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 The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc (together, the "**Joint Lead Managers and Joint Bookrunners**"), Oversea-Chinese Banking Corporation Limited, SMBC Nikko Capital Markets Limited (together, the "**Joint Lead Managers**") and Nomura International plc (the "**Co-Manager**" and together with the Joint Lead Managers and Joint Bookrunners and the Joint Lead Managers, 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.

BEA 東亞銀行

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

(incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

U.S.$500,000,000 4.00 per cent. Tier 2 Capital Dated Subordinated Notes due 2026

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.$500,000,000 4.00 per cent. Tier 2 Capital Dated Subordinated Notes due 2026 (the "**Notes**") 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 NOTES ARE COMPLEX FINANCIAL INSTRUMENTS AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS. IN PARTICULAR, HOLDERS OF THE NOTES MAY BE REQUIRED TO ABSORB LOSSES UNDER CERTAIN CIRCUMSTANCES. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE NOTES UNLESS IT HAS THE KNOWLEDGE AND EXPERTISE TO EVALUATE HOW THE NOTES WILL PERFORM UNDER CHANGING CONDITIONS, THE RESULTING EFFECTS ON THE LIKELIHOOD OF A WRITE-OFF (AS DEFINED IN THE TERMS AND CONDITIONS OF THE NOTES) AND THE VALUE OF THE NOTES, AND THE IMPACT THIS INVESTMENT WILL HAVE ON THE POTENTIAL INVESTOR'S OVERALL INVESTMENT PORTFOLIO. INVESTING IN THE NOTES INVOLVES RISKS. SEE "*INVESTMENT CONSIDERATIONS*" IN THE ORIGINAL OFFERING CIRCULAR, AS SUPPLEMENTED AND AMENDED BY THIS FIRST SUPPLEMENTARY OFFERING CIRCULAR.

The aggregate principal amount of the Notes, interest payable in respect of the Notes, the issue price of the Notes and any other terms and conditions applicable to the Notes are set out in the pricing supplement for the Notes. The Issuer can redeem the Notes in certain circumstances as described in the Conditions (subject, if required, to consent thereto having been obtained from the HKMA).

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the giving by it of a Non-Viability Event Notice (as defined in the Conditions), irrevocably (without the need for the consent of the holders of the Notes) reduce the then prevailing principal amount and cancel any accrued but unpaid interest of each Note (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 Note. Once any principal amount of, and any accrued but unpaid distribution under, the Notes 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 Noteholder may exercise, claim or plead any right to any amount that has been Written-off, and each Noteholder shall, by virtue of his holding of any Notes, be deemed to have waived all such rights to such amount that has been Written-off.

Noteholders could risk losing up to the full principal amount of the Notes, as well as the cancellation of any accrued (and unpaid) interest, without receiving any compensation for such loss or cancellation.

Application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK**") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only. This First Supplementary Offering Circular is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

SEHK has not reviewed the contents of this First Supplementary Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this First Supplementary Offering Circular to Professional Investors only have been reproduced in this First Supplementary Offering Circular. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or quality of disclosure in this First Supplementary Offering Circular. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this First Supplementary 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 First Supplementary Offering Circular.

The Notes 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 SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

The Notes 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 Notes 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 Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*" in the Original Offering Circular.

Standard & Poor's Rating Services ("**S&P**"), a division of the McGraw-Hill companies, is expected to rate the Notes "BBB-". 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

HSBC **J.P. Morgan**

Joint Lead Managers

OCBC Bank **SMBC Nikko**

Co-Manager

Nomura

The date of this First Supplementary Offering Circular is 27 October 2016

IMPORTANT NOTICE

The Hong Kong Exchanges and Clearing Limited ("**HKEx**") and 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 Stock Exchange of Hong Kong Limited (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 Notes 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 Notes, 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 Notes. 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 Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc (together, the "**Joint Lead Managers and Joint Bookrunners**"), Oversea-Chinese Banking Corporation Limited, SMBC Nikko Capital Markets Limited (together, the "**Joint Lead Managers**") and Nomura International plc (the "**Co-Manager**" and together with the Joint Lead Managers and Joint Bookrunners and the Joint Lead Managers, the "**Managers**"), DB Trustees (Hong Kong) Limited as trustee for the holders of the Notes (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 Notes described in this First Supplementary Offering Circular. The distribution of this First Supplementary Offering Circular and the offering or sale of the Notes 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 Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes 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 Notes and on distribution of the Offering Circular, see "*Subscription and Sale*" in the Original Offering Circular.

The Notes 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 Notes and distribution of the Offering Circular, see "*Subscription and Sale*" in the Original Offering Circular.

THE NOTES 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 NOTES 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 officers, directors, employees, representatives, affiliates or advisers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective officers, 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 Notes. Each Manager, the Trustee and each Agent and their respective officers, 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 officers, 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 Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in the Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Managers, the Trustee or the Agents or any of their respective officers, 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 Notes 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 Notes and be allocated Notes 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 Notes being offered, including the merits and risks involved. The Issuer does not and the Managers, the Trustee and the Agents and their respective officers, 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 Notes 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 Notes. 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, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE "STABILISING MANAGER") OR ANY PERSON ACTING FOR THE STABILISING MANAGER MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES 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 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**"), (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 2015 (the "**2015 Financial Statements**") appearing on pages 140 to 287 of the 2015 annual report published by BEA on 15 March 2016 (the "**2015 Annual Report**"), (c) consolidated interim financial information of the Group for the six months ended 30 June 2016 (the "**2016 Interims**") appearing in the 2016 interim report published by BEA on 12 September 2016 (the "**2016 Interim Report**") and (d) 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**"), shall be deemed to be incorporated in, and form part of, the Offering Circular. Copies of the 2014 Annual Report, the 2015 Annual Report, the 2015 Interim Report and the 2016 Interim Report may be obtained from BEA's website at http://www.hkbea.com and the website of HKEx at http://www.hkexnews.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 Notes.

Any documents themselves incorporated by reference in the 2014 Financial Statements, the 2015 Financial Statements, the 2015 Interims and the 2016 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 2014 Financial Statements and the 2015 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 2014 and 2015 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 2014 and 2015 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 Notes, please refer to "Terms and Conditions of the Notes". Terms used in this summary and not otherwise defined shall have the meanings given to them in the "Terms and Conditions of the Notes".

Issuer.	The Bank of East Asia, Limited 東亞銀行有限公司
Description	U.S.$500,000,000 4.00 per cent. Tier 2 Capital Dated Subordinated Notes (the "**Notes**").
Joint Lead Managers and Joint Bookrunners	The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities plc
Joint Lead Managers	Oversea-Chinese Banking Corporation Limited SMBC Nikko Capital Markets Limited
Co-Manager	Nomura International plc
Issue Date	3 November 2016.
Maturity Date	3 November 2026.
Status of the Dated Subordinated Notes and Set-off	The Notes issued by the Issuer will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves. The rights of the holders of the Dated Subordinated Notes will, in the event of the Winding-Up of the Issuer, be subordinated in right of payment in the manner provided in Condition 3 and the Trust Deed, all as further described in Conditions 3(b) and 3(c).
Subordination and Set-off in respect of Dated Subordinated Notes	See "*Terms and Conditions of the Notes — Subordination of Dated Subordinated Notes*" and "*Terms and Conditions of the Notes — Set-off in respect of Dated Subordinated Notes*" as set out in the Original Offering Circular.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Interest Rate	The Notes confer a right to receive a fixed rate of interest in respect of the Interest Periods: (a) from, and including, the Issue Date to, but excluding, the Call Date, 4.00 per cent. per annum payable semi-annually in arrear; and (b) from, and including, the Call Date to, but excluding, the Maturity Date, a fixed amount determined pursuant to item 16(i) of the Pricing Supplement,

subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 6(i).

Events of Default. . . . . See "*Terms and Conditions of the Notes — Events of Default*" as set out in the Original Offering Circular.

Loss Absorption upon a Non-Viability Event in respect of Dated Subordinated Notes . . The Loss Absorption Option shall be a Write-off in accordance with Condition 6(i) for Dated Subordinated Notes.

"**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 interest under, the Notes 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 Noteholder may exercise, claim or plead any right to any amount that has been Written-off, and each Noteholder shall, by virtue of his holding of any Notes, 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 Notes, including without limitation Condition 6(i), or any other agreement or arrangement, each Noteholder 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 interest on, the Notes;

(b) the conversion of all or a part of the principal amount of, or interest on, the Notes 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 Notes; and

(c) the amendment or alteration of the maturity of the Notes or amendment or alteration of the amount of interest payable on the Notes, or the date on which interest becomes 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 interest shall include payments of principal and interest 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 Noteholders and the Trustee under the Notes 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 Notes or payment of interest on the Notes 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 Notes, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Bail-in Power to the Noteholders in accordance with Condition 16 and to the Trustee in writing.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or interest on the Notes, 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 Dated Subordinated Notes shall constitute an Event of Default under Condition 10(a).

The Financial Institutions (Resolution) Ordinance (the ***Ordinance****) was passed by the Legislative Council of Hong Kong and published in the gazette of the Hong Kong Special Administrative Region Government (the HKSAR Government) in June 2016. The Ordinance has yet to become effective and will commence operation on a date to be appointed by the Secretary for Financial Services and the Treasury of the HKSAR Government pending the Legislative Councils passing of certain of the regulations to be made as subsidiary legislation under the Ordinance. It is expected that all licensed banks in Hong Kong will be subject to such legislation when passed.*

Early Redemption for Taxation Reasons	The Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons. See "*Terms and Conditions of the Notes — Redemption, Purchase, Options and Non-Viability Event in respect of Dated Subordinated Notes*" as set out in the Original Offering Circular. The Notes may only be redeemed prior to their stated maturity date with the consent of the Monetary Authority, if such consent is required.
Redemption for Regulatory Reasons	Subject to Condition 6(j), the Notes 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 Noteholders (which notice shall be irrevocable) if for the purposes of the Banking Ordinance, or any successor legislation or regulations made thereunder, the Notes, after having qualified as such, will no longer qualify, in whole but not in part, as Tier 2 Capital Instruments (or equivalent) of the Issuer (other than non-qualification solely as a result of any discounting or amortisation requirements as to the eligibility of the Notes for such inclusion pursuant to the relevant legislation and statutory guidelines in force as at the Issue Date) (a "**Regulatory Redemption Event**"). See "*Terms and Conditions of the Notes — Redemption, Purchase, Options and Non-Viability Event in respect of Dated Subordinated Notes — Redemption for Dated Subordinated Notes upon occurrence of a Regulatory Redemption Event*" as set out in the Original Offering Circular for further information.

Redemption at the Option of the Issuer	The Issuer may redeem all, but not some only, of the Notes then outstanding on the Call Date, at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, as further described in "*Terms and Conditions of the Notes — Redemption, Purchase, Options and Non-Viability Event in respect of Dated Subordinated Notes — Redemption at the Option of the Issuer*" as set out in the Original Offering Circular.
Call Date	3 November 2021, subject to prior written consent of the Monetary Authority (the "**Call Date**").
Withholding Taxation..........	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Hong Kong, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes — Taxation*" as set out in the Original Offering Circular.
Governing Law	English law, except that the provisions relating to subordination shall be governed by, and construed in accordance with, Hong Kong law.
Rating	The Notes are expected to be assigned a rating of BBB- by S&P. The rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P.
Clearing Systems	Euroclear and Clearstream, Luxembourg.
Use of proceeds	Refinancing the Issuer's U.S.$500,000,000 6.375 per cent. Subordinated Notes due 2022 and/or for general corporate purposes (i.e. meeting the general funding needs of the Issuer).
Listing.....................	Application will be made to SEHK for the listing of the Notes by way of debt issues to Professional Investors only.
Capital Treatment of the Dated Subordinated Notes..........	It is intended that the Notes will qualify in full as Tier 2 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 Notes. 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 Notes. 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 Notes.

The following 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 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 3.1% in 2013, 2.7% in 2014 and 2.4% in 2015 (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. 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.

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 not only from state-owned commercial banks, joint-stock commercial banks and city commercial banks, but also from foreign commercial banks whose geographical presence, customer base and business scope have become less restrictive following the opening up of the banking sector in Mainland China. 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 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 the Financial Institution Business Permit from CBRC on 20 March 2007 and the business licence from the State Administration for Industry and Commerce on 29 March 2007 as a locally-incorporated bank. BEA (China) 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 M&A.

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:

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

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

- the Group may have difficulties in recruiting experienced professionals or qualified personnel to offer new products and services, due to keen competition in the labour market; and

- the Group's may not be able to enhance its 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 Greater China Market (excluding Hong Kong)

As at 17 October 2016, BEA's wholly-owned subsidiary, BEA (China), headquartered in Shanghai, operated 30 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, Nanning and Nanchang as well as 90 sub-branches (including 16 cross-location sub-branches in Guangdong province established under the liberalisation measures of Supplement VI to the CEPA). In addition to the BEA (China) network, BEA operated a rural bank in Fuping County, Weinan City in Shaanxi province as at 17 October 2016. As at 17 October 2016, BEA also maintained two outlets in Taiwan (including a Taiwan Offshore Banking Branch in Taipei), and one branch and three sub-branches in Macau.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, advances to customers made by the Group's operations in Mainland China, Taiwan and Macau collectively amounted to HK$156,479 million, HK$163,915 million, HK$162,115 million and HK$157,932 million, respectively, representing approximately 38.6%, 37.0%, 36.7% and 35.2%, 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 2013, 2014 and 2015 and 30 June 2016, impairment loan ratio of the Group's advances in Mainland China was approximately 0.5%, 1.3%, 2.4% and 2.6%, respectively. The increase in the impairment loan ratio of the Group's advances in Mainland China from 31 December 2014 to 30 June 2016 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 2016, the Group's property related loans amounted to HK$63,703 million, representing approximately 14.2% of the Group's total loan portfolio.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, home mortgage advances (including advances under the Government Home Ownership Scheme ("**GHOS**"), Private Sector Participation Scheme ("**PSPS**") and Tenants Purchase Scheme ("**TPS**")) in Hong Kong represented one of the most significant segments of the Group's total advances to customers, which amounted to HK$29,633 million, HK$34,110 million, HK$41,855 million and HK$41,949 million, respectively, which accounted for approximately 7.3%, 7.7%, 9.5% and 9.3%, respectively, of the Group's total advances to customers. In particular, advances under GHOS, PSPS and TPS accounted for HK$1,096 million, HK$1,058 million, HK$1,050 million and HK$1,033 million, respectively, or approximately 0.3%, 0.2%, 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$51,317 million, HK$56,083 million, HK$54,899 million and HK$55,055 million, which accounted for approximately 12.7%, 12.7%, 12.4% and 12.3%, 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.

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 2013, 2014 and 2015 and 30 June 2016, approximately 75.6%, 79.0%, 78.1% and 73.7%, 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 2013 to 30 June 2016, the Group's total deposit funds decreased from HK$577,900 million to HK$559,899 million, and the Group's customer deposits decreased from HK$534,971 million to HK$528,149 million. 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 maintain or grow its customer deposits to support its 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 2016, 15.9% 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 2013, 2014 and 2015, the Group's net interest income represented approximately 71.1%, 69.5% and 69.9%, respectively, of its operating income. For the six months ended 30 June 2015 and 2016, the Group's net interest income from continuing operations represented approximately 76.3% and 76.9%, respectively, of its operating income from continuing operations. 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 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 were approximately 1.92%, 1.78%, 1.66%, 1.71% and 1.59%, 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 2013, 2014 and 2015 and 30 June 2016, the Group held a substantial part of its spot assets in U.S. dollars amounting to HK$168,307 million, HK$192,783 million, HK$167,551 million and HK$187,838 million, respectively, and Renminbi amounting to HK$400,338 million, HK$398,802 million, HK$301,093 million and HK$273,865 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 2013, 2014 and 2015 and 30 June 2016, at least 70% of the Group's advances were secured by collateral and the average loan-to-value ratio was approximately 71.1%, 73.6%, 72.4% and 71.8%, 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 Investors Service, Inc. As at 30 June 2016, the Group had a total investment in debt securities of HK$121,157 million, of which approximately 6% were rated Aaa, approximately 21% were rated between Aa1 to Aa3, approximately 33% were rated between A1 to A3, approximately 26% were rated lower than A3 and approximately 14% 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 resulting from inadequate or failed internal processes, people and systems or from external events, 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), unintentional or negligent failure to meet professional obligation to specific clients (including fiduciary and suitability requirements), 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 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 2019.

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 discussed in the 2016 Interim Report.

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 Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and its subsidiary legislations regulate the offering and sales of securities products as defined under Schedule 1 of the SFO. In addition to the subsidiary legislations, the HKMA has been introducing additional measures on sales of investment products, including non-SFO regulated investment products, for the banking industry in Hong Kong to observe.

Among others, the HKMA issued several circulars in relation to the selling of investment products, which further clarified and enhanced the product due diligence process, product disclosure to customers and suitability assessment. With regards to the investment products with relatively higher risk (such as accumulators and high yield or complex bonds), the HKMA also specified the regulatory standards for selling these products.

Separately, the SFC has been revising their Code of Conduct for Persons Licensed by or Registered with the SFC (the "**Code**") for meriting greater protection to investors, including the reform of Professional Investor Regime in March 2016 that dis-applying most of the previous exemptions under the Code to the Individual Professional Investors, and to add a new clause into client agreement for making the intermediary's suitability obligation towards its customers as a contractual term by June 2017.

Going forward, it is foreseeable that there would be further reinforcements and more stringent requirements on the regulations, particularly those in relation to suitability of selling investment and insurance products and fairness and transparency of providing banking products and services to customers. 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 customer 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. In 2016, a number of cases of the Zika virus were reported in Singapore.

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), Middle East respiratory syndrome or Zika Virus 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 Notes in the secondary market.

The following replaces the sub-section headed "Considerations relating to Dated Subordinated Notes" under the section headed "Investment Considerations" included on pages 39 to 42 of the Original Offering Circular in its entirety.

CONSIDERATIONS RELATING TO DATED SUBORDINATED NOTES

Limited rights of enforcement and subordination of the Dated Subordinated Notes could impair an investor's ability to enforce its rights or realise any claims on the Dated Subordinated Notes

In most circumstances, the sole remedy against the Issuer available to the Trustee (on behalf of the holders of Dated Subordinated Notes) to recover any amounts owing in respect of the principal of or interest on the Dated Subordinated Notes will be to institute proceedings for the winding-up of the Issuer in Hong Kong. See "*Terms and Conditions of the Notes— Events of Default*".

If the Issuer defaults on the payment of principal or interest on the Dated Subordinated Notes, the Trustee will only institute a proceeding in Hong Kong for the winding-up of the Issuer if it is so contractually obliged. The Trustee will have no right to accelerate payment of the Dated Subordinated Notes in the case of default in payment or failure to perform a covenant except as they may be so permitted in the Trust Deed.

The Dated Subordinated Notes will be direct, unsecured and subordinated obligations of the Issuer and will rank junior in priority to the claims of the relevant Senior Noteholders. Upon the occurrence of any winding-up proceeding, the rights of the holders of the relevant Dated Subordinated Notes to payments on such Dated Subordinated Notes will be subordinated in right of payment to the prior payment in full of all deposits and other liabilities of the Issuer except those liabilities which rank equally with or junior to the relevant Dated Subordinated Notes. In a winding-up proceeding, the holders of the relevant Dated Subordinated Notes may recover less than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer. As there is no precedent for a winding-up of a major financial institution in Hong Kong, there is uncertainty as to the manner in which such a proceeding would occur and the results thereof. Although Dated Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a risk that an investor in Dated Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

In addition, payments of principal and interest in respect of the Dated Subordinated Notes are conditional upon the Issuer being solvent. No such principal or interest will be payable in respect of Dated Subordinated Notes except to the extent that the Issuer could make such payment in whole or in part and still be solvent immediately thereafter. See Condition 3 of "*Terms and Conditions of the Notes*" for a full description of subordination and the payment obligations of the Issuer under the Dated Subordinated Notes.

Any suspension of payments under the Dated Subordinated Notes will likely have an adverse effect on the market price of the Dated Subordinated Notes. In addition, as a result of the conditional payment provisions of the Dated Subordinated Notes, the market price of the Dated Subordinated Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The terms of Dated Subordinated Notes may contain non-viability loss absorption provisions

To the extent that a series of Dated Subordinated Notes contains provisions relating to loss absorption upon the occurrence of a Non-Viability Event of the Issuer as determined by the Relevant Authority, the Issuer may be required, subject to the terms of the relevant series of Dated Subordinated Notes, irrevocably (without the need for the consent of the holders of such Dated Subordinated Notes) to effect either a full write-off of the outstanding principal and accrued and unpaid interest in respect of such Dated Subordinated Notes, or a conversion of such Dated Subordinated Notes into the ordinary shares of the Issuer. To the extent relevant in the event that Dated Subordinated Notes are written off, any written-off amount shall be irrevocably lost and holders of such Dated Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write-off. In the event that Dated Subordinated Notes feature a conversion to the ordinary shares of the Issuer upon the occurrence of a Non-Viability Event, holders would not be entitled to any reconversion of ordinary shares to Dated Subordinated Notes.

The occurrence of a Non-Viability Event may be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control

The occurrence of a Non-Viability Event is dependent on a determination by the Relevant Authority (a) that a write-off, without which the Issuer would become non-viable, is necessary; or (b) a decision has been made to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. As a result, the Relevant Authority may require or may cause a write-off in circumstances that are beyond the control of the Issuer and the Group and with which neither the Issuer nor the Group agree. Because of the inherent uncertainty regarding the determination of whether a Non-Viability Event exists, it will be difficult to predict when, if at all, a write-off will occur. Accordingly, the trading behaviour in respect of Dated Subordinated Notes which have the non-viability loss absorption feature is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that the Issuer is trending towards a Non-Viability Event could have a material adverse effect on the market price of the relevant Dated Subordinated Notes.

Potential investors should consider the risk that a holder of Dated Subordinated Notes which have the non-viability loss absorption feature may lose all of their investment in such Dated Subordinated Notes, including the principal amount plus any accrued but unpaid interest, in the event that a Non-Viability Event occurs.

There is no assurance that any contractual provisions with non-viability loss absorption features, to the extent applicable, will be sufficient to satisfy the Basel III-compliant requirements that the Relevant Authorities may implement in the future. There is a risk that any Relevant Authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the Basel Committee.

The Dated Subordinated Notes may be subject to a full or partial Write-off

Investors may lose the entire amount of their investment in any Dated Subordinated Notes in which Write-off (as defined in the Terms and Conditions of the Notes) upon the occurrence of a Non-Viability Event is specified, which will lead to a full or partial Write-off. Upon the occurrence of a Write-off, the principal amount and any accrued but unpaid interest of such Dated Subordinated Notes will automatically be written down and if there is a full Write-off, the principal amount and any accrued but unpaid interest may be written down completely and such Dated Subordinated Notes will be automatically cancelled.

In addition, the subordination and set off provisions set out in Condition 3 are effective only upon the occurrence of any winding-up proceedings of the Issuer. In the event that a Non-Viability Event occurs the rights of holders of Dated Subordinated Notes and the Receipts and Coupons relating to them shall be subject to Condition 6. This may not result in the same outcome for Dated Subordinated Noteholders as would otherwise occur under Condition 3 upon the occurrence of any winding-up proceedings of the Issuer.

Furthermore, upon the occurrence of a Write-off of any Dated Subordinated Notes, interest will cease to accrue and all interest amounts that were not due and payable prior to the Write-off shall become null and void. Consequently, Noteholders will not be entitled to receive any interest that has accrued on such Dated Subordinated Notes from (and including) the last Interest Payment Date falling on or prior to the Non-Viability Event Notice.

Any such Write-off will be irrevocable and the Noteholders will, upon the occurrence of a Write-off, not receive any shares or other participation rights of the Issuer or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Issuer or any other member of the Group, or be entitled to any subsequent write-up or any other compensation in the event of a potential recovery of the Issuer or the Group.

Tax treatment of Dated Subordinated Notes that contain non-viability loss absorption provisions is unclear

It is not clear whether any particular tranche of the Dated Subordinated Notes which contains non-viability loss absorption provisions will be regarded as deposits for the purposes of the Inland Revenue Ordinance (Cap. 112) of Hong Kong and whether the exemption for deposits (as set out in "*Taxation — Hong Kong — Profits Tax*") would apply to such tranche of the Dated Subordinated Notes.

If any tranche of the Dated Subordinated Notes is not regarded as a deposit for the purposes of the Inland Revenue Ordinance (Cap. 112) of Hong Kong and/or holders thereof are not eligible for the tax exemption under such regime, the tax treatment to holders may differ. Investors and holders of any tranche of the Dated Subordinated Notes should consult their own accounting and tax advisers regarding the Hong Kong income tax consequences of their acquisition, holding and disposal of such tranche of the Dated Subordinated Notes.

Upon the occurrence of a Non-Viability Event, clearance and settlement of the Notes will be suspended and there may be a delay in updating the records of the relevant clearing system to reflect the amount written-off

Following the receipt of a Non-Viability Event Notice, all clearance and settlement of the Notes will be suspended. As a result, Noteholders will not be able to settle the transfer of any Notes from the commencement of the Suspension Period (as defined herein), and any sale or other transfer of the Notes that a holder may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by the relevant clearing system and will not be settled within the relevant clearing systems.

While a Tranche of Dated Subordinated Notes that contains non-viability loss absorption provisions is represented by one or more Global Notes or Global Certificates and a Non-Viability Event occurs, the records of Euroclear and Clearstream, Luxembourg or any other clearing system (other than the CMU) in respect of their respective participants' position held in such Tranche of Dated Subordinated Notes may not be immediately updated to reflect the amount to be written-off (where applicable) and may continue to reflect the nominal amount of such Dated Subordinated Notes prior to the Write-off as being outstanding, for a period of time. The update process of the relevant clearing system may only be completed after the date on which the Write-off is scheduled. Notwithstanding such delay, holders of such Dated Subordinated Notes may lose the entire value of their investment in such Dated Subordinated Notes on the date on which the Write-off occurs. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices and other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Global Bond or Global Certificate will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Regulations on non-viability loss absorption are new, untested and subject to interpretation and application by regulations in Hong Kong

The regulations on non-viability loss absorption are new and untested, and will be subject to the interpretation and application by the Relevant Authority. It is uncertain how the Relevant Authority would determine the occurrence of a Non-Viability Event, and it is possible that the grounds that constitute Non-Viability Events may change (including that additional grounds are introduced). Accordingly, the operation of any such future legislation may have an adverse effect on the position of holders of any Dated Subordinated Notes.

A potential investor should not invest in the Dated Subordinated Notes unless it has the knowledge and expertise to evaluate how the Dated Subordinated Notes will perform under changing conditions, the resulting effects on the likelihood of a Write-off and the value of the Dated Subordinated Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular.

The establishment of a resolution regime in Hong Kong may override the contractual terms of the Dated Subordinated Notes

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 discusses certain further issues which remain under development internationally. On 22 June 2016, the Financial Institutions (Resolution) Bill was passed by the Legislative Council of Hong Kong and enacted as the Financial Institutions (Resolution) Ordinance (No. 23 of 2016) on 30 June 2016 but has not yet commenced operation as at the date of this Offering Circular. The Financial Institutions (Resolution) Ordinance will come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury of the Hong Kong Special Administrative Region Government by notice published in the Hong Kong Government Gazette.

The 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 Dated Subordinated Notes, and powers to amend or alter the contractual provisions of the Dated Subordinated Notes. Although the Financial Institutions (Resolution) Ordinance has not commenced operation as at the date of this Offering Circular, Noteholders will be subject to and bound by the Financial Institutions (Resolution) Ordinance once it comes into operation.

PRICING SUPPLEMENT

27 October 2016

Pricing Supplement

The Bank of East Asia, Limited
Issue of U.S.$500,000,000 4.00 per cent. Tier 2 Capital Dated Subordinated Notes due 2026
under
the U.S.$6,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 16 June 2014 (the "**Base Offering Circular**") as supplemented by the First Supplementary Offering Circular dated 27 October 2016 (the "**Supplementary Offering Circular**" and, together with the Base Offering Circular, the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement.

Application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK"**) for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong) (together, ''**Professional Investors''**) only. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors**.

SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document 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.

1	**Issuer:**	The Bank of East Asia, Limited
2	**(i) Series Number:**	127
	(ii) Tranche Number:	1
3	**Specified Currency or Currencies:**	U.S. dollars ("**U.S.$**")

4	**Aggregate Nominal Amount:**	U.S.$500,000,000
5	**(i) Issue Price:**	99.838 per cent. of the Aggregate Nominal Amount.
	(ii) Estimated net proceeds:	U.S.$498,440,000
	(iii) Use of proceeds:	Refinancing the Issuer's U.S.$500,000,000 6.375 per cent. Subordinated Notes due 2022 and/or for general corporate purposes (i.e. meeting the general funding needs of the Issuer)
6	**(i) Specified Denominations:**	U.S.$200,000 and, in excess thereof, integral multiples of U.S.$1,000
	(ii) Calculation Amount	U.S.$1,000, subject to adjustment following the occurrence of a Non-Viability Event
7	**(i) Issue Date:**	3 November 2016
	(ii) Interest Commencement Date	Issue Date
8	**Maturity Date:**	3 November 2026
9	**Interest Basis:**	Fixed Rate (further particulars specified below)
10	**Redemption/Payment Basis:**	Redemption at par
11	**Change of Interest or Redemption/Payment Basis:**	Not Applicable
12	**Put/Call Options:**	Issuer call (further particulars specified below)
13	**Status of the Notes:**	Dated Subordinated
14	**Listing and admission to trading:**	The Stock Exchange of Hong Kong Limited on or about 4 November 2016.
15	**Method of distribution:**	Syndicated

PROVISION RELATING TO INTEREST (IF ANY) PAYABLE

16	**Fixed Rate Note Provisions:**	Applicable
	(i) Rate(s) of Interest:	In respect of the Interest Periods from and including the Issue Date to but excluding 3 November 2021 (the "**Call Date**"), 4.00 per cent. per annum payable semi-annually in arrear. In respect of the Interest Periods from and including the Call Date to, but excluding the Maturity Date, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate and (b) the Spread, payable semi-annually in arrear.

For the purposes of this Condition:

"**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 the Calculation Business Day preceding the Call Date.

"**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 the Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

"**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 the 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 10.00 p.m. New York City time, on such Calculation Date.

"**Spread**" means 2.70 per cent. per annum, which is calculated as:

(A) 4.036 per cent. per annum (being the yield on the Notes at the date of this Pricing Supplement); minus

(B) 1.336 per cent.

For information purposes only, (B) is the rate in per cent. per annum equal to the yield on U.S. Treasury securities having a maturity of five years as on 27 October 2016.

"**U.S. Treasury Rate**" means the rate in percentage per annum notified by the Calculation Agent to the Issuer and the Noteholders (in accordance with Condition 16 (*Notices*)) 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 6.00 p.m. (New York time) on the Calculation Date. If such page (or any successor page or service does not display the relevant yield at 6.00 p.m. (New York time) on the Calculation 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. The U.S. Treasury Rate will be calculated on the Calculation Date and, if such U.S. Treasury rate is negative, it will be deemed zero.

(ii) Interest Payment Date(s): 3 May and 3 November in each year with the first Interest Payment Date being 3 May 2017

(iii) Fixed Coupon Amount(s): In respect of the Interest Periods from and including the Issue Date to but excluding the Call Date, U.S.$20 per Calculation Amount;

In respect of the Interest Periods from and including the Call Date to, but excluding the Maturity Date, a fixed amount per Calculation Amount equal to the product of:

(A) the Rate of Interest determined pursuant to Item 16(i) of this Pricing Supplement;

(B) the Calculation Amount; and

(C) 0.5,

in each case subject to adjustment following the occurrence of a Non-Viability Event.

(iv) Broken Amount(s): Not Applicable

	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes	Not Applicable
17	**Floating Rate Note Provisions**	Not Applicable
18	**Zero Coupon Note Provisions**	Not Applicable
19	**Index-Linked Interest Note Provisions**	Not Applicable
20	**Dual Currency Note Provisions**	Not Applicable

PROVISIONS RELATION TO REDEMPTION

21	**Call Option**	Applicable
	(i) Optional Redemption Date(s):	3 November 2021, subject to prior written consent of the Monetary Authority
	(ii) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s):	U.S.$1,000 per Calculation Amount, subject to adjustment following the occurrence of a Non-Viability Event
	(iii) If redeemable in part:	Not Applicable
	(iv) Notice period:	As set out in Condition 6(d)
22	**Put Option**	Not Applicable
23	**Final Redemption Amount of each Note**	U.S.$1,000 per Calculation Amount, subject to adjustment following the occurrence of a Non-Viability Event
24	**Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):**	U.S.$1,000 per Calculation Amount, subject to adjustment following the occurrence of a Non-Viability Event

25 Redemption for Dated Subordinated Notes upon occurrence of a Regulatory Redemption Event

Applicable.

The following shall replace and supersede Condition 6(j):

Subject to Condition 6(i), the Dated Subordinated Notes 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 Noteholders (which notice shall be irrevocable) if, for the purposes of the Banking Ordinance, or any successor legislation or regulations made thereunder, the Dated Subordinated Notes, after having qualified as such, will no longer qualify, in whole but not in part, as Tier 2 Capital Instruments (or equivalent) of the Issuer (other than non-qualification solely as a result of any discounting or amortisation requirements as to the eligibility of the Dated Subordinated Notes for such inclusion pursuant to the relevant legislation and statutory guidelines in force as at the Issue Date) (a "**Regulatory Redemption Event**"), 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 Regulatory Redemption Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 6(j), 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 the conditions precedent to the right of the Issuer to redeem have occurred;

(B) an opinion of independent legal advisers of recognised standing in a form and content satisfactory to the Trustee and to the effect that a Regulatory Redemption Event has occurred; and

(C) 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 this Condition 6(j), in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6(j) will be redeemed at the Early Redemption Amount, with interest accrued to (but excluding) the date fixed for redemption.

PROVISIONS RELATING TO LOSS ABSORPTION

26	**Loss Absorption Option**	Applicable – Write-off on a Non-Viability Event As set out in Condition 6(i)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27	**Form of Notes:**	Registered Notes Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note
28	**Financial Centre(s) or other special provisions relating to Payment Dates:**	Not Applicable
29	**Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):**	Not Applicable
30	**Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:**	Not Applicable
31	**Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:**	Not Applicable
32	**Redenomination, renominalization and reconventioning provisions:**	Not Applicable
33	**Consolidation provisions:**	Not Applicable
34	**Other terms or special conditions:**	Not Applicable

DISTRIBUTION

35		
	(i) If syndicated, names of Managers:	The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities plc Oversea-Chinese Banking Corporation Limited SMBC Nikko Capital Markets Limited Nomura International plc
	(ii) Stabilising manager (if any):	The Hongkong and Shanghai Banking Corporation Limited
36	**If non-syndicated, name of Dealer:**	Not Applicable
37	**U.S. selling restrictions:**	Reg, S Category 2; TEFRA Not Applicable

38	**Additional selling restrictions:**	Not Applicable

OPERATIONAL INFORMATION

39	**ISIN Code:**	XS1508842256
40	**Common Code:**	150884225
41	**CMU Instrument Number:**	Not Applicable
42	**CUSIP Number:**	Not Applicable
43	**Any clearing system(s) other than Euroclear Bank, Clearstream, Luxembourg and the CMU and the relevant identification number(s):**	Not Applicable
44	**Delivery:**	Delivery against payment
45	**Names and addresses of additional Paying Agent(s) (if any):**	Not Applicable

GENERAL

46	**The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):**	Not Applicable
47	**In the case of Registered Notes, specify the location of the office of the Registrar if other than Luxembourg:**	Deutsche Bank Luxembourg S.A. 2, Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
48	**In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than Dublin, Ireland:**	Not Applicable
49	**Ratings:**	The Notes to be issued have been rated: Standard & Poor's Rating Services, a division of the McGraw-Hill Companies: BBB-
50	**Additional disclosure:**	The First Supplemental Offering Circular contains additional disclosure which, for the purposes of the Notes only, should be read and construed in conjunction with this Pricing Supplement and the Base Offering Circular.
51	**Additional amendments to the Conditions:**	The following amendments shall be made to the Conditions: (a) All references in the Conditions to "Authorised Institution" shall be replaced with "**Authorized Institution**" which shall have the meaning given to that term in the Banking Ordinance.

(b) "**Banking (Capital) Rules**" means the Banking (Capital) Rules (Cap.155L), or any successor legislation, or any supervisory guidance issued by the Monetary Authority.

(c) All references in the Conditions to "HKMA" shall be replaced with "**Monetary Authority**".

(d) All references in the Conditions to "**Share**" shall mean the ordinary share capital of the Issuer.

(e) The definition of "Parity Obligation" shall be replaced with the following:

"**Parity Obligation**" means any instrument or other obligation, present or future, issued (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 Dated Subordinated Notes due 2024 issued by the Issuer) or entered into by the Issuer that constitutes or qualifies as a Tier 2 Capital Instrument (or its equivalent) under applicable Capital Regulations or that ranks or is expressed to rank *pari passu* with the Dated Subordinated Notes by operation of law or contract.

(f) The definition of "Tier 1 Capital Instruments" shall be replaced with the following:

"**Tier 1 Capital Instruments**" means any security issued by the Issuer that constitutes Tier 1 capital of:

(i) the Issuer, on an unconsolidated basis; or

(ii) the Issuer Group, on a consolidated basis,

pursuant to the relevant requirements set out in the Banking (Capital) Rules. For the avoidance of doubt, Tier 1 Capital Instruments does not include Shares.

(g) The definition of "Tier 2 Capital Instruments" shall be replaced with the following:

"**Tier 2 Capital Instruments**" means any security issued by the Issuer that constitutes Tier 2 capital of:

(i) the Issuer, on an unconsolidated basis; or

(ii) the Issuer Group, on a consolidated basis,

pursuant to the relevant requirements set out in the Banking (Capital) Rules.

(h) The following shall be added as a new Condition 3(c)(iii)(C):

"(C) creditors in respect of the 500,000 Units comprising Step-Up Subordinated Notes due 2059 issued by the Issuer and the Non-cumulative Step-Up Preference Shares issued by Innovate Holdings Limited,"

(i) The Schedule to this Pricing Supplement (*Hong Kong Bail-in Power*) shall be added as a new Condition 6(k).

Purpose of Pricing Supplement

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$6,000,000,000 Medium Term Note Programme.

Stabilising

In connection with this issue, The Hongkong and Shanghai Banking Corporation Limited (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the closing date. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Such stabilising if commenced may be discontinued at any time, and must be brought to an end after a limited period. Any stabilisation action or overallotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

Investment Considerations

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

See pages 24 to 28 of the First Supplementary Offering Circular for specific risks in relation to Dated Subordinated Notes, in particular, see pages 27 to 28 of the Supplementary Offering Circular for the risk entitled "The establishment of a resolution regime in Hong Kong may override the contractual terms of the Dated Subordinated Notes."

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of **The Bank of East Asia, Limited**.

By: ....
Duly authorised

Schedule – Hong Kong Bail-in Power

The following shall be added as a new Condition 6(k):

"Condition 6(k) Hong Kong Bail-in Power:

Notwithstanding any other term of the Dated Subordinated Notes, including without limitation Condition 6(i), or any other agreement or arrangement, each Noteholder 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 interest on, the Dated Subordinated Notes;

(b) the conversion of all or a part of the principal amount of, or interest on, the Dated Subordinated Notes 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 Dated Subordinated Notes; and

(c) the amendment or alteration of the maturity of the Dated Subordinated Notes or amendment or alteration of the amount of interest payable on the Dated Subordinated Notes, or the date on which interest becomes 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 interest shall include payments of principal and interest 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 Noteholders and the Trustee under the Dated Subordinated Notes 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 Dated Subordinated Notes or payment of interest on the Dated Subordinated Notes 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 Dated Subordinated Notes, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Bail-in Power to the Noteholders in accordance with Condition 16 and to the Trustee in writing.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or interest on the Dated Subordinated Notes, 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 Dated Subordinated Notes shall constitute an Event of Default under Condition 10(a).

*The Financial Institutions (Resolution) Ordinance (the "**Ordinance"**) was passed by the Legislative Council of Hong Kong and published in the gazette of the Hong Kong Special Administrative Region Government (the HKSAR Government) in June 2016. The Ordinance has yet to become effective and will commence operation on a date to be appointed by the Secretary for Financial Services and the Treasury of the HKSAR Government pending the Legislative Council's passing of certain of the regulations to be made as subsidiary legislation under the Ordinance. It is expected that all licensed banks in Hong Kong will be subject to such legislation when passed.*

Please see the risk factor entitled "The establishment of a resolution regime in Hong Kong may override the contractual terms of the Dated Subordinated Notes" on pages 27 to 28 of the Supplementary Offering Circular.

For the purposes of this Condition 6(k):

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

"**Hong Kong Bail-in Power**" means any power which may exist from time to time under the Ordinance or any other laws, regulations, rules or requirements relating to the resolution of financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies 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 Ordinance or otherwise), and pursuant to which obligations of a licensed bank, deposit-taking company, restricted licence bank, banking group company, insurance company 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 in relation to the Issuer from time to time."

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 2016, BEA issued and fully paid up share capital of approximately HK$34,875 million consisting of approximately 2,683 million ordinary shares.

The following table sets out the Group's unaudited consolidated capitalisation and indebtedness as at 30 June 2016 and as adjusted for the issue of the Notes.

	As at 30 June 2016	
	Actual (Unaudited)	**As adjusted (Unaudited)**
	HK$ (in millions)	**HK$ (in millions)**
Short-term borrowings[1]		
Customer deposit accounts	505,696	505,696
Certificates of deposits issued	15,805	15,805
Debt securities issued	1,354	1,354
Deposits and balances of banks and other financial institutions	29,731	29,731
Loan capital	—	—
Total short-term borrowings	552,586	552,586
Medium-term borrowings[2]		
Customer deposit accounts	22,453	22,453
Certificates of deposits issued	15,945	15,945
Debt securities issued	6,639	6,639
Deposits and balances of banks and other financial institutions	248	248
Loan capital	17,476	17,476
Total medium-term borrowings	62,761	62,761
Long-term borrowings[3]		
Loan capital	—	—
Customer deposit accounts	—	—
Certificates of deposits issued	—	—
Deposits and balances of banks and other financial institutions	—	—
Total Notes to be issued[4]	—	3,900
Total long-term borrowings	—	3,900
Capital resources		
Share capital	34,875	34,875
Reserves	43,965	43,965
Shareholders' funds	78,840	78,840
Additional equity instruments	5,016	5,016
Non-controlling interests	3,179	3,179
Total capital resources	87,035	87,035
Total capitalisation[5]	149,796	153,696
Short-term borrowings and total capitalisation	702,382	706,282

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) Notes to be issued of U.S.$500,000,000 (before deducting the fees and commissions and other estimated expenses payable in connection with the offering of the Notes) have been translated into HK$ 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 2016.

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 2016, the Group's total consolidated assets, advances to customers and total deposits were HK$756,571 million (U.S.$96,996 million), HK$448,816 million (U.S.$57,541 million) and HK$559,899 million (U.S.$71,782 million), respectively.

The shares of BEA have been listed on SEHK since the 1930s. As at 30 September 2016, approximately 2,702.74 million ordinary shares have been issued and are outstanding and have been fully paid. Based on the closing price of its shares on SEHK as at 30 September 2016, BEA's market capitalisation was approximately HK$85,001.21 million (U.S.$10,898 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. 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.

As at 17 October 2016, the Group offered a broad range of banking and related financial services in Hong Kong through a network of 86 branches, 54 SupremeGold Centres for high net-worth customers, and 11 i-Financial Centres. Outside Hong Kong, as at 17 October 2016, the Group's operations included a total of 122 outlets in Mainland China, four outlets in Macau, two 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 have received 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 the Financial Institution Business Permit from CBRC on 20 March 2007 and the business licence from the State Administration for Industry and Commerce on 29 March 2007, BEA (China) 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, bank guarantees and distribution of local mutual funds.

As at 17 October 2016, BEA (China), with its headquarters in Shanghai, operated 30 branches and 90 sub-branches in Mainland China. In addition to the BEA (China)'s network, BEA operated a rural bank in Fuping County, Weinan City in Shaanxi province as at 17 October 2016. As at 30 June 2016, the Group's total loans to customers and trade bills increased by 0.5% while its customer deposits decreased by 2.3% over the figures reported at 31 December 2015.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the assets of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 47.7%, 45.4%, 39.5% and 39.8% of the total assets of the Group, respectively. The corresponding figures for Hong Kong as at 31 December 2013, 2014 and 2015 and 30 June 2016 were 56.0%, 58.5%, 59.6% and 58.1%, respectively. For the years ended 31 December 2013, 2014 and 2015, the profit before taxation of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 34.1%, 32.5% and 11.5% of the Group's consolidated profit before taxation, respectively. The corresponding figures for Hong Kong for the years ended 31 December 2013, 2014 and 2015 were approximately 45.9%, 49.0% and 66.4%, respectively. For the six months ended 30 June 2015 and 2016, the profit before taxation from continuing operations of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 22.6% and 26.3% of the Group's consolidated profit before taxation from continuing operations, respectively. The corresponding figures for Hong Kong for the six months ended 30 June 2015 and 2016 were approximately 61.3% and 51.7%, 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 2013, 2014 and 2015 and 30 June 2016, the Group's total capital ratio was approximately 15.9%, 16.7%, 17.2% and 17.4%, respectively, compared with the statutory minimum requirement of 8.0%. As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group's CET1 ratio was approximately 11.4%, 11.8%, 12.2% and 12.6%, respectively. As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group's loan to deposit ratio was approximately 70.1%, 74.8%, 76.4% and 80.2%, respectively. The Group's consolidated average LCR was 141.2% for the second quarter of 2016, which is above the statutory minimum requirement of 70%. 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 2013, 2014 and 2015 and 30 June 2016, the Group's customer deposits accounted for approximately 85.6%, 82.4%, 84.4% and 85.8%, respectively, of its borrowed funds. The remainder of the Group's funding requirements as at 31 December 2013, 2014 and 2015 and 30 June 2016 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 batches of RMB financial bonds with the issue sizes of RMB2 billion and RMB3 billion in Mainland China's interbank bond market in March 2011 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 2016, the Group's profit after taxation from continuing operations was HK$1,989 million (U.S.$255 million), representing a decrease of approximately 39.0% from the six months ended 30 June 2015 (HK$3,260 million (U.S.$418 million)). For the year ended 31 December 2015, the Group's profit after taxation was HK$5,638 million (U.S.$723 million), representing a decrease of approximately 16.8% from the year ended 31 December 2014 (HK$6,774 million (U.S.$868 million)). For the year ended 31 December 2014, the Group's profit after taxation was HK$6,774 million (U.S.$868 million), representing an increase of approximately 1.0% from the year ended 31 December 2013 (HK$6,707 million (U.S.$860 million)).

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group achieved an annualised return on average assets of approximately 0.9%, 0.8%, 0.6%, 0.8% and 0.5%, respectively, and an annualised return on average equity of approximately 10.4%, 9.6%, 6.6%, 8.7% and 4.8%, 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, Taiwan, Macau 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 enable BEA to leverage the extensive resources of CaixaBank to further develop its business, including cross-border referrals, training and knowledge transfer as well as funding. The alliance with "la Caixa" Group also 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) became the first foreign bank approved by PBOC to act as a reserve bank for payment institutions. In October 2015, BEA (China) was one of the first 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. 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 is required to 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 30 September 2016, SMBC (together with its affiliates) held approximately 19.01% of the total number of issued shares of BEA. 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 (together with its affiliates) held a 100% interest in SMBC Nikko Capital Markets Limited as at the date of this First Supplementary Offering Circular.

On 23 October 2015, BEA entered into a share purchase agreement with SinoPac Securities (Cayman) Holdings Limited ("**SPSC**"), on the sale of all the issued shares in Tung Shing Holdings Company Limited ("**Tung Shing**") by BEA to SPSC. On the same date, BEA also entered into an agreement with SinoPac Securities Corporation ("**SinoPac Securities**") to dispose of all the issued shares in BEA Wealth Management Services (Taiwan) Limited ("**BEAWMS**") through the merger of BEAWMS into SinoPac Securities. The disposals were completed during the period ended 30 June 2016.

During the first six months of 2016, BEA received a number of awards in recognition of its achievements, including:

- "2016 Best SME's Partner Award" (for the ninth consecutive year) from The Hong Kong General Chamber of Small and Medium Business;

- "Quamnet Outstanding Enterprise Award 2015 – Outstanding SME Service Provider (Bank)" (for the third consecutive year) from Quam (H.K.) Limited;

- "Outstanding Corporate Banking Services Award 2015" (for the third consecutive year) and "Outstanding Corporate Banking Renminbi Services Award" (for the third consecutive year) from Wen Wei Po;

- "Best FinTech Grand Award", "Best FinTech (Banking and Insurance) Gold Award", and "Best Mobile Apps (Consumer Solutions) Gold Award" in Hong Kong ICT Awards 2016;

- "e-Banking – Excellence" and "Digital Innovation – Outstanding Performance" in Bloomberg Businessweek Chinese Edition Financial Institution Awards 2016;

- "The Best Travel Card Programme Launched in 2015 in Hong Kong – BEA Flyer World MasterCard", "The Highest Growth of Open Cards in 2015 in Hong Kong – Winner", "The Highest Market Share of Contactless Spending in 2015 in Hong Kong", and "The Highest Market Share of Super Premium Card Spending in 2015 in Hong Kong – 2nd Runner Up" from MasterCard Worldwide; and

- "2015 Exclusive Year-round Promotion Platform" from UnionPay International.

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

- "2015 China Internet Financial Innovation Award" (for BEA China's Electronic Banking Business) from the Internet Society of China, Internet Finance Working Committee of ISC, and China Electronic Finance Industry Alliance;

- "Best Wealth Management Bank" in the 2015 Shanghai Top Finance List from the Oriental Morning Post and The Paper;

- "Advanced Corporate Award" in the 2015 China Banking Industry Online Competition on the Knowledge of Consumer Rights Protection from the China Banking Association; and

- "Best Social Media Project" in The Asian Banker's China Country Awards for 2016 from The Asian Banker.

Credit Gain Finance Company Limited ("**CGFC**") won the "Metro Awards for Banking and Finance Corporations 2015 – The Best Brand in Loans" (for the fourth consecutive year) from Metro Prosperity Magazine and the "Finance Service Award" in Capital Weekly's 2016 Service Awards (for the fourth consecutive year).

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 (for the fourth consecutive year):

- "Best of the Best Performance Awards 2015 — Asian Bonds" from Asia Asset Management (for its 3-year performance);

- "Best Bond Fund, Asia Pacific — Local Currency" from Lipper Fund Awards Programme 2016 Hong Kong (for its 3-year performance); and

- "2016/17 FSM Fund Picks — Fixed Income" from Fundsupermart.com.

The BEA Union Investment Global Resources Fund was awarded "2016/17 FSM Fund Picks — Global Resource Sector Equity" from Fundsupermart.com.

During the first half of 2016, 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 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 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 'the most localised foreign bank in Mainland China'.

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. BEA (China) currently focuses on lending to high quality customers, such as state-owned enterprises, listed companies, customers who have long-standing business relationship with the Group and privately-owned enterprises with good credit standing in sectors such as public utilities, storage and logistics, pharmaceuticals and health, energy-saving and environmental protection, food safety as well as education and training. Treasury products are another promising area for growth. BEA (China) launched cross-currency swaps in 2016, and has made significant inroads into the onshore RMB options market.

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 "Belt and Road" initiative, the "Coordinated Development of Beijing-Tianjin-Hebei Area" and the Yangtze River Economic Belt") and the free-trade zones.

BEA (China) is also placing greater emphasis on retail banking as a source of higher yields. BEA (China) plans to target high net-worth customers with tailored wealth management solutions.

BEA (China) intends to optimise its branch network, improve its outlet productivity, carry out a cost-effective branch network 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 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 17 October 2016, BEA's network covered 86 branches, 54 SupremeGold Centres and 11 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 M&A.

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 include deposits and home mortgage lending in Hong Kong. As at 31 December 2013, 2014 and 2015 and 30 June 2016, approximately 7.3%, 7.7%, 9.5% and 9.3%, 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 12.7%, 12.7%, 12.4% and 12.3%, respectively, comprised advances for property development and property investment 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 17 October 2016, BEA had 86 branches, 54 SupremeGold Centres and 11 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 30 September 2016. BEA is also one of the founding members of EPSCO, which currently processes debit card transactions at more than 30,000 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 17 October 2016, BEA had 33 branches and 93 sub-branches in Mainland China, Taiwan and Macau. In addition, as at 17 October 2016, BEA had one subsidiary, Shaanxi Fuping BEA Rural Bank Corporation in Mainland China. As at 17 October 2016, headquartered in Shanghai, BEA (China) operated 30 branches and 90 sub-branches 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, bank guarantees and distribution of local mutual funds. As at 31 December 2013, 2014 and 2015, the assets of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 47.7%, 45.4% and 39.5% 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 34.1%, 32.5% and 11.5% of the Group's consolidated profit before taxation for the years ended 31 December 2013, 2014 and 2015, respectively. As at 30 June 2016, the assets of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 39.8% of the Group's total assets, and the profit before taxation from continuing operations of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 22.6% and 26.3% of the Group's consolidated profit before taxation from continuing operations for the six months ended 30 June 2015 and 2016, respectively.

For the years ended 31 December 2013, 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		
	2013 Restated[(1)]	**2014 Restated[(2)]**	**2015**
	(in HK$ millions)	**(in HK$ millions)**	**(in HK$ millions)**
Hong Kong Region			
Personal Banking [(3)]	2,834	3,325	3,513
Corporate Banking [(4)]	3,055	2,837	2,977
Treasury Markets [(5)]	53	105	(435)
Wealth Management [(6)]	608	625	794
Financial Institutions [(7)]	115	179	69
Others [(8)]	789	899	1,049
China Operations [(9)]	6,976	7,416	6,029
Overseas Operations [(10)]	1,265	1,274	1,332
Corporate Services [(11)]	1,074	1,147	1,201
Others [(12)]	818	770	901
Inter-segment elimination	(334)	(345)	(366)
Total	17,253	18,232	17,064

	Profit/(Loss) before taxation		
	Year ended 31 December		
	2013 Restated[1]	2014 Restated[2]	2015
	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)
Hong Kong Region			
Personal Banking [3]	1,151	1,558	1,560
Corporate Banking [4]	2,797	2,589	2,652
Treasury Markets [5]	(80)	26	(497)
Wealth Management [6]	428	430	588
Financial Institutions [7]	101	166	56
Others [8]	245	259	361
China Operations [9]	2,773	2,513	734
Overseas Operations [10]	1,499	1,325	1,265
Corporate Services [11]	284	340	361
Others [12]	(712)	(782)	(331)
Inter-segment elimination	—	—	—
Total	8,486	8,424	6,749

Notes:

(1) 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.

(2) The 2014 figures have been restated to better reflect the nature of periodic payments and receipts arising from interest rate contracts, such payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets. Similarly, payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial liabilities are also netted together and then combined with the interest expense from the corresponding financial liabilities. Please see note 54 to the 2015 Financial Statements for further information.

(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 and 2016, the Group's operating income from continuing operations and profit before taxation from continuing operations by business segment were as follows:

	Operating income/(expense) from continuing operations — Six months ended 30 June	
	2015 Restated[(1)]	2016
	(in HK$ millions)	(in HK$ millions)
Hong Kong Region		
Personal Banking [(2)]	1,774	1,843
Corporate Banking [(3)]	1,542	1,161
Treasury Markets [(4)]	(332)	(277)
Wealth Management [(5)]	434	358
Financial Institutions [(6)]	43	16
Others [(7)]	569	456
China Operations [(8)]	3,165	2,512
Overseas Operations [(9)]	646	715
Corporate Services [(10)]	—	—
Others [(11)]	441	528
Inter-segment elimination	(181)	(182)
Total	8,101	7,130

	Profit/(Loss) before taxation from continuing operations — Six months ended 30 June	
	2015 Restated[(1)]	2016
	(in HK$ millions)	(in HK$ millions)
Hong Kong Region		
Personal Banking [(2)]	869	880
Corporate Banking [(3)]	1,438	904
Treasury Markets [(4)]	(335)	(297)
Wealth Management [(5)]	348	260
Financial Institutions [(6)]	37	11
Others [(7)]	224	155
China Operations [(8)]	791	636
Overseas Operations [(9)]	589	569
Corporate Services [(10)]	—	—
Others [(11)]	(92)	(401)
Inter-segment elimination	(1)	(1)
Total	3,868	2,716

Notes:

(1) Since a plan to sell Tricor Holdings Limited ("**Tricor**") and its subsidiaries was initiated in the first half of 2016, the Group is required to report the operating results of Tricor and its subsidiaries for the first half of 2016 separately as discontinued operations in the consolidated income statement with comparative information re-presented in accordance with Hong Kong Financial Reporting Standard (HKFRS) 5 – Non-current Assets Held for Sale and Discontinued Operations. Therefore, certain comparative figures for the six months ended 30 June 2015 have been represented to conform to the presentation of the figures for the six months ended 30 June 2016. Please see notes 36 and 38 to the 2016 Interims for further information. Please also refer to "*Recent Developments - Disposal of Tricor*" for further details about the disposal of Tricor.

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

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

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

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

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

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

(8) 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.

(9) 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.

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

(11) 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 2016, the Group achieved a profit attributable to owners of the parent of HK$2,095 million, representing a decrease of HK$1,259 million or approximately 37.5%, compared to the HK$3,354 million earned for the six months ended 30 June 2015. For the six months ended 30 June 2016, the Group's net interest income from continuing operations amounted to HK$5,483 million, representing a decrease of HK$700 million or approximately 11.3%, compared to the HK$6,183 million reported for the six months ended 30 June 2015. The Group's impairment losses from continuing operations for the six months ended 30 June 2016 amounted to HK$1,241 million, representing an increase of HK$464 million or approximately 59.8%, compared to the HK$777 million reported for the six months ended 30 June 2015. The Group's operating profit after impairment losses from continuing operations for the six months ended 30 June 2016 was HK$1,650 million, representing a decrease of HK$1,458 million or approximately 46.9%, compared to the HK$3,108 million reported for the six months ended 30 June 2015.

For the year ended 31 December 2015, the Group achieved a profit attributable to owners of the parent of HK$5,522 million, representing a decrease of HK$1,139 million or approximately 17.1%, compared to the HK$6,661 million earned for the year ended 31 December 2014. For the year ended 31 December 2015, the Group's net interest income amounted to HK$11,934 million, representing a decrease of HK$741 million or approximately 5.8%, compared to the HK$12,675 million reported for the year ended 31 December 2014. The Group's impairment losses for the year ended 31 December 2015 amounted to HK$2,059 million, representing an increase of HK$1,058 million or approximately 105.8%, compared to the HK$1,001 million reported for the year ended 31 December 2014. The Group's operating profit after impairment losses for the year ended 31 December 2015 was HK$5,273 million, representing a decrease of HK$2,109 million or approximately 28.6%, compared to the HK$7,382 million reported for the year ended 31 December 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$12,675 million, representing an increase of HK$413 million or approximately 3.4%, 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 89.8%, 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 years ended 31 December 2013, 2014 and 2015, the Group's operating income and profit before taxation by geographical location were as follows:

	Operating income		
	Year ended 31 December		
	2013	2014	2015
	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)
Hong Kong	8,719	9,081	9,234
PRC[(1)]	7,150	7,716	6,368
Other Asian Countries	1,019	1,052	1,012
Others	760	795	892
Inter-segment elimination	(395)	(412)	(442)
Total	17,253	18,232	17,064

	Profit/(Loss) before taxation		
	Year ended 31 December		
	2013	2014	2015
	(in HK$ millions)	(in HK$ millions)	(in HK$ millions)
Hong Kong	3,898	4,130	4,480
PRC[(1)]	2,892	2,735	778
Other Asian Countries	929	847	767
Others	767	712	724
Inter-segment elimination	—	—	—
Total	8,486	8,424	6,749

Note:

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

For the six months ended 30 June 2015 and 2016, the Group's operating income from continuing operations and profit before taxation from continuing operations by geographical location were as follows:

	Operating income from continuing operations	
	Six months ended 30 June	
	2015	2016
	(in HK$ millions)	(in HK$ millions)
Hong Kong	4,303	3,946
PRC[(1)]	3,304	2,629
Other Asian Countries	293	258
Others	382	479
Inter-segment elimination	(181)	(182)
Total	8,101	7,130

	Profit/(Loss) before taxation from continuing operations	
	Six months ended 30 June	
	2015	2016
	(in HK$ millions)	(in HK$ millions)
Hong Kong	2,369	1,403
PRC[1]	875	715
Other Asian Countries	358	282
Others	266	316
Inter-segment elimination	—	—
Total	3,868	2,716

Note:

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

HONG KONG

Home Mortgages

As at 31 December 2013, 2014 and 2015 and 30 June 2016, 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$29,633 million, HK$34,110 million, HK$41,855 million and HK$41,949 million, respectively, or approximately 7.3%, 7.7%, 9.5% and 9.3%, respectively, of the Group's total advances to customers. As at 31 December 2013, 2014 and 2015 and 30 June 2016, advances under GHOS, PSPS and TPS accounted for HK$1,096 million, HK$1,058 million, HK$1,050 million and HK$1,033 million, respectively, or approximately 0.3%, 0.2%, 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. 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 2016, 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 2016, trade finance and commercial mortgage advances amounted to HK$30,725 million, representing an increase of approximately 7.0% as compared to the HK$28,713 million reported as at 31 December 2015, and accounted for approximately 6.8% of the Group’s total advances to customers as at 30 June 2016. As at 31 December 2015, trade finance and commercial mortgage advances amounted to HK$28,713 million, representing an increase of approximately 10.9% as compared to the HK$25,886 million reported as at 31 December 2014, and accounted for approximately 6.5% of the Group’s total advances to customers as at 31 December 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.

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.

The Group has strategically grown its high-yield products and acquired new customers in its consumer loan business. As at 30 June 2016, total outstanding consumer advances amounted to HK$4,593 million, representing an increase of approximately 28.0% as compared to the HK$3,587 million reported as at 31 December 2015, which accounted for approximately 1.0% of the Group's total advances to customers as at 30 June 2016. As at 31 December 2015, total outstanding consumer advances amounted to HK$3,587 million, representing an increase of approximately 25.9% as compared to the HK$2,848 million reported as at 31 December 2014, which accounted for approximately 0.8% of the Group's total advances to customers as at 31 December 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.

CGFC is a wholly-owned subsidiary of BEA which has engaged in the Hong Kong sub-prime loan business since late 2006. As at 17 October 2016, CGFC operated through 15 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 established a subsidiary, Chongqing Dongrong Business Consultancy Company Limited, in Chongqing in 2014. As at 31 December 2013, 2014 and 2015 and 30 June 2016, the total portfolio balance of CGFC was HK$599 million, HK$672 million, HK$703 million and HK$695 million, respectively, representing approximately 0.1%, 0.2%, 0.2% and 0.2%, respectively, of the total advances to customers of the Group.

Credit Cards

As at 30 June 2016, credit card advances amounted to HK$3,910 million, which accounted for approximately 0.9% of the Group's total advances to customers and represented a decrease of approximately 14.1% as compared to the HK$4,552 million reported as at 31 December 2015. As at 31 December 2015, credit card advances amounted to HK$4,552 million, which accounted for approximately 1.0% of the Group's total advances to customers and represented a decrease of approximately 10.4% 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.

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 45 years of solid 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. Blue Cross is one of the leading insurers in the medical and travel insurance industry.

To enhance the customer experience, a wide range of personal general insurance products relating to travel, household, domestic helpers, decoration and personal accident are available for instant enrolment through websites of Blue Cross and BEA.

Blue Cross has received a number of awards in recognition of its contributions in the spheres of insurance provision, product innovation and online usability. In 2016, 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 wide range of life insurance products and services including whole life, endowment, annuity, and term plans. In addition, BEA Life offers critical illness, education, retirement and medical savings solutions with all-round coverage and benefits to meet the diverse needs of its customers.

Blue Cross and BEA Life distribute their products via a diversity of channels throughout the city including BEA's branches, insurance agents, brokers, allied partners and corporate websites.

The total premium income of Blue Cross and BEA Life for the period ended 30 June 2016 was HK$2,595 million, approximately a 20% increase as compared to the HK$2,168 million reported for the period ended 30 June 2015. The non-life insurance premium income of Blue Cross for the period ended 30 June 2016 was HK$815 million, approximately a 4% increase as compared to the HK$780 million reported for the period ended 30 June 2015.

The total premium income of Blue Cross and BEA Life for the year ended 31 December 2015 was HK$3,045 million, approximately an 11% increase as compared to the HK$2,747 million reported for the year ended 31 December 2014. The non-life insurance premium income of Blue Cross for the year ended 31 December 2015 was HK$1,242 million, approximately a 10% increase as compared to the HK$1,130 million reported for the year ended 31 December 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 life insurance premium income of BEA Life for the period ended 30 June 2016 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$907 million, representing approximately a 22% increase as compared to the HK$741 million reported for the period ended 30 June 2015.

The life insurance premium income of BEA Life for the year ended 31 December 2015 as calculated by the New Business Index was HK$827 million, representing approximately a 16% increase as compared to the HK$713 million reported for the year ended 31 December 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.

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 2016, 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 2016, 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 2016, 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 2016, BEAT's revenue from its private trust business was HK$10.04 million, representing an increase of approximately 3.08% compared to the HK$9.74 million reported for the six months ended 30 June 2015. For the year ended 31 December 2015, BEAT's revenue from its private trust business was HK$18.77 million, representing a decrease of approximately 15.03% compared to the HK$22.09 million reported for the year ended 31 December 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.

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 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 provided electronic cheque ("**e-Cheque**") service to all customers including e-Cheque issuance and presentment.

Since 2015, BEA's Cyberbanking has allowed customers to withdraw cash via BEA ATM network without ATM Card namely "Cardless ATM Withdrawal". The Group was 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. In 2015, BEA provided e-Cheque service to all customers including e-Cheque issuance and presentment.

As at 30 September 2016, the number of registered Cyberbanking users and Corporate Cyberbanking users were up approximately 12.9% and 6.9%, respectively, as compared with the respective number of users as at 30 September 2015.

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 2016, more than 62% 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 30.1% decrease in net fees and commission income for the six months ended 30 June 2016 as compared with the corresponding period in 2015. Its net fees and commission income declined by approximately 1.7% for the year ended 31 December 2015 as compared with the corresponding period in 2014 and was down approximately 26.7% for the year ended 31 December 2014 as compared with the corresponding period in 2013. As at 30 September 2016, approximately 88.4% 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 73%, 73%, 74%, 80% and 67% of the number of trades, respectively, and 47%, 45%, 50%, 49% and 51% of the gross transaction value, respectively, for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016. 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 property development, property investment and M&A as well as infrastructure projects. The majority of borrowers are medium to large-sized Hong Kong companies as well as state-owned and private enterprises in Mainland China, which typically use the funds for general working capital, project development and investments in Hong Kong and Mainland China.

The Group acts as arranger or participating bank in the Hong Kong syndicated lending market. The majority of the Group's syndicated advances are to local companies engaging in property development and investment, local conglomerates and large private or state-owned enterprises in Mainland China. The Group also acts as a co-arranger in club deal facilities.

Since the commencement of 2016, the Hong Kong corporate loan market has remained stagnant and competitive despite 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 margin 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 and bond issues 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 and that for construction loans is extended to completion of the construction project. Loan-to-value ratios are determined on a case-by-case basis. For project 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 2016, bilateral and syndicated advances outstanding totalled HK$68,318 million, representing approximately a 1.3% decrease compared to the HK$69,210 million reported as at 31 December 2015, and accounted for approximately 15.2% of the Group's total advances to customers as at 30 June 2016. As at 31 December 2015, bilateral and syndicated advances outstanding totalled HK$69,210 million, representing approximately a 1.4% decrease compared to the HK$70,199 million reported as at 31 December 2014, and accounted for approximately 15.7% of the Group's total advances to customers as at 31 December 2015. As at 31 December 2014, bilateral and syndicated advances outstanding totalled HK$70,199 million, representing approximately a 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 eleven years and has achieved a critical mass of over 2700 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 the Group's 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 31 August 2016, Mainland Chinese customers accounted for 38% of BEA's private banking client base in terms of assets under management, and 44% in terms of revenue contribution. BEA believes that such proportion will continue to increase given the strong and leading position of the Group's business and know-how in

Mainland China. 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 31 August 2016, the assets under management of BEA Private Banking amounted to HK$64.7 billion. The net profit of the department for the years ended 30 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 amounted to HK$389.1 million, HK$400.6 million, HK$541.8 million, HK$315.4 million and HK$239.4 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. BEA Private Banking also emphasised and increased clients' purchase of mutual funds to achieve better diversification. Insurance commissions have also significantly increased recently as clients seek protection as well as investment returns through insurance products.

Regulatory changes also affected the industry's landscape, with additional requirements ranging from investment selling process and risk monitoring measures, to suitability and concentration, and to due diligence for customers. Since 2009, the Group has enhanced its processes and procedures to follow the regulations and requirements that have been introduced. Since 2015, the Group has 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

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.

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 a Qualified Domestic Institutional Investor ("**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 RMB Qualified Foreign Institutional Investor by the China Securities Regulatory Commission.

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 the China (Shanghai) Pilot Free Trade Zone.

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) subsequently obtained approval for issuing interbank Negotiable Certificates of Deposit ("**NCDs**") in an aggregate amount of RMB3 billion for the year 2014, 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 is 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.

In December 2015, BEA entered into an agreement with Shenzhen Qianhai Financial Holdings Co., Ltd on the establishment of a fully-licensed joint venture securities company in Qianhai. In addition, BEA made an additional capital injection of RMB1 billion to BEA (China). This helped further strengthen BEA (China)'s ability to mitigate risk and sustain business growth. With the completion of the injection, BEA (China)'s registered capital increased from RMB10.16 billion to RMB11.16 billion.

In June 2016, BEA further injected an additional capital of RMB1 billion to BEA (China). BEA (China)'s registered capital increased from RMB11.16 billion to RMB12.16 billion.

As at 17 October 2016, BEA's wholly-owned subsidiary, BEA (China), headquartered in Shanghai, operated 30 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, Nanning and Nanchang as well as 90 sub-branches (including 16 cross-location sub-branches in Guangdong province established under the liberalisation measures of Supplement VI to the CEPA). In addition to the BEA (China) network, BEA operated a rural bank in Fuping County, Weinan City in Shaanxi province as at 17 October 2016. As at 17 October 2016, BEA operated two outlets in Taiwan (including a Taiwan Offshore Banking Branch in Taipei) to provide corporate banking services. The Taiwan Offshore Banking Branch provides a wide range of foreign currency services, including RMB financing and deposit, to offshore clients. In February 2013, Taipei Branch launched RMB services to serve the RMB financing needs of domestic companies in Taiwan.

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 arising from 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.

For the years ended 31 December 2013, 2014 and 2015, the profit before taxation of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 34.1%, 32.5% and 11.5% 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%, 45.4% and 39.5% of the Group's total assets as at 31 December 2013, 2014 and 2015, respectively. For the six months ended 30 June 2015 and 2016, the profit before taxation from continuing operations of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 22.6% and 26.3% of the Group's total profit before taxation from continuing operations, respectively, and the assets of the Group's operations in Mainland China, Taiwan and Macau collectively accounted for approximately 39.8% of the Group's total assets as at 30 June 2016.

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) in order to increase its fee income.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, BEA (China)'s RMB-denominated lending amounted to HK$129,949 million, HK$134,351 million, HK$131,155 million and HK$128,435 million, respectively, accounting for approximately 90.1%, 90.1%, 87.4% and 87.6% 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 (China) expects to further expand its RMB-denominated lending business with a prudent approach and has more appetite for loan growth in selected industries such as public utilities, storage and logistics, pharmaceuticals and health, energy-saving and environmental protection, food safety as well as and education and training.

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 1 October 2016.

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

BEA's operations in the United States have recorded growth in loans and profit, driven by the continuing domestic economic recovery, demand for property investment in gateway cities such as New York, San Francisco and Los Angeles, and increased refinancing and M&A activities in the corporate and syndication markets. New York and Los Angeles Branches will continue their focus on wholesale banking business and further expand and diversify their loan portfolios, targeting high quality corporate and syndicated loans as well as commercial real estate financing.

BEA's operations in the United Kingdom registered modest growth in loan assets and profitability. The decision of the United Kingdom to leave the European Union, or "Brexit", has sent shockwaves across global financial markets. BEA is confident that its operations in the United Kingdom will be able to withstand the adverse impact arising from "Brexit", given its prudent lending strategy and stringent underwriting criteria. BEA will monitor the market closely and make adjustments to its business strategy accordingly.

Singapore Branch continues to face strong headwinds, with slowing economic growth and a tough operating environment in the local market. The Branch recorded a moderate decrease in loan portfolio mainly due to a decline in China cross-border trade loans. To gain new business and sustain profitability, the Branch has stepped up its Singapore dollar-denominated corporate debt securities investment programme. Also, it will continue to expand its syndicated and bilateral corporate loan portfolio, especially among larger new-to-bank clients in the corporate and SME sectors.

Labuan Branch delivered profit growth despite economic slowdown in Malaysia. BEA's representative office in Kuala Lumpur and Labuan Branch remain focused on developing syndication and bilateral loan business in the region.

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 2016, 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 2016, 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 The Issuer	% held by The Group	Nature of business
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 Consortium GS Investors L.P.	BVI	N/A		100%	Acting as a limited partner of a limited partnership
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
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
Citiview Capital Limited	BVI	US$1	100%		Acting as the general partner and limited partner of a limited partnership
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
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 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

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
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$318,345,000 (with a liquidation preference of US$1,000 per share)	100%		Special purpose vehicle company specially set up for BEA's Hybrid Tier 1 issue
Keen Sight Development Limited	BVI	US$29,490,000	100%		Investment holding
Powerhouse Worldwide Limited	BVI	US$29,490,000		100%	Investment holding
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	CNY12,160,000,000	100%		Banking and related financial services
Tricor Consultancy (Beijing) Limited *(Note 1) (Note 2)*	PRC	US$1,850,000		75.61%	Business consultancy in China
Tricor Europe (Holdings) Limited *(Note 2)*	Hong Kong	HK$1		75.61%	Investment holding
Tricor Executive Resources Limited *(Note 2)*	Hong Kong	HK$100		75.61%	Executive search and human resource solutions
Tricor Greater China Limited *(Note 2)*	Hong Kong	HK$1		75.61%	(1) Investor of Tricor Beijing Wholly Foreign Owned Enterprise and (2) Provision of supporting service
Tricor Holdings Limited *(Note 2)*	BVI	US$7,001		75.61%	Investment holding
Tricor Holdings Pte. Ltd. *(Note 2)*	Singapore	S$5,000,002		75.61%	Investment holding
Tricor Investor Services Limited *(Note 2)*	Hong Kong	HK$10,000,000		75.61%	Investor services
Tricor Japan Holdings GK *(Note 2)*	Japan	JPY1,000,000		66.88%	Nominee company
Tricor Outsourcing (Thailand) Ltd. *(Note 2)*	Thailand	THB10,000,000		57.46%	Business outsourcing
Tricor Services Limited *(Note 2)*	Hong Kong	HK$10,000,000		75.61%	Business, corporate and investor services
Tricor Services (BVI) Limited *(Note 2)*	BVI	US$250,000		75.61%	Provision of registered agent and trustee services
Tricor Services (Macau) Limited *(Note 2)*	Macau	MOP$25,000		75.61%	Business services
Tricor Services (Malaysia) Sdn. Bhd. *(Note 2)*	Malaysia	RM5,672,484		68.05%	Investment holding
Tricor Tengis Limited *(Note 2)*	Hong Kong	HK$20		75.61%	Business, corporate and investor services

Notes:

1. Represents a wholly foreign-owned enterprise registered under the PRC laws.
2. On 5 October 2016, BEA and other parties entered into an agreement for the sale of all the issued shares in Tricor. See "*Recent Developments — Disposal of Tricor*" 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, Group Chief Compliance Officer, Group Chief Financial Officer, Group Chief Risk 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; 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 2016, 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 2016, BEA also leased properties with aggregate floor areas of approximately 55,800 square feet, 108,600 square feet and 71,184 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 2016, the fair value for the Group's investment properties and bank premises amounted to HK$4,350 million and HK$19,111 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 by consolidating and relocating certain sub-branches and ATMs of BEA (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

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 Notes to be issued under the Programme.

EMPLOYEES

As at 31 August 2016, the Group had a total of 12,578 employees as set forth in the following table:

	No. of employees
Hong Kong	5,443
Greater China excluding Hong Kong	5,764
Overseas	1,371
Total	12,578

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 30 September 2016, approximately 32,169,000 shares, representing approximately 1.18% 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 IMPAIRMENT LOAN RATIO OF THE GROUP'S ADVANCES IN MAINLAND CHINA

The impairment loan ratio of the Group's advances in Mainland China increased from approximately 2.4% as at 31 December 2015 to approximately 2.6% as at 30 June 2016 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 impairment 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 TRICOR

On 5 October 2016, BEA, NWS Holdings Limited ("**NWS Holdings**") and East Asia Secretaries (BVI) Limited ("**East Asia Secretaries**") entered into a share purchase agreement (the "**Share Purchase Agreement**") with Trivium Investment Limited ("**Trivium**"), a company which is wholly owned and controlled by Permira funds, for the sale of all the issued shares of Tricor held by East Asia Secretaries to Trivium (the "**Disposal**"). The consideration for the Disposal is HK$6,469.7 million payable by Trivium to East Asia Secretaries in cash upon closing of the Disposal. Closing of the Disposal is subject to regulatory clearances being obtained from the British Virgin Islands Financial Services Commission, the Autoriti Monetari Brunei Darussalam, the Cayman Islands Monetary Authority, the Securities Commission Malaysia and the United Kingdom Financial Conduct Authority.

The Group is required to report the operating results of Tricor and its subsidiaries for the first half of 2016 separately as discontinued operations in the consolidated income statement with comparative information re-presented in accordance with Hong Kong Financial Reporting Standard (HKFRS) 5 — Non-current Assets Held for Sale and Discontinued Operations. Therefore, certain comparative figures for the six months ended 30 June 2015 have been represented to conform to the presentation of the figures for the six months ended 30 June 2016. Please see notes 36 and 38 to the 2016 Interims for further information.

SELECTED STATISTICAL AND OTHER INFORMATION

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 is derived from and should be read in conjunction with the 2014 Financial Statements, the 2015 Financial Statements, the 2015 Interims and the 2016 Interims. Such information relates only to the Group and has, except where otherwise indicated, been compiled as at and for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, and should be read in conjunction with the information contained elsewhere in this Offering Circular, including "*Business of the Group*".

Certain figures as at and for the year ended 31 December 2014 have been restated to better reflect the nature of periodic payments and receipts arising from interest rate contracts, such payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets. Similarly, payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial liabilities are also netted together and then combined with the interest expense from the corresponding financial liabilities. Please see note 54 to the 2015 Financial Statements for further information. As a result of these restatements, certain figures as at and for the year ended 31 December 2013 included in the 2014 Financial Statements are classified differently from relevant figures in the 2015 Financial Statements.

The 2016 Interims are prepared to reflect the operating results of a discontinued operations in the consolidated income statement with comparative information re-presented in accordance with Hong Kong Financial Reporting Standard (HKFRS) 5 – Non-current Assets Held for Sale and Discontinued Operations. Therefore, certain comparative figures for the six months ended 30 June 2015 have been represented to conform to the presentation of the figures for the six months ended 30 June 2016. Please see notes 36 and 38 to the 2016 Interims for further information. However, the 2014 Financial Statements and the 2015 Financial Statements have not yet reported the discontinued operations separately from the other operations of the Group.

ADVANCE PORTFOLIO

Overview

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group's total outstanding advances to customers were HK$405,357 million, HK$443,287 million, HK$441,506 million and HK$448,816 million, respectively, which represented approximately 53.8%, 55.7%, 56.5% and 59.3%, 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 2013, 2014 and 2015 and 30 June 2016, represented approximately 19.7%, 20.1%, 21.7% and 21.4%, 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	
	2013	Percentage of total	2014	Percentage of total	2015	Percentage of total	2016	Percentage of total
	(in HK$ millions, except percentages)							
Loans for use in Hong Kong								
Industrial, commercial and financial								
- Property development	13,743	3.4%	17,177	3.9%	13,009	3.0%	13,483	3.0%
- Property investment	37,574	9.3%	38,906	8.8%	41,890	9.5%	41,572	9.3%
- Financial concerns	13,780	3.4%	15,562	3.5%	10,011	2.3%	10,415	2.3%
- Stockbrokers	1,222	0.3%	1,901	0.4%	2,894	0.7%	3,990	0.9%
- Wholesale and retail trade	14,296	3.5%	21,070	4.8%	18,250	4.1%	16,385	3.6%
- Manufacturing	6,963	1.7%	7,090	1.6%	4,494	1.0%	3,912	0.9%
- Transport and transport equipment	5,954	1.5%	6,835	1.5%	5,758	1.3%	5,887	1.3%
- Recreational activities	96	—	138	—	155	—	148	—
- Information technology	1,063	0.3%	836	0.2%	1,251	0.3%	2,096	0.5%
- Others(1)	10,189	2.5%	19,113	4.3%	21,370	4.8%	21,541	4.8%
- Sub-total	104,880	25.9%	128,628	29.0%	119,082	27.0%	119,429	26.6%
Individuals								
- Loans for the purchase of flats in the GHOS, PSPS and TPS	1,096	0.3%	1,058	0.2%	1,050	0.2%	1,033	0.2%
- Loans for the purchase of other residential properties	28,537	7.0%	33,052	7.5%	40,805	9.3%	40,916	9.1%
- Credit card advances	4,137	1.0%	5,079	1.2%	4,552	1.0%	3,910	0.9%
- Others(2)	19,453	4.8%	19,181	4.3%	21,191	4.8%	23,072	5.2%
- Sub-total	53,223	13.1%	58,370	13.2%	67,598	15.3%	68,931	15.4%
Total loans for use in Hong Kong	158,103	39.0%	186,998	42.2%	186,680	42.3%	188,360	42.0%
Trade finance	5,895	1.5%	5,527	1.2%	5,998	1.3%	6,185	1.4%
Loans for use outside Hong Kong(3)	241,359	59.5%	250,762	56.6%	248,828	56.4%	254,271	56.6%
Total advances to customers	405,357	100.0%	443,287	100.0%	441,506	100.0%	448,816	100%

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	
	2013	**Percentage of total**	**2014**	**Percentage of total**	**2015**	**Percentage of total**	**2016**	**Percentage of total**
	(in HK$ millions, except percentages)							
Hong Kong	172,436	42.5%	186,000	41.9%	181,968	41.2%	186,599	41.6%
PRC[2]	189,924	46.9%	213,984	48.3%	212,621	48.2%	205,671	45.8%
Other Asian Countries[3]	22,124	5.5%	20,813	4.7%	19,376	4.4%	20,821	4.6%
Others[4]	20,873	5.1%	22,490	5.1%	27,541	6.2%	35,725	8.0%
Total	405,357	100.0%	443,287	100.0%	441,506	100.0%	448,816	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 2016, the Group's exposure to its 20 largest borrowers (including groups of individuals and companies) amounted to approximately HK$99,332 million, or approximately 22.1% of the Group's gross advances, with the largest representing HK$8,348 million, or approximately 1.9% of the Group's gross advances. As at 31 December 2015, the Group's exposure to its 20 largest borrowers (including groups of individuals and companies) amounted to approximately HK$99,606 million, or approximately 22.6% of the Group's gross advances, with the largest representing HK$8,182 million, or approximately 1.9% 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$87,427 million, or approximately 19.7% of the Group's gross advances, with the largest representing HK$8,008 million, or approximately 1.8% 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$73,230 million, or approximately 18.1% of the Group's gross advances, with the largest representing HK$6,781 million, or approximately 1.7% 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 2013, 2014 and 2015 and 30 June 2016, approximately 20.5%, 20.4%, 21.7% and 21.2% 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	
	2013	Percentage of total	2014	Percentage of total	2015	Percentage of total	2016	Percentage of total
	(in HK$ millions, except percentages)							
Repayable on demand[1]	6,897	1.7%	6,777	1.5%	5,104	1.2%	4,674	1.0%
3 months or less	71,914	17.7%	97,196	21.9%	81,463	18.4%	77,416	17.3%
1 year or less but over 3 months . .	81,073	20.0%	93,131	21.0%	86,345	19.6%	86,718	19.3%
5 years or less but over 1 year . . .	161,367	39.8%	154,184	34.8%	169,579	38.4%	181,161	40.4%
Over 5 years	82,974	20.5%	90,232	20.4%	95,765	21.7%	95,346	21.2%
Undated	1,132	0.3%	1,767	0.4%	3,250	0.7%	3,501	0.8%
Gross advances to customers.	405,357	100.0%	443,287	100.0%	441,506	100.0%	448,816	100.0%

Note:

(1) Includes overdrafts.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, approximately 79.9%, 80.0%, 84.4% and 82.9% of advances made by the Group were at floating rates of interest, respectively. See "— *Asset and Liability Management*". The current rate offered by the Group for home mortgage advances in Hong Kong generally ranges from 1.4% to 2.5% above the 1-month HIBOR. The interest rate for Hong Kong dollar consumer finance advances offered by the Group is typically calculated on the initial principal amounts of such advances and typically ranges from 0.11% to 1.35% per month flat for fixed rate products and from 5.75% (P+0.5%) to 8.75% (P+3.5%) 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 2013, 2014 and 2015 and 30 June 2016, approximately 40.4%, 40.1%, 40.8% and 40.4%, respectively, of advances made by the Group were denominated in Hong Kong dollars, approximately 18.9%, 20.0%, 19.0% and 19.3%, respectively, were denominated in U.S. dollars and approximately 32.9%, 32.6%, 32.5% and 32.0%, 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 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 31 December 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 31 December 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	24,864	13.8%	43,847	16.8%	68,711	15.6%
Floating rate	155,336	86.2%	217,459	83.2%	372,795	84.4%
Total	180,200	100.0%	261,306	100.0%	441,506	100.0%

As at 30 June 2016, 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 2016					
	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	26,399	14.6%	50,224	18.8%	76,623	17.1%
Floating rate	154,897	85.4%	217,296	81.2%	372,193	82.9%
Total	181,296	100.0%	267,520	100.0%	448,816	100.0%

As at 31 December 2013, 2014 and 2015 and 30 June 2016, 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 Group has established an effective risk governance and management framework in line with the requirements set out by the HKMA and other regulators. This framework is built around a structure that enables BEA's Board of Directors and management to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. These responsibilities include defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring, and remedy of risks.

The Risk Committee stands at the highest level of the Group's risk governance structure below the Board of Directors. The Risk Committee provides direct oversight over the formulation of the Group's institutional risk appetite, and sets the levels of risk that the Group is willing to undertake with regard to its financial capacity, strategic direction, prevailing market conditions, and regulatory requirements.

The Risk Committee also ensures that the Group's risk appetite is reflected in the policies and procedures that BEA's management adopts to execute its business functions. Through the Crisis Management Committee, Risk Management Committee, and specialised risk management committees including the Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee, at the executive level, and with overall coordination by the Risk Management Division, the Risk Committee regularly reviews the Group's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

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 overseeing the Group's risk management issues which include, but are not limited to, the risk management infrastructure, strategies, appetites, culture, and resources. 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, independent review of regular reports, independent review of new products/specific issues, and co-ordination of risk-related projects; and

(iii) reporting at pre-determined schedule the 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. The scope of BEA's risk management framework covers major types of risk, including credit risk, interest rate risk, legal risk, liquidity risk, market risk, money laundering and terrorist financing risk, operational risk, reputation risk, strategic risk and technology 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 141.2% for the second quarter of 2015, which is above the statutory minimum requirement of 70%.

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 four Deputy Chief Executives, Group Chief Risk Officer, Head of Credit Risk Management Department and a senior manager of Credit Risk Management Department. The Credit Committee has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. BEA has also established an Approval Centre, which comprises Head of Credit Risk Management Department and four other experienced senior managers of Risk Management Division, acting as an independent unit to approve credit according to the delegated lending authority. Under the oversight of the Credit Committee, Approval Centre and other 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 **(in HK$ millions)**
Credit Committee	Any amount
Approval Centre	300 (150)(1)
Division Head	100 (25)(1)
Department Head	60 (10)(1)
Manager (Levels M4 to SM2)	Ranging from 1.5 (0.5)(1) to 10 (3.5)(1) for corporate lending/card and consumer finance

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 2013, 2014 and 2015 and 30 June 2016, home mortgages and advances for property investment and development (excluding advances under GHOS, PSTS and TPS) together accounted for approximately 19.7%, 20.1%, 21.7% and 21.4%, 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

2013, 2014 and 2015 and 30 June 2016, home mortgage advances (including advances under GHOS, PSPS and TPS) in Hong Kong amounted to HK$29,633 million, HK$34,110 million, HK$41,855 million and HK$41,949 million, respectively, or approximately 7.3%, 7.7%, 9.5% and 9.3%, 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 2013, 2014 and 2015 and 30 June 2016, the Group's PRC exposure is approximately 38.6%, 36.9%, 36.7% and 35.2%, respectively, of the Group's total advances and its PRC classified advances account for approximately 0.5%, 1.3%, 2.4% and 2.6%, 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 years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	2014	2015
	(in HK$ millions, except percentages)		
Beginning balance	954	1,054	1,386
Provision during the period	634	1,332	2,265
Bad debts charges recovered	(175)	(334)	(223)
Loans written off	(473)	(849)	(1,026)
Other movements	114	183	18
Closing balance	1,054	1,386	2,420
Impairment allowance as a percentage of:			
Total loans at period/year end	0.3%	0.3%	0.5%
Total impaired loans at period/year end	66.7%	50.7%	48.7%
Write-offs as a percentage of:			
Average total loans during the period/year	0.1%	0.2%	0.2%
Total loans at period/year end	0.1%	0.2%	0.2%
Total impaired loans at period/year end	29.9%	31.0%	20.6%
Impaired loan	1,581	2,736	4,973
Total loan	405,357	443,287	441,506

The table below sets forth a summary of the Group's impairment allowance from continuing operations for the six months ended 30 June 2015 and 2016:

	Six months ended 30 June	
	2015	2016
	(in HK$ millions, except percentages)	
Beginning balance	1,386	2,420
Provision during the period	847	1,543
Bad debts charges recovered	(71)	(302)
Loans written off	(522)	(939)
Other movements	51	(40)
Closing balance	1,691	2,682
Impairment allowance as a percentage of:		
Total loans at period/year end	0.4%	0.6%
Total impaired loans at period/year end	36.3%	48.5%
Write-offs as a percentage of:		
Average total loans during the period/year	0.1%	0.2%
Total loans at period/year end	0.1%	0.2%
Total impaired loans at period/year end	11.2%	17.0%
Impaired loan	4,659	5,530
Total loan	452,889	448,816

For the six months ended 30 June 2016, the provision for impairment allowance from continuing operations was HK$1,543 million which had increased by HK$696 million as compared with the provision for the six months ended 30 June 2015 (HK$847 million). For the year ended 31 December 2015, the provision for impairment allowance was HK$2,265 million which had increased by HK$933 million as compared with the provision for the year ended 31 December 2014 (HK$1,332 million). For the year ended 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 for the year ended 31 December 2013 (HK$634 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 2016, HK$302 million of bad debts had been recovered, which represents an increase of HK$231 million as compared against the bad debts recovered for the six months ended 30 June 2015 (HK$71 million). For the year ended 31 December 2015, HK$223 million of bad debts had been recovered, which represents a decrease of HK$111 million as compared against the bad debts recovered for the year 31 December 2014 (HK$334 million). For the year ended 31 December 2014, HK$334 million of bad debts had been recovered, which represents an increase of HK$159 million as compared against the bad debts recovered for the year 31 December 2013 (HK$175 million).

Top Ten Impaired Loans

As at 30 June 2016, the Group's ten largest impaired loans accounted for approximately 0.3% of its total advances and approximately 25.7% 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 63.2% of the aggregate exposure relating to such ten largest impaired loans as at 30 June 2016. As at 30 June 2016, the Group's exposure under its ten largest impaired loans ranged from HK$587 million to HK$68 million per impaired loan, and amounted to approximately HK$1,420 million in the aggregate. As at 31 December 2015, the Group's exposure under its ten largest impaired loans ranged from HK$574 million to HK$58 million per impaired loan, and amounted to approximately HK$1,345 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.

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 2013, 2014 and 2015 and 30 June 2016, 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
	2013	2014	2015	2016
Gross impaired loans	1,581	2,736	4,973	5,530
Aggregate individual impairment loss allowance	323	419	1,021	1,060
Net impaired loans	1,258	2,317	3,952	4,470
Gross impaired loans as a percentage of total loan portfolio	0.4%	0.6%	1.1%	1.2%
Net impaired loans as a percentage of total loan portfolio	0.3%	0.5%	0.9%	1.0%

Held-to-maturity Debt Securities

The Group's held-to-maturity debt securities included listed and unlisted debt securities. As at 31 December 2013, 2014 and 2015 and 30 June 2016, the book value of these securities were HK$5,048 million, HK$6,747 million, HK$6,199 million and HK$5,323 million, respectively, which represented approximately 5.4%, 6.4%, 5.7% and 4.2% 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	
	2013	**Percentage**	**2014**	**Percentage**	**2015**	**Percentage**	**2016**	**Percentage**
Held-to-maturity securities issued by:								
Central governments and central banks	1,745	34.6%	1,546	22.9%	1,850	29.8%	2,311	43.4%
Public sector entities	153	3.0%	22	0.3%	22	0.4%	9	0.2%
Banks and other financial institutions	803	15.9%	2,495	37.0%	1,156	18.6%	212	4.0%
Corporate entities	2,347	46.5%	2,684	39.8%	3,171	51.2%	2,791	52.4%
Total	5,048	100.0%	6,747	100.0%	6,199	100.0%	5,323	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 and liquidity 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 bi-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 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		

As at 31 December 2015, 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	65,015	—	7	—	4,100	69,122
Placements with banks and other financial institutions	78,602	2,226	—	—	—	80,828
Trade bills	11,599	7,930	—	—	3	19,532
Trading assets	2,318	456	1,166	50	1,345	5,335
Financial assets designated at fair value through profit or loss	547	1,148	2,192	67	382	4,336
Positive fair value of derivatives	—	—	—	—	6,205	6,205
Advances to customers and other accounts	375,181	50,844	10,399	3,415	33,249	473,088
Available-for-sale financial assets	28,687	9,075	39,419	13,099	3,315	93,595
Held-to-maturity investments	2,006	1,289	2,330	574	—	6,199
Non-interest bearing assets	—	—	—	—	23,124	23,124
Total assets	563,955	72,968	55,513	17,205	71,723	781,364
LIABILITIES						
Deposits and balances of banks and other financial institutions	27,202	4,606	245	59	14	32,126
Deposits from customers	402,138	94,128	22,528	189	21,760	540,743
Trading liabilities	831	57	—	—	1	889
Negative fair value of derivatives	—	—	—	—	6,909	6,909
Certificates of deposit issued	21,754	12,730	2,793	—	—	37,277
Debt securities issued	4,980	2,784	5,833	—	—	13,597
Loan capital	—	—	16,996	—	—	16,996
Non-interest bearing liabilities	—	—	—	—	47,186	47,186
Total liabilities	456,905	114,305	48,395	248	75,870	695,723
Interest rate sensitivity gap	107,050	(41,337)	7,118	16,957		

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

	As at 31 December								
	2013			2014			2015		
	HK$	**U.S.$**	**RMB**	**HK$**	**U.S.$**	**RMB**	**HK$**	**U.S.$**	**RMB**
Impact on net interest income over the next 12 months if interest rates rise by 200 basis points	289	(76)	706	534	3	570	945	64	258
Impact on economic value if interest rates rise by 200 basis points	(117)	122	622	(199)	118	59	(132)	89	201

The following table sets out the Group's sensitivity analysis on interest rate risk as at 30 June 2016, which measures the potential effect of changes in interest rates on its annualised net interest income from continuing operations and economic value change:

	As at 30 June		
	2016		
	HK$	**U.S.$**	**RMB**
Impact on annualised net interest income from continuing operations over the next 12 months if interest rates rise by 200 basis points.	703	167	221
Impact on economic value if interest rates rise by 200 basis points	(210)	188	187

As at 30 June 2016, 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 from continuing operations in respect of the Group's dealings in Hong Kong dollar, U.S. dollar and Renminbi (CNY) to increase by HK$703 million, increase by HK$167 million and increase by HK$221 million, respectively, and the economic value for the Group to decrease by HK$210 million, increase by HK$188 million and increase by HK$187 million, respectively. As at 31 December 2015, if interest rate increased by 200 basis points, BEA would expect the net interest income in respect of the Group's dealings in Hong Kong dollar, U.S. dollar and Renminbi to increase by HK$945 million, increase by HK$64 million and increase by HK$258 million, respectively, and the economic value for the Group to decrease by HK$132 million, increased by HK$89 million and increase by HK$201 million, respectively. As at 31 December 2014, if interest rates increased by 200 basis points, BEA would expect that the 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 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.

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 141.2% for the second quarter of 2016, which is above the statutory minimum requirement of 70%.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, approximately 79.9%, 80.0%, 84.4% and 82.9%, 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 2013, 2014 and 2015. Average balances of interest-earning assets and interest-bearing liabilities for the years ended 31 December 2013, 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								
	2013			**2014**			**2015**		
	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**	**%**
ASSETS									
Interest-earning assets									
Customers loans and credit									
Advances to customers . .	379,315			432,212			443,101		
Trade bills less provision	57,091			62,854			42,783		
Total	436,406	17,747	4.1	495,066	19,779	4.0	485,884	18,722	3.9
Interbank placements and loans									
Cash and balances withbanks	51,927			59,048			54,965		
Money at call and short notice	41,084			38,113			51,413		
Placements	28,717			24,797			23,408		
Advances to banks	34			26			43		
Total	121,762	3,014	2.5	121,984	3,020	2.5	129,829	2,104	1.6
Securities									
Treasury bills	15,868			23,758			21,751		
Certificates of deposit . .	3,743			4,973			7,863		
Debt securities	62,440			67,872			73,601		
Total	82,051	2,650	3.2	96,603	2,928	3.0	103,215	2,758	2.7
Total interest-earning assets .	640,219	23,411	3.7	713,653	25,727	3.6	718,928	23,584	3.3
Allowance for possible loan losses	(1,004)			(1,150)			(1,661)		
Non-interest earning assets. .	73,292			79,151			72,848		
Total assets	712,507			791,654			790,115		

	Years ended 31 December								
	2013			2014			2015		
	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	%
LIABILITIES									
Interest-bearing liabilities									
Deposits									
Deposits from customers .	501,155	9,105	1.8	548,191	10,765	2.0	534,022	9,570	1.8
Deposits and balances of banks	30,442	483	1.6	32,551	433	1.3	35,678	515	1.4
Total	531,597	9,588	1.8	580,742	11,198	1.9	569,700	10,085	1.8
Other liabilities									
Certificates of deposits . .	37,197			45,841			44,446		
Debt securities issued . .	7,016			18,870			18,060		
Loan capital.	13,899			14,281			17,220		
Total	58,112	1,455	2.5	78,992	1,598	2.0	79,726	1,287	1.6
Total interest-bearing liabilities	589,709	11,043	1.9	659,734	12,796	1.9	649,426	11,372	1.8
Non interest-bearing liabilities	58,079			61,098			60,069		
Total liabilities	647,788			720,832			709,495		
NET INTEREST INCOME		12,368			12,931			12,212	
NET INTEREST SPREAD .			1.8			1.7			1.5

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 six months ended 30 June 2015 and 2016. Average balances of interest-earning assets and interest-bearing liabilities for the six months ended 30 June 2015 and 2016 are based on the arithmetic mean of the respective balances at the beginning and the end of such period.

	Six months ended 30 June					
	2015			2016		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%
ASSETS						
Interest-earning assets						
Customersloans and credit						
Advances to customers	441,281			438,825		
Trade bills less provision	54,975			16,511		
Total	496,256	19,766	4.0	455,336	16,144	3.5
Interbank placements and loans						
Cash and balances withbanks	57,535			54,120		
Money at call and short notice	51,031			49,352		
Placements	20,589			22,776		
Advances to banks	43			25		
Total	129,198	2,252	1.7	126,273	1,846	1.5
Securities						
Treasury bills	24,236			21,944		
Certificates of deposit	8,818			4,436		
Debt securities	70,492			87,495		
Total	103,546	2,845	2.7	113,875	2,837	2.5
Total interest-earning assets	729,000	24,863	3.4	695,484	20,827	3.0
Allowance for possible loan losses	(1,421)			(2,436)		
Non-interest earning assets.	72,808			67,938		
Total assets	800,387			760,986		

	Six months ended 30 June					
	2015			2016		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
	HK$ Mn	HK$ Mn	%	HK$ Mn	HK$ Mn	%
LIABILITIES						
Interest-bearing liabilities						
Deposits						
Deposits from customers	538,768	10,241	1.9	525,593	8,011	1.5
Deposits and balances of banks	34,404	420	1.2	33,183	444	1.3
Total	573,172	10,661	1.9	558,776	8,455	1.5
Other liabilities						
Certificates of deposits	49,383			34,113		
Debt securities issued	21,226			10,465		
Loan capital	17,328			17,299		
Total	87,937	1,414	1.6	61,877	1,122	1.8
Total interest-bearing liabilities	661,109	12,075	1.8	620,653	9,577	1.5
Non interest-bearing liabilities	60,884			54,068		
Total liabilities	721,993			674,721		
NET INTEREST INCOME FROM CONTINUING OPERATIONS		12,788			11,250	
NET INTEREST SPREAD			1.6			1.5

INTERNAL AUDIT

The Internal Audit Division has responsibility for auditing the Group's operations. Through regular audits of all 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 internal audits performed 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 Division was established 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 Division 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 Anti-Money Laundering and Counter-Terrorist Financing, which adheres to those requirements stipulated in the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) of Hong Kong, and the Guideline on Anti-Money Laundering and Counter Terrorist Financing (for Authorized Institutions) issued 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 30 September 2016, the Board of Directors of BEA comprised the following individuals:

Name	Age	Title	Address
Dr. the Hon. Sir David LI Kwok-po.	77	Chairman & Chief Executive	10 Des Voeux Road Central, Hong Kong
Professor Arthur LI Kwok-cheung	71	Non-executive Director (Deputy Chairman)	Room 2502, 25/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
Dr. Allan WONG Chi-yun . . .	65	Independent Non-executive Director (Deputy Chairman)	23rd Floor, Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, Tai Po, New Territories
Mr. Aubrey LI Kwok-sing . . .	66	Non-executive Director	7th Floor, 9 Queen's Road Central, Hong Kong
Mr. Winston LO Yau-lai	75	Independent Non-executive Director	3/F., No. 1 Kin Wong Street, Tuen Mun, New Territories
Mr. Richard LI Tzar-kai	49	Independent Non-executive Director	38/F., Champion Tower, 3 Garden Road, Central, Hong Kong
Mr. Kenneth LO Chin-ming . .	74	Independent Non-executive Director	99, Sec. 2, Tiding Blvd., Neihu District, Taipei, Taiwan
Mr. Stephen Charles LI Kwok-sze	56	Non-executive Director	Unit 26-F, StarCrest — Tower 1, 9 Star Street, Hong Kong
Mr. William DOO Wai-hoi . . .	72	Independent Non-executive Director	Room 3401, New World Tower, 16-18 Queen's Road, Central, Hong Kong
Mr. KUOK Khoon-ean	61	Independent Non-executive Director	31st Floor, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong
Dr. Isidro FAINÉ CASAS. . . .	74	Non-executive Director	Avenida Diagonal 621-629, 08028 Barcelona, Spain

Name	Age	Title	Address
Dr. Peter LEE Ka-kit	53	Non-executive Director	75th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Mr. Adrian David LI Man-kiu	43	Executive Director & Deputy Chief Executive	10 Des Voeux Road Central, Hong Kong
Mr. Brian David LI Man-bun	41	Executive Director & Deputy Chief Executive	10 Des Voeux Road Central, Hong Kong
Dr. Daryl NG Win-kong	38	Independent Non-executive Director	12th Floor, Tsimshatsui Centre, Salisbury Road, Tsimshatsui, Kowloon
Mr. Masayuki OKU	71	Non-executive Director	1-2 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Dr. the Hon. Rita FAN HSU Lai-tai	71	Independent Non-executive Director	25th Floor, Tower 1, Tern Centre, 237 Queen's Road Central, Hong Kong
Mr. Meocre LI Kwok-wing. . .	61	Independent Non-executive Director	Unit E, 10/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong

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 and Member of the Nomination Committee

Sir David, aged 77, 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 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 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), an Independent Non-executive Director of China Overseas Land & Investment Limited and Armada Holdings Limited (formerly known as SCMP Group Limited).

Sir David is a Member of the Council of the Treasury Markets Association. He is Founding Chairman of The Friends of Cambridge University in Hong Kong Limited, Chairman of the Advisory Board of The Salvation Army, Hong Kong and Macau Command and Chairman of the Executive Committee of St. James' Settlement. He was a Member of the Legislative Council of Hong Kong from 1985 to 2012.

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 the Risk Committee

Professor Li, aged 71, 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 ("**HKSAR**") (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 ("**CPPCC**"). Professor Li is also the Chairman of the Council for Sustainable Development of the Government of HKSAR ("**HKSARG**") and the Chairman of the Council 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, and a Non-executive Director (from May 2010 to December 2014, and was re-appointed on 20th January, 2016) of BioDiem Ltd. (delisted from Australian Securities Exchange in November 2013). 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 Director of CaixaBank, S.A. (listed in Spain).

Professor Li was the Secretary for Education and Manpower of HKSARG (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 Nomination Committee and the Risk Committee, Member of the Audit Committee and the Remuneration Committee

Dr. Wong, aged 65, 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., Li & Fung Ltd and MTR Corporation Limited.

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

Mr. Li, aged 66, was appointed a Director in 1995. He is Chairman of IAM Holdings (Hong Kong) Limited and Chairman of the Advisory Board of MCL Financial Group Limited, both Hong Kong based 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 75, 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.

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

Mr. Li, aged 49, was appointed a Director in 2001. Mr. Li is an Executive Director and the Chairman of PCCW Limited, a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses. 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, the Nomination Committee and the Risk Committee

Mr. Lo, aged 74, 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 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 recognised 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 Director of the Bankers Association of the Republic of China, 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. Stephen Charles LI Kwok-sze, *BSc (Hons.), ACA*
Non-executive Director

Mr. Li, aged 56, 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 United Kingdom and the European Union 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 72, 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.

Mr. Doo is a National Committee Member of the Twelfth CPPCC. 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 61, 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 a Director of Shangri-La Hotel Public Company Limited from April 2009 to June 2014 (listed in Thailand).

Mr. Kuok is a graduate in Economics from the Nottingham University, the United Kingdom.

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

Dr. Fainé, aged 74, 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 ("**la Caixa**" **Banking Foundation**).

Dr. Fainé is the Chairman of Criteria Caixa, S.A. Sociedad Unipersonal (formerly known as Criteria CaixaHolding, S.A. Sociedad Unipersonal) ("**Criteria Caixa**"). Criteria Caixa is a non-listed holding company fully controlled by "la Caixa" Banking Foundation, which manages all of the group's shareholdings in strategic sectors, including financial, energy, infrastructure, services and real estate. Within financial sector, it manages a controlling stake in CaixaBank, S.A., the leading financial group in the Spanish retail banking market.

Dr. Fainé currently holds chairmanships and directorships in other listed companies, where "Criteria 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); and

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

Dr. Fainé 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. Fainé ceased to be First Vice Chairman of Abertis Infraestructuras, S.A. as of 17th February, 2015 remained as Director of the company until 15 May 2015, in which date he ceased to have any position in Abertis Infraestructuras, S.A..

Dr. Fainé 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), Chairman of the European Savings Banks Group (ESBG) and Deputy 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. Fainé began his professional banking career as Investment Manager for Banco Atlántico in 1964, later becoming General Manager of Banco de Asunción in Paraguay in 1969. On his return to Barcelona, he held various managerial posts in financial entities: Head of Human Resources at Banca Riva y García (1973), CEO of Banca Jover (1974) and CEO of Banco Unión (1978).

Dr. Fainé 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. In June 2014, "la Caixa" becomes "la Caixa" Banking Foundation, in compliance with the Savings Banks and Banking Foundations Law of 27th December, 2013. He has been Chairman of CaixaBank, S.A. since 2009 and a member of the Board of Directors since 2000 until June 2016.

Among other academic and professional qualifications, Dr. Fainé holds a PhD in Economics, an International Senior Managers Program certificate 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 and Member of the Remuneration Committee

Dr. Lee, aged 53, was appointed a Director in 2013. Dr. Lee is a Member of the Standing Committee of the 12th National Committee of CPPCC. 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 HKSARG 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 HKSARG. He has been appointed Council Member of Hong Kong Trade Development Council for two years from 2016. 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 43, 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 SHIPPING Ports Limited (formerly known as 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 CPPCC, 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 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 HKSAR and deputies of HKSAR to the 12th National People's Congress ("**NPC**"). He also sits on the Judging Panel of the BAI Global Banking Innovation Awards.

Mr. Li holds a Master of Management Degree from Kellogg School of Management, Northwestern University in the US, 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 41, 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 CPPCC, 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 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 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 2017 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.

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.

Dr. Daryl NG Win-kong, *BA, MSc, DHL, JP*
Independent Non-executive Director, Member of the Audit Committee and the Risk Committee

Dr. Ng, aged 38, 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.

Dr. 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.

Dr. Ng is a General Committee member of The Chamber of Hong Kong Listed Companies, a member of the Global Leadership Council of Columbia University in the City of New York, a member of the 10th Sichuan Committee of CPPCC, a member of the 12th Beijing Municipal Committee of 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, a member of the Council for Sustainable Development, a member of the Court of the Hong Kong University of Science and Technology, a member of the Steering Committee on the Promotion of Electric Vehicles of HKSARG, a member of the Council of the University of Hong Kong and an Associate Member of the Central Policy Unit of HKSARG. He is a Director of The Community Chest of Hong Kong and The Real Estate Developers Association of Hong Kong.

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

Mr. Oku, aged 71, 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. After engaging in the bank's key acquisitions and investments in the 1980's, he was transferred to New York and appointed General Manager of Chicago Branch in 1991. He returned to Tokyo in 1992, assumed the position of General Manager of the Corporate Planning Department, 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, heading Corporate Banking and International Banking Units. In 2005, he was appointed President and CEO of SMBC and Chairman of the Board of SMFG, the holding company of SMBC. During his tenure 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 Keidanren (Japan Business Federation) from 2011 to 2015.

Mr. Oku received his Bachelor of Law degree from Kyoto University in 1968 and his 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.

Dr. the Hon. Rita FAN HSU Lai-tai, *GBM, GBS, DSocSc, JP*
Independent Non-executive Director and Chairman of the Remuneration Committee

Dr. Fan, aged 71, was appointed a Director in February 2016. She is currently an Independent Non-executive Director of China Overseas Land & Investment Limited, China Shenhua Energy Company Limited, COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited) and China COSCO Holdings Company Limited.

Dr. Fan is one of Hong Kong's best-known public figures and has an outstanding track record of community service. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council until 30 September 2008. Dr. Fan served as President of the legislature of HKSAR for 11 years.

In the lead-up to Hong Kong's reunification with China, Dr. Fan played a valuable role as a Member of the Preliminary Working Committee for the Preparatory Committee for HKSAR from 1993 to 1995 and of the Preparatory Committee for HKSAR from 1995 to 1997. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of NPC between 1998 and 2008. She was also a Member of the Standing Committee of the Eleventh session of NPC from 2008 to 2013 and is currently a Member of the Standing Committee of the Twelfth session of NPC.

Outside the political arena, Dr. Fan is serving as the Chairman of Board of Management of the Endeavour Education Centre, the Honorary President of the Hong Kong Breast Cancer Foundation, and the Honorary Patron of the Hong Kong Transplant Sports Association.

After graduating from St. Stephen's Girls' College, Dr. Fan studied at the University of Hong Kong, and was awarded a Bachelor degree in Science and a Master degree in Social Science. She was awarded Honorary Doctorate degrees in Social Science by the University of Hong Kong, the City

University of Hong Kong and the Hong Kong Polytechnic University, and an Honorary Doctorate in Law from the China University of Political Science and Law of the People's Republic of China. Her record of public service was acknowledged by HKSARG through the award of the Gold Bauhinia Star in 1998 and Hong Kong's top award, the Grand Bauhinia Medal, in 2007.

Mr. Meocre LI Kwok-wing, *BCom, CPA*
Independent Non-executive Director, Member of the Audit Committee and the Risk Committee

Mr. Li, aged 61, was appointed a Director on 1 September 2016. He is the Chief Executive of Alpha Alliance Finance Holdings Limited.

Mr. Li was the Managing Partner of Arthur Andersen, one of the major international accounting firms, taking charge of its Hong Kong and China operations from September 1993 to February 1995. He was the Managing Director and Head of Corporate Finance of NatWest Securities Asia from March 1995 to March 1998. He was the Chief Executive of ICEA Finance Holdings Limited from March 1998 to March 2002, an investment banking joint venture between The Industrial and Commercial Bank of China and BEA, prior to the company's becoming a wholly-owned subsidiary of BEA, which was subsequently renamed as Tung Shing Holdings Company Limited and disposed to SinoPac Securities (Cayman) Holdings Limited on 6 April 2016.

Mr. Li received a Bachelor of Commerce degree, with distinction, from University of Alberta, Canada. Upon graduation, he was awarded the Financial Executives Institute Silver Medal for "Highest Standing in Finance". He also earned a Postgraduate Management Diploma from the Harvard Business School, and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Li is an Independent Non-executive Director of BEA (China), a wholly-owned subsidiary of BEA. He is also the chairman of its audit committee and a member of its connected transactions control committee and risk management committee.

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 "*Board of Directors*".

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

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

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

Mr. Li, aged 56, 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, FHKIB, FCIS, FCS*
Deputy Chief Executive & Chief Operating Officer

Mr. Tong, aged 57, 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.

The Hong Kong "Resolution Regime"

With effect from 30 June 2013, the Banking (Disclosure) Rules have been amended to implement Basel III capital and disclosure 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 discusses certain further issues which remain under development internationally. On 22 June 2016, the Financial Institutions (Resolution) Bill was passed by the Legislative Council of Hong Kong and enacted as the Financial Institutions (Resolution) Ordinance (No. 23 of 20 16) on 30 June 2016 but has not yet commenced operation as at the date of this Offering Circular. The Financial Institutions (Resolution) Ordinance will come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury of the Hong Kong Special Administrative Region Government by notice published in the Hong Kong Government Gazette.

The 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 Notes, and powers to amend or alter the contractual provisions of the Notes. Although the Financial Institutions (Resolution) Ordinance has not commenced operation as at the date of this Offering Circular, Noteholders will be subject to and bound by the Financial Institutions (Resolution) Ordinance once it comes into operation.

OTHER SUPPLEMENTAL INFORMATION

AUTHORISATIONS

BEA has obtained all necessary consents, approvals and authorisations as may be required in connection with the issue and performance of the Notes, including, but not limited to, approval by the HKMA. The issue of the Notes was duly authorised by resolutions of the Board of Directors of BEA dated 17 October 2016.

NO MATERIAL ADVERSE CHANGE

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 2016 and no material adverse change in the financial position or prospects of BEA or of the Group since 30 June 2016.

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 NOTES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE NOTES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. THE NOTES ARE COMPLEX FINANCIAL INSTRUMENTS AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS. IN PARTICULAR, HOLDERS OF THE NOTES MAY BE REQUIRED TO ABSORB LOSSES UNDER CERTAIN CIRCUMSTANCES. INVESTING IN THE NOTES 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 Notes 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 Notes to the public in that Relevant Member State:

   (a) if the final terms in relation to the Notes specify that an offer of those Notes 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 Notes 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 Notes 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 Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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 Notes 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 Notes 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 Notes 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 Notes (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 Notes. 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 Notes 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 Notes have not been approved by the CSSF. Offers or sales of the Notes 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 Notes 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 Notes 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.

ISSUER

Head Office
The Bank of East Asia, Limited 東亞銀行有限公司
Bank of East Asia Building
10 Des Voeux Road
Central
Hong Kong

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road
Central
Hong Kong

J.P. Morgan Securities plc
125 London Wall
London EC2Y 5AJ
United Kingdom

JOINT LEAD MANAGERS

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-05 OCBC Centre East
Singapore 049514

SMBC Nikko Capital Markets Limited
One New Change
London EC4M 9AF
United Kingdom

CO-MANAGER

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

AUDITORS OF THE ISSUER

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

TRUSTEE

DB Trustees (Hong Kong) Limited
52nd Floor
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

ISSUING AND PAYING AGENT AND PAYING AGENT

Deutsche Bank AG, Hong Kong Branch
52nd Floor
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

REGISTRAR AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

LEGAL ADVISERS

To the Issuer
as to English and Hong Kong law

Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

To the Trustee
as to English law

Linklaters
10th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

To the Managers
as to English law

Linklaters
10th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

Printed by **ProTop Financial Press Limited**
160075-01