



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

January 4, 2010

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Bank of East Asia, Limited  
Charter Number 80097**

**202 Canal Street  
New York, New York 10013**

**Comptroller of the Currency  
International Banking Supervision  
340 Madison Avenue, 9<sup>th</sup> Floor  
New York, New York 10173-0002**

**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.

## **INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

The major factors supporting this rating include:

- The bank's average loan-to-deposit ratio is more than reasonable and meets the standard for outstanding performance;
- A substantial majority of the bank's loans were originated in the bank's assessment area;
- The bank's distribution of loans represents a reasonable penetration among businesses of different sizes; and
- The bank's geographic distribution of loans represents an excellent dispersion throughout geographies of different income levels;

## **SCOPE OF EXAMINATION**

The Bank of East Asia, Limited, New York (BEA-NY) was evaluated under the Small Bank examination procedures, which consists of a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The lending test for BEA-NY covers its performance from January 1, 2007 through September 30, 2009, as this is representative of its lending strategy since the last CRA examination.

BEA-NY's primary loan product is commercial real estate loans. To evaluate the bank's business lending performance, we selected a sample of business loans made from January 1, 2007 through September 30, 2009.

## **DESCRIPTION OF INSTITUTION**

BEA-NY headquartered in the Chinatown area of Manhattan is an FDIC insured federal branch established in 1984. As of September 30, 2009, BEA-NY had total assets of \$104 million. BEA-NY is wholly owned by the Bank of East Asia, Limited, Hong Kong, (BEA) which has total consolidated assets of \$53 billion. BEA is the largest independent local bank in Hong Kong and has had a presence in New York City since 1984 and other locations throughout the world. BEA-NY has two affiliate federal branches, the Bank of East Asia, Limited, Wholesale Branch New York and Bank of East Asia, Limited, Los Angeles. In addition to the federal branches BEA-NY has a national bank affiliate the Bank of East Asia, USA, National Association (BEA-USA).

BEA-NY offers a wide variety of credit and deposit products to meet consumer and commercial banking needs. The tables below illustrate a full listing of products and services offered by BEA-NY.

**Type of Deposit Accounts/Other Retail Banking Services**

Personal Checking	Direct Deposit
Basic Checking	Foreign Draft
Business Checking	Foreign Currency CD's
Personal Now Account	Treasury Tax & Loans
Money Market Deposit Account	Remittances
Preferred Money Market Deposit A/C	Personal Money Orders
Domestic & Int'l Funds Transfer	Night Depository
Certificates of Deposits	Merchant Service

**Type of Credits Offerings**

Personal Loans	Small Business Loans
Revolving Cash Reserve Lines	Commercial & Standby L/C's
Commercial Mortgages	Collections
Installment Loans	Residential Mortgage
Lines of Credit	Transfer L/C's

As September 30, 2009, net loans represented 76% of total assets. Commercial real estate loans make up 96% of total loans and leases.

Competition in the bank's assessment area is strong and includes local community banks and large regional and national institutions. BEA-NY's primary competitors in the assessment area are JPMorgan Chase Bank, NA, Bank of America, NA, Citibank, NA, Bank of NY Mellon, HSBC Bank NA, Wachovia Bank, NA, Goldman Sachs and TD Bank NA.

There are no financial or legal impediments to hinder BEA-NY's ability to help meet the credit needs of the community it services.

BEA-NY's last Public Evaluation (PE) was dated May 1, 2006 and BEA-NY was assigned an overall "Outstanding" rating.

**DESCRIPTION OF ASSESSMENT AREA(S)**

BEA-NY has designated its assessment area (AA) to include three counties within the New York-White Plains-Wayne, NY-NJ metropolitan division (MD) 35644 which is part of the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA 35620. The bank has chosen Kings, New York and Queens Counties as its AA. The AA complies with the legal requirements of CRA and does not arbitrarily exclude low- and moderate-income areas.

BEA-NY AA is described below:

**Kings, New York and Queens Counties AA MSA 35620**

Demographic Information for Full Scope Area: BEA-NY AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,752	10.90	28.77	32.48	25.46	2.40
Population by Geography	6,231,900	12.27	33.15	29.77	24.76	0.05
Owner-Occupied Housing by Geography	721,879	2.53	18.50	36.31	42.66	0.00
Business by Geography	575,851	6.83	21.52	22.18	48.09	1.38
Farms by Geography	1,789	5.14	16.99	25.99	51.54	0.34
Family Distribution by Income Level	1,437,894	29.52	16.65	17.12	36.71	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	663,887	20.29	42.77	26.74	10.19	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		49,461 64,800 19%	Median Housing Value Unemployment Rate (Dec 2009 National) NY State Rate Kings County New York County Queens County		258,256 10% 8.6% 11% 9.2% 9.1%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2009 HUD updated MFI

The local economy within the AA is currently trying to rebound from setbacks suffered during the recent decline in the national economy. The AA was particularly hit hard as it experienced the loss of several large financial institutions who were major employers in the AA. Despite, the downturn the AA continues to be the home of many large and diversified financial services companies, contributing to a fiercely competitive market for all types of products. Major competitors in the AA include JP Morgan Chase, Bank of America, Bank of NY Mellon, Citibank, and HSBC. These are in addition to other financial institutions that compete for the same local customer base.

The AA remains diversified with a mix of businesses that reflect the various cultures within the city. Many national and international corporations are headquartered in the AA. The downtown area traditionally has been dominated by the financial services industry. Industries operating in the midtown area include advertising, publishing and garment production. The retail sector is a major employer with several large department stores and small businesses throughout the AA. Tourism is a major economic force with museums, attractions and a vibrant performing arts industry. Television and film production is another growth industry in the AA. The largest employers in the area are New York Presbyterian Healthcare Systems, Citigroup, JP Morgan Chase, Verizon and

## Federated Department Stores

In conducting the assessment of the bank's performance, we contacted a local organization. The organization stated that commercial lending to fund various revitalization projects, financing the development of commercial, industrial and residential units, lines of credit for non-profits and loans or grants to small business were amongst the needs of the community. The contact states that although more bank branches have opened in the area, access to financial services is still a need. There are needs for small business training, financial literacy, subsidies for affordable housing, and foreclosure prevention assistance. Additionally, the contact states that there are ample opportunities available to provide community development assistance within the community in the AA. The contact states that there are 46 active Community Development Financial Institutions (CDFIs) operating in NYC; most are large and offer various community development opportunities. Neighborhood Housing Services (NHS) of NYC is very active and has numerous opportunities for bank partnership and the NYC government has several new initiatives to assist LMI with affordable housing and small business lending.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

BEA-NY's performance under the lending test is outstanding. All portions of the test were weighted evenly. While BEA-NY was found to have reasonable penetration among businesses of different sizes, the high level of competition was factored into the analysis.

All criteria of the lending test are documented below:

### **Loan-to-Deposit Ratio**

BEA-NY's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs and it meets the standard for outstanding performance. The bank's net loan-to-deposit ratio averaged 168% over the last 14 quarters. This ratio ranged from 114% to 215%.

### **Lending in Assessment Area**

A substantial majority of BEA-NY's commercial real estate loans originated during the evaluation period were originated within the bank's AA. As a result of this performance, BEA-NY meets the standard for outstanding performance. Based on our loan sample, 95% of the number and 98% of the dollar amount of bank's lending was originated inside the AA. The following table details the bank's lending within the AA by number and dollar amount of loans.

<b>Table 1 - Lending in the BEA-NY AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Real Estate Loans	21	95%	1	5%	22	6,342	98%	150	2%	6,492

Source: Sampled business loan data 1/1/07-9/30/09

### Lending to Businesses of Different Sizes

The distribution of loans reflects reasonable penetration among businesses of different sizes, and BEA-NY’s record of lending to businesses of different sizes meets the standard for satisfactory performance. While the percentage of loans to small businesses (businesses with gross annual revenues of \$1 million or less) is lower than the percentage of businesses in the AA, BEA-NY’s performance is considered satisfactory due to the high level of competition in the AA. The top ten lenders comprised approximately 90% of all loans made. The majority of the lenders were large national banks, national credit card banks and large regional banks.

The following table details the bank’s performance in lending to businesses of different sizes.

<b>Table 2 - Borrower Distribution of Loans to Businesses in BEA-NY AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.05%	5.98%	19.97%	100%
% of Bank Loans in AA by #	14.29%	14.29%	71.43%	100%
% of Bank Loans in AA by \$	26.02%	21.60%	52.38%	100%

Source: small business loans sampled from 1/1/07 – 9/30/09

### Geographic Distribution of Loans

Overall, the geographic distribution of loans in the AA reflects excellent dispersion. We did not identify any unexplained conspicuous gaps.

BEA-NY’s performance meets the standard for outstanding performance. The percentage of BEA-NY’s small loans to businesses made in low-income geographies exceeds the percentage of businesses that are located in AA. The percentage of small loans to businesses made in moderate-income geographies is somewhat lower than the percentage of businesses that are located in these geographies. BEA-NY’s performance is outstanding given the high level of competition. The top five lenders comprised approximately 80% of all loans made in low- to moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Table 3 – Geographic Distribution of Loans in BEA-NY AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	6.83%	23.81%	21.52%	14.29%	22.18%	0.00%	48.09%	61.90%

Source: small business loans sampled from 1/1/07-9/30/09

### **Responses to Complaints**

BEA-NY did not receive any CRA related complaints during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.