



PUBLIC DISCLOSURE

June 5, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of East Asia, Limited
Charter Number: 80097

540 Madison Avenue, 10th Floor
New York, New York 10022

Office of the Comptroller of the Currency

International Banking Supervision
340 Madison Avenue, 9th Floor
New York, New York 10173

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The major factors that support this rating include:

- The institution demonstrates an adequate level of community development (CD) loans, CD services, and qualified investment activity.
- The institution demonstrates no use of innovative or complex qualified investments, CD loans, or CD services.
- The institution exhibits adequate responsiveness to credit and CD needs in its assessment area.

Description of Institution

The Bank of East Asia, Limited, New York Branch (BEANY) is a Federal Deposit Insurance Corporation (FDIC) insured branch of The Bank of East Asia, Limited, Hong Kong (BEA or the bank). On January 8, 2014, the Office of the Comptroller of the Currency (OCC) designated BEA as a wholesale institution. BEA was incorporated in Hong Kong in 1918. The bank is dedicated to providing comprehensive commercial banking, personal banking, wealth management, and investment services to its customers in Hong Kong, Mainland China, and other major markets around the world. BEA is the largest independent local bank in Hong Kong, with total consolidated assets of HK \$883 billion (US \$113 billion) as of December 31, 2022.

BEA is listed on The Stock Exchange of Hong Kong. The bank was one of the first foreign banks to receive approval from the China Banking Regulatory Commission (CBRC) to establish a locally incorporated bank in Mainland China. This wholly-owned subsidiary, The Bank of East Asia (China) Limited, offers a full range of banking and financial services to a broad customer base that includes local residents and businesses. BEA also has a presence in Southeast Asia and the United Kingdom.

BEA operates three federal wholesale branches in the United States, two in New York (NY) and one in Los Angeles. BEANY is one of the NY federal wholesale branches. BEANY was established in 1984 and is located in midtown Manhattan. The branch primarily offers banking services to personal and corporate customers with affiliate relationships; it does not actively solicit individual retail customers. Most branch funding is through brokered deposits. Banking services include account and deposit services; commercial mortgage loans, construction loans, and lines of credit; asset-based finance; trade finance services; as well as domestic and international fund transfers.

As of December 31, 2022, BEANY reported total assets of approximately \$3.7 billion. The branch's strategic focus is primarily on syndicated/participation loans to large corporate and midsize businesses including commercial real estate lending. BEANY does not offer home mortgages or consumer loans.

For the review period, the branch had no merger and acquisition activities or branch location changes. There have not been any changes in the assessment area (AA) designation since the prior examination in 2020.

Table 1: Financial Information (000s)

	Year-end 2020	Year-end 2021	Year-end 2022	Average for Evaluation Period
Total Assets	3,209,182	3,301,451	3,654,574	3,388,402

Source: Consolidated Report of Assets and Liabilities.

The regulatory requirements governing capital for federal branches are different than those of U.S. domestic banks. Federal branches are required to comply with the capital equivalence deposit (CED) requirements, which equals five percent of the branch's third-party liabilities. BEANY maintains CED assets that comply with the requirements; however, this does not compare to the volume of capital required by a domestic bank. Furthermore, federal branches

are not required to report income for regulatory purposes. Therefore, an analysis of performance to capital and income is not meaningful.

The OCC did not identify any legal, financial, or other factors impeding the branch's ability to help meet the credit needs in its AA.

Scope of the Examination

Evaluation Period/Products Evaluated

In evaluating the branch's performance under the CRA, we reviewed CD activities from January 1, 2020, through December 31, 2022. We reviewed the level and nature of qualified investments, CD lending, and CD services. This evaluation is based exclusively on the CD activities of BEANY. At the prior examination dated June 1, 2020, we rated the branch Satisfactory.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Description of Assessment Area

BEANY’s Assessment Area (AA) consists of all of New York (Manhattan), Queens, and Kings (Brooklyn) counties. These counties are part of the New York-Jersey City-White Plains, NY-NJ Metropolitan Division (35614). This AA meets the requirements of the CRA and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

The AA is a densely populated urban area. According to the 2020 US Census data, the AA contains 1,840 census tracts. There are 153 low-income tracts (8.3 percent), 436 moderate-income tracts (23.7 percent), 620 middle-income tracts (33.7 percent), and 510 upper-income tracts (27.7 percent). There are also 121 census tracts (6.6 percent) for which the income designation is unknown. The total population of the AA is 6.8 million. The AA has 1,450,100 families of which 27.7 percent are low-income families and 15.3 percent are moderate-income families. There are 2.8 million housing units of which 60 percent are rental units versus 30 percent owner-occupied, and 10 percent are vacant. Additionally, 63 percent of housing units are multifamily compared to 37 percent in 1-4 family units. The MSA Median Family Income is \$85,483 while the median housing value is \$758,716. Based on the housing cost and the median family income, there is a lack of affordability for LMI families to purchase a home.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	1,840	8.3%	23.7%	33.7%	27.7%
Families	1,450,100	27.7%*	15.3%*	16.2%*	40.8%*
Businesses	982,402	7.7%**	19.2%**	23.3%**	44.4%**

Source: Demographic Data – 2020 U.S. Census, 2022 Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract.

According to the June 30, 2022 FDIC Summary of Deposits report, BEANY’s deposit market share was 0.16 percent. The branch ranks 34 out of 106 banks in terms of deposits in the AA. The New York banking market is highly competitive. The deposit market is dominated by large multinational institutions. BEANY’s major competitors include JPMorgan Chase Bank, Goldman Sachs Bank USA, The Bank of New York Mellon, Bank of America, Citibank, and HSBC Bank USA. These major competitors have an established presence in the AA and provide strong competition with the branch for CD activities.

As of December 2022, the U.S. Bureau of Labor Statistics (BLS) reported the unemployment rate for the New York-Jersey City-White Plains, NY-NJ MD as 4.1 percent. For the same time, the BLS reported the New York state unemployment rate as 3.8 percent, and the national unemployment rate as 3.5¹ percent. However, Moody’s Analytics reports that job growth within the AA is currently exceeding the national pace. The gains are being powered by hotels, restaurants, and hospitals, while office-using jobs are growing at a slower pace. Top employers in the area include Montefiore Health System, Mount Sinai Health System, JPMorgan Chase & Co., and Bank of America. The strengths of the area is it is the financial capital of the world; has high per capita income and limited exposure to manufacturing; and has strong international immigration. The weaknesses are high costs, including taxes, housing, office rents and energy; a rapidly aging infrastructure; and troubled fiscal health made worse by population losses.

¹ National unemployment rate is seasonally adjusted; MD and state unemployment rates are not seasonally adjusted.

Financial services, medical centers, and tourism continue to remain the primary economic drivers of the assessment area.

As part of the CRA evaluation, the OCC reviewed information from two community contacts made within the branch’s AA to determine local economic conditions and community needs. One community contact is an economic development corporation that focuses on Brooklyn but offers programs that expand to the five New York City boroughs. This organization provides job training programs, small business workshops, and small business loans. The other community contact is a community development corporation that serves the South Asian and Indo-Caribbean communities in New York City. This organization works to preserve and advocate for affordable housing. These contacts identified affordable housing, affordable housing loans, small business loans, and financial literacy as community needs of the AA.

Conclusions About Performance

Summary

BEANY’s performance for the evaluation period is satisfactory. The level of qualified investments, CD lending, and CD services is adequate relative to available opportunities and the strong competition from large commercial and retail banks. While the branch’s CD activities are not innovative or complex, the branch met identified credit and CD needs by financing \$12.6 million in CD loans, funding \$2.7 million in qualified investments, and providing financial literacy training.

Qualified Investments

Qualified investments totaled \$2.7 million with current period investments of \$2.1 million, outstanding prior period investments of \$552 thousand, and grants of \$31 thousand.

The following table summarizes BEANY’s investments, grants, and unfunded commitments inside the AA.

Table 3: Qualified Investment Activity (000s)

	Benefits AA**
Originated Investments	\$2,130
Originated Grants	\$31
Prior-Period Investments that Remain Outstanding	\$552
Total Qualified Investments	\$2,713
Unfunded Commitments*	\$0

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system. ** Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

During the evaluation period, BEANY invested \$2.1 million in the form of savings deposits with two minority depository institutions (MDIs) in the branch’s AA. These MDIs provide banking services to LMI individuals in the branch’s AA.

BEANY has four prior period investments that remain outstanding. These investments are mortgage-backed securities (MBS) secured by home mortgage loans in LMI census tracts in BEANY's AA. As of December 31, 2022, the book value of the four investments totaled \$552 thousand.

BEANY made donations totaling \$31 thousand to six different organizations supporting LMI individuals in the branch's AA. BEANY donated:

- \$9,500 to an organization that provides community services for LMI senior citizens.
- \$6,000 to a primary school predominantly serving LMI students. The donation will be used to enhance the school's facilities, technology resources, and other educational programs.
- \$6,000 to a high school predominantly serving LMI students. The donation will be used to enhance the school's facilities, technology resources, and other educational programs.
- \$5,000 to an organization that creates and preserves affordable housing and provides homeownership education and financial assistance for LMI individuals.
- \$2,500 to another primary school predominantly serving LMI students. The donation will be used to enhance the school's facilities, technology resources, and other educational programs.
- \$2,000 to an organization that provides community services for LMI children.

CD Lending

During the evaluation period, BEANY financed three CD loans in its AA, totaling \$12.6 million. BEANY financed:

- One \$9.4 million commercial mortgage loan for an industrial building in a moderate-income area. The loan helps revitalize the area by retaining and attracting employers. The loan also promotes economic development by creating job opportunities for LMI individuals in the area.
- Two loans, one for \$1.8 million and one for \$1.4 million, that promote economic development by financing small businesses with gross annual revenues under \$1 million.

CD Services

BEANY provided an adequate level of CD services in its AA. Due to restrictions caused by the COVID-19 pandemic, the branch faced challenges to providing CD services. Despite the challenges, the branch remained proactive and developed alternative methods to provide services that helped address needs within the AA. Using video conferencing, the BEANY management team and retail staff provided financial literacy presentations for senior centers, high schools, and elementary schools. The presentation topics were tailored to the age group of the audience. Organizations receiving services were located in BEANY's AA and served LMI individuals.

Appendix A: Definitions and Common Abbreviations

The following terms and abbreviations may be used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose CD.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have

original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.