar, U.S. dollar and Renminbi (CNY) to increase by HK$476 million, increase by HK$100 million and increase by HK$664 million, respectively, and the economic value for the Group to decrease by HK$108 million, increase by HK$226 million and increase by HK$576 million, respectively. As at 31 December 2014, if interest rates increased by 200 basis points, BEA would expect that the annualised net interest income in respect of the Group's dealings in Hong Kong dollar, U.S. dollar and Renminbi to increase by HK$534 million, increase by HK$3 million and increase by HK$570 million, respectively, and the economic value for the Group to decrease by HK$199 million, increase by HK$118 million and increase by HK$59 million, respectively. As at 31 December 2013, if interest rates increased by 200 basis points, BEA would expect that the annualised net interest income in respect of the Group's dealings in Hong Kong dollar, U.S. dollar and Renminbi to increase by HK$289 million, decrease by HK$76 million and increase by HK$706 million, respectively, and the economic value for the Group to decrease by HK$117 million, increase by HK$122 million and increase by HK$622 million, respectively. As at 31 December 2012, if interest rate increased by 200 basis points, BEA would expect the annualised net interest income in respect of the Group's dealings in Hong Kong dollar, U.S. dollar and Renminbi to increase by HK$235 million, decrease by HK$74 million and increase by HK$475 million, respectively, and the economic value for the Group to decrease by HK$126 million, increased by HK$8 million and increase by HK$58 million, respectively.

The analysis is based on the following assumptions:

(i) there is a parallel shift in the yield curve and in interest rates;

(ii) there are no other changes to the portfolio;

(iii) no loan prepayment is assumed as the majority of loans is on a floating rate basis; and

(iv) deposits without fixed maturity dates are assumed to be repriced on the next day.

Liquidity pertains to the Group's ability to meet obligations as they fall due. To manage liquidity risk, the Group has established a liquidity risk management policy which is reviewed by ALCO and approved by BEA's Board of Directors. The Group measures its liquidity through LCR, loan-to-deposit ratio and the maturity mismatch portfolio.

The Group monitors its liquidity position on a daily basis to ensure the Group's funding needs can be met and the statutory LCR is complied with. The Group's consolidated average LCR was 137.5% for the second quarter of 2015, which is above the statutory minimum requirement of 60%.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, approximately 80.7%, 79.9%, 80.0% and 80.0%, respectively, of the Group's advances were made at floating rates of interest. The Group's interest earning assets have floating interest rates fixed by reference to BEA's BLR, prime rate and interbank rates, and the Group's interest-bearing liabilities have floating interest rates by reference to interbank rates and savings deposit rates. ALCO continuously monitors the gap between HIBOR and the prime rate and, consequently, the Group's net interest margin. If the Group's net interest margin declines due to the squeeze of the spread between BEA's prime rate and HIBOR, ALCO may recommend the adjustment of BEA's prime rate charged on advances and/or the expansion of higher-yield lending business.

The following table sets out the Group's average balances of interest-earning assets and interest-bearing liabilities, interest and related average interest rates for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015. Average balances of interest-earning assets and interest-bearing liabilities for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 are based on the arithmetic mean of the respective balances at the beginning and the end of such period.

	Years ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%
ASSETS															
Interest-earning assets															
Customers loans and credit															
Advances to customers . . .	327,842			379,315			432,212			423,949			441,281		
Trade bills less provision . .	51,510			57,091			62,854			62,685			54,975		
Total	379,352	15,598	4.1	436,406	17,747	4.1	495,066	19,779	4.0	486,634	19,595	4.0	496,256	19,766	4.0
Interbank placements and loans															
Cash and balances with banks	52,282			51,927			59,048			57,409			57,535		
Money at call and short notice	37,372			41,084			38,113			41,318			51,031		
Placements	40,428			28,717			24,797			24,833			20,589		
Advances to banks	272			34			26			5			43		
Total	130,354	2,672	2.0	121,762	3,014	2.5	121,984	3,020	2.5	123,565	3,072	2.5	129,198	2,252	1.7
Securities															
Treasury bills	15,459			15,868			23,758			19,653			24,236		
Certificates of deposit . . .	4,273			3,743			4,973			4,493			8,818		
Debt securities	54,020			62,440			67,872			68,628			70,492		
Total	73,752	2,297	3.1	82,051	2,650	3.2	96,603	2,928	3.0	92,774	3,012	3.2	103,546	2,845	2.7
Total interest-earning assets . .	583,458	20,567	3.5	640,219	23,411	3.7	713,653	25,727	3.6	702,973	25,679	3.7	729,000	24,863	3.4
Allowance for possible loan losses	(1,000)			(1,004)			(1,150)			(1,035)			(1,421)		
Non-interest earning assets . . .	63,778			73,292			79,151			77,870			72,808		
Total assets	646,236			712,507			791,654			779,808			800,387		

	Years ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%
LIABILITIES															
Interest-bearing liabilities															
Deposits															
Deposits from customers	470,580	9,033	1.9	501,155	9,105	1.8	548,191	10,765	2.0	541,780	10,884	2.0	538,768	10,241	1.9
Deposits and balances of banks	27,085	447	1.7	30,442	483	1.6	32,551	433	1.3	31,960	434	1.4	34,404	420	1.2
Total	497,665	9,480	1.9	531,597	9,588	1.8	580,742	11,198	1.9	573,740	11,318	2.0	573,172	10,661	1.9
Other liabilities															
Certificates of deposits	21,885			37,197			45,841			45,767			49,383		
Debt securities issued	8,844			7,016			18,870			15,382			21,226		
Loan capital	15,721			13,899			14,281			13,714			17,328		
Total	46,450	1,365	2.9	58,112	1,455	2.5	78,992	1,598	2.0	74,863	1,520	2.0	87,937	1,414	1.6
Total interest-bearing liabilities	544,115	10,845	2.0	589,709	11,043	1.9	659,734	12,796	1.9	648,603	12,838	2.0	661,109	12,075	1.8
Non interest-bearing liabilities	46,852			58,079			61,098			62,106			60,884		
Total liabilities	590,967			647,788			720,832			710,709			721,993		
NET INTEREST INCOME		9,722			12,368			12,931			12,841			12,788	
NET INTEREST SPREAD			1.5			1.8			1.7			1.7			1.6

INTERNAL AUDIT

The Internal Audit Division has responsibility for auditing the Group's operations. Through regular audits of all of the departments, subsidiaries and branches of the Group, the Internal Audit Division reviews and evaluates the adequacy and effectiveness of risk management and internal control systems that safeguard the Group's assets, optimise operational efficiency and effectiveness, secure the accuracy and reliability of information, and ensure compliance with relevant regulatory and statutory requirements. The results of an internal audit are reported to the head of the audited department, subsidiary or branch, and any internal audit recommendations are generally expected to be implemented within a reasonable timeframe after the issuance of the internal audit report. Significant findings arising from an internal audit are summarised by the Group Chief Auditor in bi-monthly reports to the Chairman of the Audit Committee and senior management, and in semi-annual reports submitted to the full Audit Committee and senior management. The Internal Audit Division also shares its findings with the HKMA and KPMG, BEA's external auditors, on a bi-monthly basis.

Upon the incorporation of BEA (China) in April 2007, BEA (China) established a separate Internal Audit Division that reports to its own Audit Committee established under the board. The reporting process adopted is similar to BEA's reporting process described above.

COMPLIANCE

The Compliance Department was established in 2001 to administer regulatory compliance issues concerning the Group's business. It is responsible for reviewing new products and business proposals, conducts periodic review of the Group's activities and advises senior management of the Group in accordance with applicable laws, rules and regulations. Another key function of the Compliance Department is to raise compliance awareness amongst staff members. A Compliance Policy has been issued to relevant staff members of the Group. A Group Policy on the Prevention of Money Laundering, which adheres to those anti-money laundering requirements laid down by the HKMA, has also been issued to relevant staff members of the Group. In addition, the Group's internal controls are also reviewed by its internal auditors. Regular training sessions are conducted and newsletters are issued to update the Group's staff members on any significant regulatory changes relevant to the operations of the Group.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

This section replaces the section headed "Board of Directors and Senior Management" on pages 96 to 105 of the Original Offering Circular in its entirety.

BOARD OF DIRECTORS

BEA is managed by its Board of Directors, which is responsible for the direction and management of BEA. The Articles of Association of BEA require that there must be not less than five Directors, unless and until otherwise determined by an ordinary resolution of the shareholders of BEA. Directors are appointed at any time either at a general meeting of shareholders or by the Board of Directors.

As at 31 October 2015, the Board of Directors of BEA comprised the following individuals:

Name	Age	Title	Address
Dr. the Hon. Sir David LI Kwok-po	76	Chairman & Chief Executive	10 Des Voeux Road Central, Hong Kong
Professor Arthur LI Kwok-cheung	70	Non-executive Director (Deputy Chairman)	Room 2502, 25/F., BEA Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Dr. Allan WONG Chi-yun .	64	Independent Non-executive Director (Deputy Chairman)	23rd Floor, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories
Mr. WONG Chung-hin	82	Independent Non-executive Director	Prince's Building, 12th Floor, 10 Chater Road, Hong Kong
Mr. Aubrey LI Kwok-sing .	65	Non-executive Director	7th Floor, 9 Queen's Road Central, Hong Kong
Mr. Winston LO Yau-lai . . .	74	Independent Non-executive Director	3/F., No. 1 Kin Wong Street, Tuen Mun, New Territories
Tan Sri Dr. KHOO Kay-peng	76	Independent Non-executive Director	189 Jalan Ampang 50450 Kuala Lumpur Malaysia
Mr. Richard LI Tzar-kai . . .	48	Independent Non-executive Director	42/F., PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Mr. Kenneth LO Chin-ming	73	Independent Non-executive Director	99, Sec. 2, Tiding Blvd., Neihu District, Taipei, Taiwan
Mr. Eric LI Fook-chuen . . .	86	Non-executive Director	5/F., Kowloon Dairy Building, 17-19 On Lan Street, Central, Hong Kong
Mr. Stephen Charles LI Kwok-sze	55	Non-executive Director	Unit 26-F, StarCrest — Tower 1, 9 Star Street, Hong Kong
Mr. William DOO Wai-hoi. .	71	Independent Non-executive Director	Room 3401, New World Tower, 16-18 Queen's Road, Central, Hong Kong

Name	Age	Title	Address
Mr. KUOK Khoon-ean.	60	Independent Non-executive Director	31st Floor, Kerry Centre 683 King's Road Quarry Bay Hong Kong
Mr. Valiant CHEUNG Kin-piu	69	Independent Non-executive Director	14A Yukon Court, No. 2 Conduit Road, Hong Kong
Dr. Isidro FAINÉ CASAS . .	73	Non-executive Director	Avenida Diagonal 621-629, 08028 Barcelona, Spain
Dr. Peter LEE Ka-kit	52	Non-executive Director	75th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Mr. Adrian David LI Man-kiu	42	Executive Director & Deputy Chief Executive	10 Des Voeux Road Central, Hong Kong
Mr. Brian David LI Man-bun	40	Executive Director & Deputy Chief Executive	10 Des Voeux Road Central, Hong Kong
Mr. Daryl NG Win-kong . .	37	Independent Non-executive Director	12th Floor, Tsimshatsui Centre, Salisbury Road, Tsimshatsui, Kowloon
Mr. Masayuki OKU	70	Non-executive Director	1-2 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

Dr. the Hon. Sir David LI Kwok-po, *GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur Chairman & Chief Executive, Chairman of the Nomination Committee and the Risk Committee, Member of Remuneration Committee*

Sir David, aged 76, joined BEA in 1969. He was appointed a Director in 1977, Chief Executive in 1981, Deputy Chairman in 1995 and Chairman in 1997. Sir David is the Chairman or a Director of various members of the Group, and he is also the Chairman or a Member of various committees appointed by the Board.

Sir David is a Member of the Council of the Treasury Markets Association. He is the Pro-Chancellor of the University of Hong Kong, an Advisory Committee Member of the Chinese University of Hong Kong S.H. Ho College, Chairman of the ICAEW Hong Kong Chapter Advisory Board, an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics and a Companion of the Chartered Management Institute. He was a Member of the Legislative Council of Hong Kong from 1985 to 2012.

Sir David is the Chairman of The Chinese Banks' Association, Limited. He is the Honorary Chairman of The Chamber of Hong Kong Listed Companies. Sir David is Vice President of the Council of the Hong Kong Institute of Bankers, Chairman of the Saint Joseph's College Foundation Limited and a Founding Chairman of The Friends of Cambridge University in Hong Kong. He is also an Emeritus

Trustee of the Cambridge Foundation and a Trustee Emeritus of the Institute for Advanced Study in Princeton. Sir David is Chairman of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, Chairman of the Executive Committee of St. James' Settlement and he also serves on the Hong Kong Red Cross Advisory Board. He is a Council Member of the Employers' Federation of Hong Kong, a Director of the David Li Kwok-po Charitable Foundation Limited, a Founder Member and an Executive Committee Member of the Heung Yee Kuk Foundation Limited, Chairman of The Légion d'Honneur Club Hong Kong Chapter Association Limited and Chairman of the Executive Committee of The Marco Polo Society Limited.

Sir David is an Independent Non-executive Director of Guangdong Investment Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited and Vitasoy International Holdings Limited. He is also a Director of Hong Kong Interbank Clearing Limited. He was a Director of CaixaBank, S.A. (listed in Spain), a Non-independent Non-executive Director of AFFIN Holdings Berhad (listed in Malaysia) and an Independent Non-executive Director of China Overseas Land & Investment Limited.

Sir David is a Member of the Board of Trustees of the Asia Society International Council, a Member of the Asia Business Council, a Member of la Caixa International Advisory Board, Tokai Tokyo Global Advisory Board, Lafarge International Advisory Board and the Munich Re Greater China Advisory Board, and Chairman Emeritus of the Asian Youth Orchestra Board. He serves on the advisory boards of Federal Reserve Bank of New York's International Advisory Committee and Hospital for Special Surgery. Sir David is the Chairman of the INSEAD North East Asia Council and a Senior Adviser of Metrobank.

Professor Arthur LI Kwok-cheung, *GBS, MA, MD, M.B.B.Chir (Cantab), DSc (Hon), DLitt (Hon), Hon DSc (Med), LLD (Hon), Hon Doc (Soka), FRCS (Eng & Edin), FRACS, Hon FACS, Hon FRCS (Glasg & I), Hon FRSM, Hon FPCS, Hon FCSHK, Hon FRCP (Lond), JP*
Deputy Chairman, Non-executive Director and Member of Risk Committee

Professor Li, aged 70, was a Director of BEA (1995-2002) and was re-appointed a Director in 2008 and was appointed a Deputy Chairman in 2009.

Professor Li is a Member of the Executive Council of the Hong Kong Special Administrative Region (he was also a Member during 2002 to June 2007). He is also a Member of the National Committee of the Chinese People's Political Consultative Conference. Professor Li is also a Chairman of the Council for Sustainable Development of the Government of HKSAR and a Council Member of the University of Hong Kong.

Professor Li is an Independent Non-executive Director of Shangri-La Asia Limited and Nature Home Holding Company Limited (formerly known as Nature Flooring Holding Company Limited) and a Director of CaixaBank, S.A. (listed in Spain). He was an Independent Non-executive Director of The Wharf (Holdings) Limited, a Non-Independent Non-executive Director of AFFIN Holdings Berhad (listed in Malaysia) and a Non-executive Director of BioDiem Ltd. (delisted from Australian Securities Exchange in November 2013).

Professor Li was the Secretary for Education and Manpower of the Government of HKSAR (2002-June 2007). Before these appointments, he was the Vice Chancellor of the Chinese University of Hong Kong (1996-2002) and was the Chairman of Department of Surgery and the Dean of Faculty of Medicine of the Chinese University of Hong Kong.

Professor Li had held many important positions in various social service organisations, medical associations, and educational bodies, including the Education Commission, Committee on Science and Technology, the Hospital Authority, the Hong Kong Medical Council, the University Grants Committee, the College of Surgeons of Hong Kong, and the United Christian Medical Services Board.

He was a Member of the Board of Directors of the Hong Kong Science and Technology Parks Corporation and the Hong Kong Applied Science and Technology Research Institute, and Vice President of the Association of University Presidents of China. He was a Hong Kong Affairs Adviser to China.

Dr. Allan WONG Chi-yun, *GBS, MBE, BSc, MSEE, Hon. DTech, JP*
Deputy Chairman, Independent Non-executive Director, Chairman of the Remuneration Committee, Member of the Audit Committee and the Nomination Committee

Dr. Wong, aged 64, was appointed a Director in 1995 and a Deputy Chairman in 2009. He is the Chairman and Group Chief Executive Officer of VTech Holdings Limited. Dr. Wong is an Independent Non-executive Director of China-Hongkong Photo Products Holdings Ltd. and Li & Fung Ltd.

Dr. Wong holds a Bachelor of Science degree in electrical engineering from the University of Hong Kong, a Master of Science degree in electrical and computer engineering from the University of Wisconsin and an honorary degree of Doctor of Technology from the Hong Kong Polytechnic University.

Mr. WONG Chung-hin, *CBE, JP*
Independent Non-executive Director and Member of the Audit Committee

Mr. Wong, aged 82, is a solicitor. He was appointed a Director in 1977. Mr. Wong is the Consultant of P.C. Woo & Co. He is also an Independent Non-executive Director of Power Assets Holdings Limited and CK Hutchison Holdings Limited. Mr. Wong was an Independent Non-executive Director of Hutchison Whampoa Limited.

Mr. Aubrey LI Kwok-sing, *ScB, MBA*
Non-executive Director, Member of the Nomination Committee, the Remuneration Committee and the Risk Committee

Mr. Li, aged 65, was appointed a Director in 1995. He is Chairman of IAM (Hong Kong) Limited (formerly known as MCL Partners Limited) and Chairman of the Advisory Board of MCL Financial Group Limited, both are Hong Kong based financial investment firms. Mr. Li possesses extensive experience in the fields of investment banking, merchant banking and capital markets. He is also an Independent Non-executive Director of Cafe de Coral Holdings Limited, China Everbright International Limited, Kunlun Energy Company Limited, Kowloon Development Co. Ltd, Pokfulam Development Company Limited, Tai Ping Carpets International Limited and a Director of AFFIN Bank Berhad.

Mr. Li has an ScB in Civil Engineering from Brown University and a Master of Business Administration from Columbia University.

Mr. Winston LO Yau-lai, *SBS, BSc, MSc*
Independent Non-executive Director, Chairman of the Audit Committee, Member of the Nomination Committee, the Remuneration Committee and the Risk Committee

Mr. Lo, aged 74, was appointed a Director in 2000. He is the Executive Chairman of Vitasoy International Holdings Limited.

Mr. Lo graduated from the University of Illinois with a Bachelor of Science degree in Food Science and gained his Master of Science degree in Food Science from Cornell University.

Mr. Lo is a Director of Ping Ping Investment Company Ltd.

Mr. Lo is a Life Member of the Cornell University Council.

Tan Sri Dr. KHOO Kay-peng, *PSM, DPMJ, KMN, JP, Hon. DLitt, Hon. LLD, Hon. Ph.D*
Independent Non-executive Director, Member of the Nomination Committee and the Remuneration Committee

Tan Sri Dr. Khoo, aged 76, was appointed a Director in 2001. Dr. Khoo is the Chairman and Chief Executive of The MUI Group, a Malaysia-based corporation with diversified business operations in the Asia Pacific, the United States of America ("**USA**") and the United Kingdom ("**UK**"). He is the Chairman and Chief Executive of Malayan United Industries Berhad and MUI Properties Berhad (both listed in Malaysia). Dr. Khoo is also the Chairman of Laura Ashley Holdings plc (listed in London) and Corus Hotels Limited in UK and Pan Malaysian Industries Berhad (delisted in Malaysia in June 2014). He is also a Non-executive Director of SCMP Group Limited.

Dr. Khoo is a Trustee of Regent University, Virginia, USA, and a Board Member of Northwest University, Seattle, USA. He also serves as a Council Member of the Malaysian-British Business Council, the Malaysia-China Business Council and the Asia Business Council. Previously, Dr. Khoo had served as the Chairman of the Malaysia Tourist Development Corporation (a Government Agency), the Vice Chairman of Malayan Banking Berhad (Maybank) and a Trustee of the National Welfare Foundation, Malaysia.

Mr. Richard LI Tzar-kai
Independent Non-executive Director

Mr. Li, aged 48, was appointed a Director in 2001. Mr. Li is an Executive Director and the Chairman of PCCW Limited, one of Asia's leading companies in Information and Communications Technologies (ICT). He is also the Executive Chairman and an Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust. He is also the Chairman and Chief Executive of the Pacific Century Group, an Executive Director and the Chairman of Pacific Century Premium Developments Limited, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (listed in Singapore). Mr. Li is a Member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a Member of the Global Information Infrastructure Commission. Mr. Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

Mr. Kenneth LO Chin-ming, *MA, BA*
Independent Non-executive Director, Member of the Audit Committee and the Nomination Committee

Mr. Lo, aged 73, was appointed a Director in 2005. Mr. Lo is the Chairman and Chief Executive Officer of the Industrial Bank of Taiwan and the Chairman of EverTrust Bank (USA) and the Honorary Chairman of the Chailease Group. He is also a Director of Boston Life Science Venture Corp. and Taiwan Cement Corp (listed in Taiwan). He has been with the banking and finance industry for over 40 years and had abundant experience in securities, trust, leasing, commercial banking, investment banking and venture capital. He was the President of Chinatrust Commercial Bank, the Chairman of IBT Venture Co., the Vice Chairman of China Trust Bank (USA), the Managing Director of International Bank of Taipei and a Director of Hua Nan Commercial Bank.

In addition to his highly recognized professional accomplishments, Mr. Lo is also active in public service. He is the Honorary Chairman of the Chinese National Association of Industry and Commerce, Taiwan, the Managing Director of the Bankers Association of the Republic of China, a Member of Asian Executive Board of the Sloan School of Management at the Massachusetts Institute of Technology, and a Member of the National Palace Museum Advisory Committee and Taipei Fine Arts Museum Advisory Board. He was the President of Asian Leasing Association, and the Supervisor of the Bankers Association of the Republic of China.

Mr. Lo holds a B.A. in Economics from National Taiwan University and an M.A. in Finance from the University of Alabama.

Mr. Eric LI Fook-chuen, *BscEE, MscEE, MBA, FIM*
Non-Executive Director, Deputy Chairman of the Nomination Committee, Member of the Remuneration Committee and the Risk Committee

Mr. Li, aged 86, was appointed a Director in 2006. Mr. Li is a Non-executive Director of BEA Life and Blue Cross, both are wholly-owned subsidiaries of BEA. Mr. Li is currently the Chairman and Chief Executive Officer of the Kowloon Dairy Limited. He is an Independent Non-executive Director of Joyce Boutique Holdings Limited.

Mr. Li holds a Bachelor of Science Degree in Electrical Engineering from the University of Arkansas, U.S.A., a Master of Science Degree in Electrical Engineering from the University of Michigan, U.S.A., and a Master Degree in Business Administration from the University of California, U.S.A. He is also a Fellow of the Chartered Management Institute.

Mr. Stephen Charles LI Kwok-sze, *BSc (Hons.), ACA*
Non-executive Director

Mr. Li, aged 55, was appointed a Director in 2006. He is a Member of the Institute of Chartered Accountants in England and Wales. Mr. Li holds a Bachelor of Science (Hons.) Degree in Mathematics from King's College, University of London, U.K. He is a Director of hedge funds based in the UK and the EU and Affin Hwang Investment Bank Berhad. He has extensive experience in investment banking, having held senior capital markets positions with international investment banks in London and Hong Kong.

Mr. William DOO Wai-hoi, *BSc, MSc, G.G., Chevalier de la Légion d'Honneur, JP*
Independent Non-executive Director and Member of the Audit Committee

Mr. Doo, aged 71, was appointed a Director in 2008. He is currently the Vice-chairman and Non-executive Director of New World Development Company Limited. He is a Non-executive Director of Lifestyle International Holdings Limited, an Independent Non-executive Director of Shanghai Industrial Urban Development Group Limited and the Chairman and Director of Fung Seng Enterprises Holdings Limited. He was the Vice-chairman of New World China Land Limited and the Deputy Chairman of NWS Holdings Limited.

Mr. Doo is a Member of the National Committee of the Twelfth Chinese People's Political Consultative Conference. He is a Governor of the Canadian Chamber of Commerce in Hong Kong and the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau.

Mr. Doo holds a Degree of Bachelor of Science from the University of Toronto, Canada and a Master Degree in Science from the University of California, U.S.A. He also holds a Diploma of Graduate Gemologist from the Gemologist Institute of America.

Mr. KUOK Khoon-ean
Independent Non-executive Director and Member of the Nomination Committee

Mr. Kuok, aged 60, was appointed a Director in 2008. He is the Chairman of Kuok (Singapore) Limited, a Director of Kerry Group Limited and Managing Director of Kerry Holdings Limited. He is the Chairman and Non-executive Director of PACC Offshore Services Holdings Ltd. and a Non-executive Director of Wilmar International Limited (both companies are listed in Singapore). He is also a Non-executive Director (Independent) of IHH Healthcare Berhad (listed in Malaysia and Singapore).

Mr. Kuok had served as the Chairman of Shangri-La Asia Limited from April 2008 to August 2013 and remained as a Non-executive Director till June 2014. He was also Chairman and Executive Director of SCMP Group Limited from January 1998 to January 2013. He also served on the Board of The Post Publishing Public Company Limited from April 1999 to January 2013 and was a Director of Shangri-La Hotel Public Company Limited from April 2009 to June 2014 (both companies are listed in Thailand).

Mr. Kuok is a graduate in Economics from the Nottingham University, U.K.

Mr. Valiant CHEUNG Kin-piu, *FCPA, FCA*
Independent Non-executive Director, Member of the Audit Committee, the Remuneration Committee and the Risk Committee

Mr. Cheung, aged 69, was appointed a Director in 2008. He was a Partner at KPMG, a leading international accounting firm in Hong Kong, until his retirement in 2001. He has extensive experience in assurance and corporate finance work, particularly in trading and manufacturing corporations in Hong Kong and the PRC. Mr. Cheung is a Fellow Member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Cheung is an Independent Non-executive Director of Vitasoy International Holdings Limited and Dah Chong Hong Holdings Limited. He was an Independent Non-executive Director of Pacific Century Premium Developments Limited.

Mr. Cheung is currently an Independent Non-executive Director, the Chairman of the Audit Committee and the Chairman of the Connected Transactions Control Committee of BEA (China), a wholly-owned subsidiary of BEA.

Dr. Isidro FAINÉ CASAS
Non-executive Director and Member of the Nomination Committee

Dr. Fainé, aged 73, was appointed a Director in 2009.

Dr. Fainé is the Chairman of the Board of trustees of the Caixa d'Estalvis i Pensions de Barcelona "la Caixa" Banking Foundation (formerly known as Caixa d'Estalvis i Pensions de Barcelona "la Caixa") (hereinafter "la Caixa" Banking Foundation).

Dr. Fainé is the Chairman of the following companies:

(i) CaixaBank, S.A., is an integrated financial group and listed on the Spanish Stock Exchange - with a banking business, insurance activity and investments in international banks - the leader in retail banking in Spain

(ii) Criteria CaixaHolding, S.A.U. is a non-listed investment company, which manages a controlling stake in CaixaBank, S.A. and the rest of the "la Caixa" group shareholdings in strategic sectors, including energy, infrastructure, services, and real estate

Dr. Fainé currently holds chairmanships and directorships in other listed companies, where "la Caixa Group" has an interest, as follows:

(i) Vice Chairman of Telefónica, S.A. (integrated operator in the telecommunication sector, listed in Spain)

(ii) First Vice Chairman of Repsol, S.A. (oil company, listed in Spain)

(iii) Board Member of Banco BPI, S.A. (financial and multi-specialist group focusing on the banking business, listed in Portugal)

(iv) Board Member of Suez Environnement Company, S.A. (an expert group in water and waste management, listed in France and Brussels)

(v) Board Member of Gas Natural SDG, S.A. (Gas Natural Fenosa is a leading group in the energy sector, pioneering in gas and electricity integration, listed in Spain)

Dr. Faine was Second Vice Chairman of Sociedad General de Aguas de Barcelona, S.A. He also was a Director of Grupo Financiero Inbursa, S.A.B. de C.V. (financial and banking group, listed in Mexico) until 2011. Dr. Faine ceased to be First Vice Chairman of Abertis Infraestructuras, S.A. as of 24 March 2015 to remain as Director of the Company until 15 May 2015, in which date he ceased to have any position in Abertis Infraestructuras, S.A..

Dr. Faine is a Member of the Royal Academy of Economics and Finance and of the Royal Academy of Doctorate Holders, Chairman of the Spanish Confederation of Savings Banks (CECA), First Vice Chairman of the European Savings Bank Group (ESBG) and Vice Chairman of the World Savings Banks Institute (WSBI). He is also Chairman of the Spanish Confederation of Directors and Executives (CEDE), the Spanish Chapter of the Club of Rome and the Círculo Financiero. Dr. Fainé is also a Member of the Business Council for Competitiveness (CEC).

Dr. Faine began his professional banking career as Investment Manager for Banco Atlantico in 1964, later becoming General Manager of Banco de Asuncion in Paraguay in 1969. On his return to Barcelona, he held various managerial posts in financial entities: Human Resources Director at Banca Riva y Garcia (1973), CEO of Banca Jover (1974) and CEO of Banco Union (1978).

Dr. Faine joined “la Caixa” and was appointed Deputy Executive General Manager in 1982. He was appointed CEO in 1999 and was further appointed Chairman of Caixa d’Estalvis i Pensions de Barcelona “la Caixa” from June 2007 to June 2014.

Among other academic and professional qualifications, Dr. Faine holds a PhD in Economics, an International Senior Managers Program in Business Administration from Harvard University, and a Diploma in Executive Management from the IESE Business School.

Dr. Peter LEE Ka-kit, *GBS, DBA (Hon), JP*
Non-executive Director

Dr. Lee, aged 52, was appointed a Director in 2013. Dr. Lee is a Member of the Standing Committee of the 12th National Committee of the Chinese People’s Political Consultative Conference. He is the Vice Chairman of Henderson Land Development Company Limited and Henderson Investment Limited, both of which are listed public companies, as well as Henderson Development Limited. He is also a Non-executive Director of The Hong Kong and China Gas Company Limited. He was a Non-executive Director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited).

Dr. Lee has been appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong since 2009. He was awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He was awarded the Gold Bauhinia Star (GBS) in 2015 by the Government of the Hong Kong Special Administrative Region. He was educated in the United Kingdom.

Mr. Adrian David LI Man-kiu, *MA (Cantab), MBA, LPC, JP*
Executive Director & Deputy Chief Executive

Mr. Li, aged 42, was appointed a Director in 2014. He first joined BEA in 2000 as General Manager & Head of Corporate Banking Division. In April 2009, he was appointed Deputy Chief Executive for Hong Kong Business, assisting the Chief Executive in the overall management and control of the Group. He serves as a Director of several members of the Group, and sits on various board committees of BEA and its Group members.

Mr. Li is currently an Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited, China State Construction International Holdings Limited and COSCO Pacific Limited, and is a Non-executive Director of The Berkeley Group Holdings plc (listed in London). He also serves as a Member of the International Advisory Board of Abertis Infraestructuras, S.A. (listed in Spain). He was previously an Alternate Director of AFFIN Holdings Berhad (listed in Malaysia), an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited and an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd (which is dual listed in Hong Kong and Shanghai).

Mr. Li is a Member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a Member of the All-China Youth Federation, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. He is a Board Member of The Community Chest of Hong Kong and a Member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. Mr. Li is also a Trustee of The University of Hong Kong's occupational retirement schemes, an Advisory Committee Member of the Hong Kong Baptist University's School of Business and a Vice President of The Hong Kong Institute of Bankers' Council. Furthermore, he serves as a Member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. He also sits on the Judging Panel of the 2015 BAI-Infosys Finacle Global Banking Innovation Awards.

Mr. Li holds a Master of Management Degree from Kellogg School of Management, Northwestern University in the United States, and a Master of Arts Degree and Bachelor of Arts Degree in Law from the University of Cambridge in Britain. He is a Member of The Law Society of England and Wales, and The Law Society of Hong Kong.

Mr. Brian David LI Man-bun, *MA (Cantab), MBA, FCA, JP*
Executive Director & Deputy Chief Executive

Mr. Li, aged 40, was appointed a Director in 2014. He joined BEA in 2002. He was General Manager & Head of Wealth Management Division of BEA from July 2004 to March 2009. In April 2009, he was appointed Deputy Chief Executive, primarily responsible for BEA's China and international businesses, and assisting the Chief Executive in the overall management and control of the Group. He serves as a Director of several members of the Group, and sits on various board committees of BEA and its Group members.

Mr. Li is currently an Independent Non-executive Director of Towngas China Company Limited, Hopewell Highway Infrastructure Limited and China Overseas Land & Investment Limited.

Mr. Li currently holds a number of public and honorary positions, including being a Member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, a Member of the Advisory Committee of the Securities and Futures Commission of Hong Kong, Chairman of the Traffic Accident Victims Assistance Advisory Committee of the Government of Hong Kong Special Administrative Region ("**HKSARG**"), a Member of the HKSARG Small and Medium Enterprises Committee, a Member of the HKSARG Aviation Development and Three-runway System Advisory Committee and a Member of Market Development Committee, Financial Services Development Council of the HKSARG.

He is a Member of the Hong Kong-Europe Business Council, a Member of the Hong Kong-Taiwan Business Co-operation Committee, a Member of Asian Financial Forum 2016 Steering Committee, a Committee Member of the Hong Kong Chapter, the Institute of Chartered Accountants in England and Wales (the "**ICAEW**"), a Member of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, and a Council Member of The Hong Kong Management Association 2015/2016.

Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Full Member of the Treasury Markets Association. Mr. Li is also a Fellow of the ICAEW. He holds an MBA degree from Stanford University as well as MA and BA degrees from the University of Cambridge.

Mr. Daryl NG Win-kong, *BA, MSc, DHL, JP*
Independent Non-executive Director

Mr. Ng, aged 37, was appointed a Director in June 2015. He is currently an Executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited and Sino Hotels (Holdings) Limited.

Mr. Ng holds a Bachelor of Arts Degree in Economics, a Master Degree of Science in Real Estate Development from Columbia University in New York and an Honorary Doctor of Humane Letters degree from Savannah College of Art and Design.

Mr. Ng is a General Committee member of The Chamber of Hong Kong Listed Companies, a member of the International Advisory Council of Columbia University in the City of New York, a member of the 10th Sichuan Committee of the Chinese People's Political Consultative Conference, a member of the 12th Beijing Municipal Committee of the CPPCC, a member of the 10th and 11th Committees of the All-China Youth Federation and the Deputy Chairman of the Chongqing Youth Federation. He is a trustee member of World Wide Fund for Nature Hong Kong, the Vice Chairman of Hong Kong United Youth Association, a member of the Social Welfare Advisory Committee, a member of the Executive Committee of Hong Kong Sheng Kung Hui Welfare Council Limited, a member of Friends of Hong Kong Association Limited, a co-opted member of the Community Care Fund Task Force of Commission on Poverty, and a member of the Council for Sustainable Development, a member of the Court of the Hong Kong University of Science and Technology and a member of the Steering Committee on the Promotion of Electric Vehicles of the Government of Hong Kong Special Administrative Region. He is a Director of The Community Chest of Hong Kong, The Real Estate Developers Association of Hong Kong and Ocean Park Corporation.

Mr. Masayuki OKU, *LL.B, LL.M, the Order of Industrial Service Merit Silver Tower*
Non-executive Director

Mr. Oku, aged 70, was appointed a Director in August 2015. He is Chairman of the Board of SMFG (listed in Japan and USA). He is an Independent Non-executive Director of Panasonic Corporation, Kao Corporation, Komatsu Ltd. and Chugai Pharmaceutical Co., Ltd., all of which are companies listed in Japan. Mr. Oku is also an Auditor of Nankai Electric Railway Co. Ltd. (listed in Japan).

Mr. Oku began his career in 1968 at The Sumitomo Bank, Limited and was elected as a member of the Board of Directors of the bank in 1994. In 1999, Mr. Oku was appointed Secretary General of the Integration Strategy Committee of the bank, leading its merger process with The Sakura Bank, Limited, which culminated in the formation of SMBC in 2001. In 2003, he became Deputy President of SMBC. In 2005, he was appointed President and CEO of SMBC and Chairman of the Board of SMFG, the holding company of SMBC. During his tenor as President and CEO of SMBC, he also served as Chairman of Japanese Bankers Association in 2007 and 2010. In April 2011, he resigned as President and CEO of SMBC to devote himself to his duties as Chairman of the Board of SMFG. Mr. Oku also served as Vice Chairman of Nippon Keidanren (Japan Business Federation) during the period from May 2011 to June 2015.

Mr. Oku received a Bachelor of Law degree from Kyoto University in 1968 and a Master of Laws (LL.M) degree from Michigan Law School in 1975. He was awarded the Order of Industrial Service Merit Silver Tower by the Government of the Republic of Korea in 2009.

SENIOR MANAGEMENT

Mr. Adrian David LI Man-kiu, *MA (Cantab), MBA, LPC, JP*
Executive Director & Deputy Chief Executive

Biographical details are set out above under "*Directors*".

Mr. Brian David LI Man-bun, *MA (Cantab), MBA, FCA, JP*
Executive Director & Deputy Chief Executive

Biographical details are set out above under "*Directors*".

Mr. Samson LI Kai-cheong, *FCCA, CPA, FCIS, FCS, HKSI*
Deputy Chief Executive & Chief Investment Officer

Mr. Li, aged 54, joined BEA in 1987 as Chief Internal Auditor. He was promoted to Deputy Chief Executive & Chief Investment Officer in April 2009. Mr. Li is primarily responsible for BEA's investment activities and treasury & broking operations including treasury markets. He is also a Director of various members of the Group and a Member of various committees appointed by the Board.

Mr. Li is a Fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries & Administrators, and The Association of Chartered Certified Accountants. In addition, he is an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Hong Kong Securities and Investment Institute. Mr. Samson Li received his Professional Diploma in Accountancy from The Hong Kong Polytechnic University.

Mr. TONG Hon-shing, *BSc, ACIB, AHKIB, FCIS, FCS*
Deputy Chief Executive & Chief Operating Officer

Mr. Tong, aged 56, joined BEA in 1975. He was promoted to Assistant General Manager in 1995 and to General Manager in 2000. He was General Manager & Head of Personal Banking Division from 2001 to March 2009. He was further promoted to Deputy Chief Executive and Chief Operating Officer in April 2009. Mr. Tong is primarily responsible for strategic planning and control, operations support, compliance, human resources, and corporate communications of BEA. He is also a Director of various members of the Group and a Member of various committees appointed by the Board. Mr. Tong is a Fellow of The Hong Kong Institute of Bankers, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators as well as an Associate of The Chartered Institute of Bankers. He holds a BSc from the University of Manchester.

REGULATION AND SUPERVISION

REGULATION AND SUPERVISION IN HONG KONG

The following replaces the sub-section headed "Regulation and Supervision in Hong Kong — Principal Obligations of Licensed Banks — Capital Adequacy" under the section headed "Regulation and Supervision" included on pages 156 to 164 of the Original Offering Circular in its entirety.

Capital Adequacy

A licensed bank incorporated in Hong Kong must at all times maintain a CAR of at least 8.0%, calculated as the ratio (expressed as a percentage) of its capital base to its risk-weighted exposure as more fully described below. In relation to a licensed bank with subsidiaries, the HKMA may require the ratio to be calculated on a consolidated basis, or on both a consolidated and an unconsolidated basis, or on a consolidated basis only in respect of such subsidiaries of the licensed bank as may be specified by the HKMA. The HKMA may, after consultation with the licensed bank concerned, increase the ratio for any particular licensed bank. A licensed bank is under a duty to inform the HKMA immediately of a failure to maintain the required capital adequacy ratio and to provide the HKMA with such particulars as it may require. It is an indictable offence not to do so, and the HKMA is entitled to prescribe remedial action.

The capital base of a licensed bank is, broadly speaking but not limited to, all its paid-up capital and reserves, its profit and loss account including its current year's profit or loss, together with perpetual and term subordinated debt meeting prescribed conditions, general provisions against doubtful debts subject to certain limitations and a portion of its latent reserves arising from the revaluation of long-term holdings of specified equity securities or its reserves on the revaluation of real property.

The risk-weighted exposure is determined by:

(1) multiplying risk-weight factors to the book value of various categories of assets (including but not limited to notes and coins, Hong Kong government certificates of indebtedness and cash items in the course of collection);

(2) multiplying the credit conversion factors to various off balance sheet items (including but not limited to direct credit substitutes, transaction-related contingencies, repurchase contracts, note issuance facilities and exchange rate contracts) to determine their credit equivalent amount;

(3) aggregating the amounts determined pursuant to (1) and (2); and

(4) subtracting from the amount determined pursuant to (3) the value of general provisions not included in the capital base of the licensed bank.

The capital adequacy standards described above are commonly known as Basel II. There are four approaches under Basel II to calculate credit risks, namely the basic approach, the standardised approach, foundation internal rating based approach and the advanced internal ratings based approach. Licensed banks in Hong Kong under Basel II can choose either one out of the four approaches, with the foundation internal rating based approach and advanced internal rating based approach requiring approval from the HKMA.

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. Among other things, Basel III will increase the minimum CAR requirements in relation to risk-weighted assets, with the common equity requirement rising from 2% to 4.5% and the Tier 1 capital requirements rising from 4% to 6%. The total minimum capital requirement remains unchanged at 8%. The Basel Committee expects its member jurisdictions to begin the implementation of Basel III from 1 January 2013, with full implementation by 1 January 2019. The HKMA has taken steps to implement Basel III in Hong Kong in accordance with the timetable of the Basel Committee and to effect the first phase of Basel III implementation starting January 2013.

The Banking Ordinance was amended in 2012 to facilitate the implementation of the Basel III capital and disclosure requirements in Hong Kong. More specifically, the amendments made to the Banking Ordinance empowered the HKMA to:

(a) prescribe capital requirements for authorised institutions incorporated in Hong Kong for authorised institutions incorporated in Hong Kong or elsewhere; and

(b) issue and approve codes of practice for the purpose of providing guidance in respect of the requirements.

The Banking (Capital) (Amendment) Rules 2012 came into effect on 1 January 2013, with the requirements being phased in over six years to achieve full implementation by 1 January 2019. These include:

- the imposition of three minimum risk-weighted capital ratios, namely CET1 capital ratio, Tier 1 capital ratio and total capital ratio, with gradual phasing in of the minimum capital requirements over three years commencing 1 January 2013;

- the introduction of two capital buffers, namely the capital conservation buffers and countercyclical capital buffer, to be phased in sequentially from 1 January 2016 to 1 January 2019;

- the introduction of capital requirement for counterparty risk effect from 1 January 2013; and

- capital instruments issued on or after 1 January 2013 must meet all of the Basel III criteria to qualify as regulatory capital. Capital instruments prior to this date that no longer qualify for inclusion in capital base will be phased out during the 10-year period commencing 1 January 2013.

With effect from 30 June 2013, the Banking (Disclosure) Rules have been amended to implement Basel III capital and disclosure standards. The HKMA is currently conducting further consultation on implementing the Basel III liquidity standards.

In early 2014, the government of Hong Kong launched the initial stage of a public consultation on establishing a "resolution regime" for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. The Response Paper was published concluding the two consultations and summarising the key comments received and the authorities' responses and proposals in relation to those comments. The Response Paper also discuses certain further issues which remain under development internationally.

The proposed resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, it has been envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution, including but not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Capital Securities, and powers to amend or alter the contractual provisions of the Capital Securities. Although the resolution regime has not been formally established yet as at the date of this First Supplementary Offering Circular, Securityholders will be subject to and bound by the resolution regime once the legislative changes are effected.

OTHER SUPPLEMENTAL INFORMATION

AUTHORISATIONS

1. BEA has obtained all necessary consents, approvals and authorisations as may be required in connection with the issue and performance of the Capital Securities, including, but not limited to, approval by the HKMA. The issue of the Capital Securities was duly authorised by resolutions of the Board of Directors of BEA dated 6 November 2015.

NO MATERIAL ADVERSE CHANGE

1. Except as disclosed in this First Supplementary Offering Circular, there has been no significant change in the financial or trading position of BEA or of the Group since 30 June 2015 and no material adverse change in the financial position or prospects of BEA or of the Group since 30 June 2015.

SELLING RESTRICTIONS

1. The following shall be added after the heading "*Selling Restrictions*" under the section headed "*Subscription and Sale*" on page 175 of the Original Offering Circular.

THE CAPITAL SECURITIES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE CAPITAL SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. THE CAPITAL SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS. IN PARTICULAR, HOLDERS OF THE CAPITAL SECURITIES MAY BE REQUIRED TO ABSORB LOSSES UNDER CERTAIN CIRCUMSTANCES. INVESTING IN THE CAPITAL SECURITIES INVOLVES RISKS. SEE "*INVESTMENT CONSIDERATIONS*" IN THE ORIGINAL OFFERING CIRCULAR, AS SUPPLEMENTED AND AMENDED BY THIS FIRST SUPPLEMENTARY OFFERING CIRCULAR.

2. The following replaces sub-section headed "*Selling Restrictions — European Economic Area*" under the section headed "*Subscription and Sale*" on page 176 of the Original Offering Circular.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Capital Securities which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Capital Securities to the public in that Relevant Member State:

(a) if the final terms in relation to the Capital Securities specify that an offer of those Capital Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Capital Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Capital Securities referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Capital Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Capital Securities to be offered so as to enable an investor to decide to purchase or subscribe the Capital Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

3. The following shall be added at the end of the section headed "*Subscription and Sale*" on page 179 of the Original Offering Circular.

Belgium

Neither this Offering Circular nor any other documents or materials relating to offers or sales of the Capital Securities have been submitted to or will be submitted for approval or recognition to the Belgian Financial Services and Markets Authority and, accordingly, offers or sales of the Capital Securities may not be made in Belgium by way of a public offering, as defined in Articles 3, §1, 1° and 6 of the Belgian Law of 1 April 2007 on public takeover bids (the "**Belgian Takeover Law**") or as defined in Article 3 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (the "**Belgian Prospectus Law**"), as amended or replaced from time to time. Accordingly, offers or sales of the Capital Securities may not be advertised and will not be extended, and neither this Offering Circular nor any other documents or materials relating to offers or sales of the Capital Securities (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than (i) "qualified investors" within the meaning of Article 10 of the Belgian Prospectus Law or (ii) in any circumstances set out in Article 6, §3 and §4 of the Belgian Takeover Law. This Offering Circular has been issued only for the personal use of the above qualified investors and exclusively for the purpose of offers or sales of the Capital Securities. Accordingly, the information contained in this Offering Circular may not be used for any other purposes or disclosed to any other person in Belgium.

Luxembourg

Neither this Offering Circular nor any other offering material or information relating to offers or sales of the Capital Securities have been submitted to or approved by or will be submitted for approval to the Luxembourg Financial Sector Supervisory Authority (Commission de Surveillance du Secteur Financier) (the "**CSSF**") and offers or sales of the Capital Securities have not been approved by the

CSSF. Offers or sales of the Capital Securities are not directed, directly or indirectly, to the public in Luxembourg, and this Offering Circular and any other offering document, circular, prospectus, form of application, advertisement, communication or other material may not be distributed in Luxembourg, other than in circumstances set out in article 5(2) of the Luxembourg law of 10 July 2005 on prospectuses, as amended.

Switzerland

The Capital Securities may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Capital Securities constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland.

The British Virgin Islands

Each Manager has represented, warranted and agreed that with respect to offers or sales of the Capital Securities, that it has not and will not make any invitation to the public in the British Virgin Islands to purchase the Capital Securities and the Capital Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Capital Securities to any person in the British Virgin Islands.

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