

SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 1, 2006

**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
New York Metro North Field Office
340 Madison Avenue, 4th Floor
New York, New York 10017**

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.

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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.

Geography - A census tract or a block numbering area 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 do 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, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

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

Upper-Income - Income levels that are 120% or more of the MFI.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Bank of East Asia, Limited, New York, New York ("BEA")** as prepared by **The Office of the Comptroller of the Currency ("OCC")**, the institution's supervisory agency, as of **May 1, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING:

This institution is rated Outstanding.

The primary factors supporting the overall rating are:

- BEA-NY's average loan-to-deposit (LTD) ratio for the evaluation period is more than reasonable in light of the branch's size, competition, and market loan demand.
- A majority of the branch's loans are made within the designated assessment area.
- BEA-NY lending to small businesses in the assessment area is adequate.
- The geographic distribution of small business loans and commitments reflects excellent dispersion throughout the branch's assessment area.
- Additionally, BEA-NY's level of Community Development ("CD") lending is outstanding when considering the strong competition and opportunities available within the assessment area. The branch originated three Community Development Loans totaling \$25 million during our evaluation period, which positively contributed to the lending test.

DESCRIPTION OF INSTITUTION

The Bank of East Asia, Limited, New York (BEA-NY) is an FDIC insured federal branch established in 1989 and is located in the Chinatown area of Manhattan. BEA-NY's head-office is the Bank of East Asia, Limited, Hong Kong, which has total consolidated assets of \$30 billion. The largest independent local bank in Hong Kong, BEA has had a presence in New York City since 1984 when it established a wholesale-funded, non-insured federal branch in midtown Manhattan. Management relocated the non-insured wholesale midtown Manhattan branch to BEA-NY's Chinatown location in October 2003. There is also an uninsured federal branch located in Los Angeles, CA. BEA-NY does not facilitate an ATM machine or the use of debit cards.

In addition to three federal branches, an interim national bank was established in the Chinatown, New York location, and on December 5, 2003, the bank merged Bank of East Asia USA, N.A. (formerly Grand National Bank, Alhambra, CA) into this bank and kept the name – Bank of East Asia USA, N.A (BEA-USA, N.A.).

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
Business Checking	Foreign Draft
Personal Now Account	Foreign Currency CD's
Money Market Deposit Account	Treasury Tax & Loans
Preferred Money Market Deposit A/C	Remittances
Statement Savings (Effective Jan. 2003)	Personal Money Orders
Certificates of Deposits	Night Depository
Basic Checking	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 of December 31, 2005 total assets of BEA-NY were \$172 million. The branch's primary business focus is commercial real estate and trade-finance/commercial LOC lending.

At December 31, 2005, net loans represented 80 percent of total assets. Commercial real estate and trade-finance/commercial LOC's loans represented 77 percent and 23 percent of BEA-NY's loan portfolio, respectively.

Competition in BEA-NY's primary markets is intense with more established institutions controlling a significant share of the market. Competition encompasses branches of large multinational and regional banking institutions, in addition to thrifts and branches of other Chinese banks. As of June 30, 2005, a total of 108 offices of various financial institutions are within the branch's assessment area. According to the June 30, 2005 Federal Deposit Insurance Corporation's Deposit Market Share Report, JP Morgan Chase holds 35% of the market share, followed by Citibank at 25%, and HSBC at 8%. BEA-NY is ranked 90th, capturing 0.01% of the market share.

BEA-NY was assigned a "Satisfactory" CRA rating at the previous examination dated October 7, 2002. There are no impediments identified, legal or otherwise, that would hinder the institution's ability to help meet the credit needs in its assessment area.

DESCRIPTION OF NEW YORK AA (Kings, Queens, Manhattan Counties)

There were no physical or boundaries changes to the bank's assessment area because of changes in MSA boundaries and definitions in 2004, eliminating the need for a separate analysis of the branch's CRA performance in 2003.

BEA-NY operates in an urban area and has identified portions of the New York MSA as its assessment area. New York City, with its five boroughs, is part of the New York-White Plains-Wayne, NY-NJ Metropolitan Statistical Area (MSA) 35644. However, BEA-NY's AA consists of Kings, Queens, and New York (Manhattan) counties. The AA contains 1,752 census tracts.

Of these tracts, 11% are low-income, 29% moderate-income, 32% middle-income, 25% upper-income, and 2% of the census tracts in the assessment area had no income information available.

The AA meets all regulatory guidelines and does not arbitrarily exclude low and moderate-income areas. According to the 2000 Census data, the total population of the AA was 6.2 million with \$2.4 million households. The 2000 weighted average median family income (MFI) for the AA is \$49,461. The 2005 Housing and Urban Development Agency (HUD) updated MFI is \$57,650. The table below reflects the assessment area demographics based on 2000 Census results and updated 2005 HUD data:

Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Geographies (Census Tracts)	1,752	11%	29%	32%	25%	2%
Population by Geographies	6,231,900	12%	33%	30%	25%	0
Owner-Occupied Housing by Geography	721,879	3%	19%	36%	43%	0
Businesses by Geography	454,995	6%	21%	22%	49%	1%
Family Distribution by Income Level	1,437,894	30%	17%	17%	37%	0
Census Median Family Income = \$49,461 2005 HUD Updated Median Family Income = \$57,650 Households below the Poverty Level = 18.13%			Median Housing Value = \$244,528 Unemployment Rate = 4.01%			

Source: 2000 U.S. Census and 2005 HUD Updated MFI

There are 2,546,260 housing units within the bank's assessment area, of which 94% are occupied and 6% vacant housing units. Owner occupied units account for 28% of the total housing units, while rental units account for 66%. The housing units are primarily multifamily units (61%) and the remaining units are 1-4 family (38%).

The median housing value in the assessment area is \$244,528. The housing affordability ratio in the assessment area, calculated by dividing median family income by median housing value, is low at 23.6%, indicating greater challenges for low-and-moderate income borrowers to purchase a home.

The New York MSA is home to many large and diversified financial services companies, contributing to a fiercely competitive market for all types of products. Major competitors providing financial services in the branch's AA include JP Morgan Chase, Citibank, and HSBC. These are in addition to other financial institutions that compete for the same local customer base.

Additionally, the overall economy for the MSA continues to grow. New York City (NYC) has a diversified mix of businesses. Many national and international corporations are headquartered here. Historically, the downtown area 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. According to the 2000 Census data, the largest industries in the AA are Services; Retail Trade; Finance, Insurance and Real Estate; Wholesale Trade; Manufacturing; and Construction.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The CRA evaluation of Bank of East Asia, Limited covers the period of January 1, 2003 to December 31, 2005. Our review covered loans to small businesses, including commercial real estate loans, as well as trade-finance/commercial Lines of Credit (LOC) which were originated during this period. These have been identified as the primary lending products extended by the branch. All loan information was derived from internal management records. Our sample included forty randomly selected loans originated during our evaluation period to determine the lending performance.

During October 2005, OCC examiners verified the accuracy and applicability of lending activities. Bank management was able to provide accurate and meaningful information for this analysis. Overall, the data was deemed to be reliable to assess the bank's CRA performance.

Community Contact

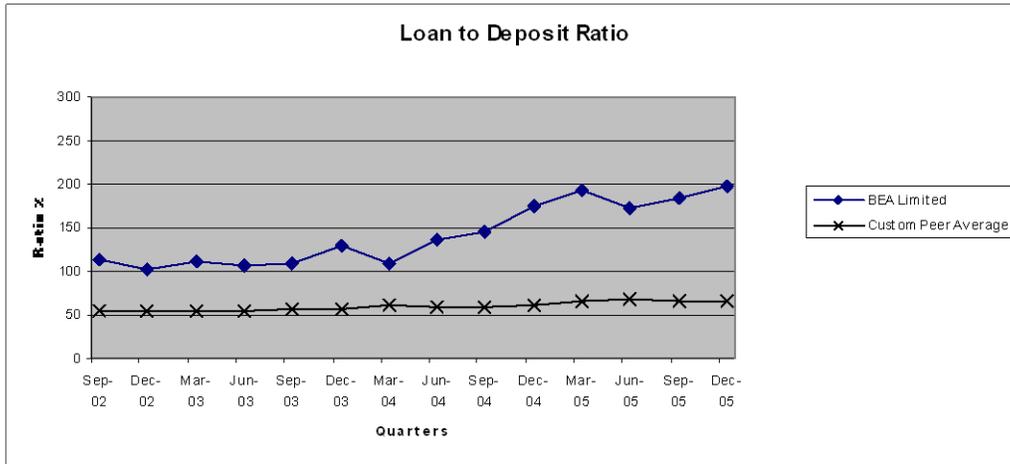
During this examination, we held discussions with local community development agencies to help us determine the community credit and development needs in the branch's assessment area. These agencies are committed to community service and empowerment targeting immigrants, low-income families, senior citizens, and minorities throughout New York City. The primary credit needs of the communities are small business lending, affordable housing and homeownership. The community contact indicated that there are opportunities for financial institutions to become involved in the community redevelopment as well as supporting the primary credit needs of the community.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is outstanding as it is more than reasonable given the bank's size, financial condition and assessment area credit needs.

BEA-NY has an average loan-to-deposit ratio of 141.75% for the 14 consecutive quarters ending December 31, 2005. This ratio was based on figures from the Federal Branch Analysis Report (FBAR) filed quarterly since the previous CRA examination. The lowest LTD for the period is 102.87% and the high is 196.83%. The average LTD ratio represents an increase from the LTD ratio of 116% noted during our previous CRA review. Additionally, when compared to similarly situated banks, BEA-NY performed well-above the custom peer average LTD of 59.88%.

The custom peer average consists of two similarly situated banks considered as peers due to their location within the assessment area and/or asset size. In addition to third-party deposits, the branch also receives funding from its Head Office in Hong Kong, which contributes to the high LTD ratio. The following chart displays the branch's LTD ratio compared to peer:



Lending in Assessment Area

BEA-NY meets the standard for satisfactory performance for lending within the AA.

A majority of the branch's loans and LOC were made to borrowers within the branch's assessment area. We reviewed the distribution of loan originations for BEA-NY's primary lending categories for the time period beginning January 1, 2003 to December 31, 2005. Based on a statistical sample of 40 loans, we concluded that 75% by number and 75% by dollar volume of loans and commitments were within the branch's assessment area.

Lending in the Assessment Area (Dollar Amounts in Thousands)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Trade Finance / Com'l LOC	17	68%	8	32%	25	\$22,450	55%	\$18,625	45%	\$41,075
Commercial RE Loans	13	86.7%	2	13.3%	15	\$39,746	95%	\$1,900	5%	\$41,646
Totals	30	75%	10	25%	40	\$62,196	75%	\$20,525	25%	\$82,721

Source: Bank Data/Loan sample.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

An analysis of borrower income is not meaningful since consumer lending is not a primary business focus at the branch. However, an analysis was performed on BEA-NY's commercial lending, which represents a significant portion of its loan portfolio.

BEA-NY's lending to small businesses in the assessment area is adequate.

During the evaluation period, we sampled 40 loans originated in the branch's assessment area. Of this amount, 12 loans or 30% of the total loans sampled were made to small businesses, which are defined as businesses having revenues of \$1 million or less. According to Dun & Bradstreet data, small businesses with revenues of \$1 million or less comprise 63% of total businesses within the assessment area. Nonetheless, we concluded the branch's lending to small businesses to be reasonable considering performance context factors such as competition from larger regional banks, other institutions in the assessment area, and the branch's business focus and strategy.

Distribution of Loans by Business Revenue Size (Dollars Amounts in Thousands)					
Business Revenues (Or Sales)	Percentage of Businesses in AA	Number of Loans	Percent of Total Number of Loans	Dollar Amount of Loans	Percent of Dollar Amount of Loans
≤ \$1,000,000	62.8%	12	30%	\$12,915	18%
> \$1,000,000	7.9%	28	70%	\$58,110	82%
TOTALS *	71%	40	100%	\$71,025	100%

Source: Dun and Bradstreet data and loan sample. *29% of AA businesses did not report revenue data

Geographic Distribution of Loans

The geographic distribution of small business loans and commitments reflects excellent dispersion throughout the branch's assessment area.

Overall, the number of small business loans and commitments made in low and moderate-income census tracts exceeded the number of businesses in those tracts. Based on our original sample, 12 loans were made to small businesses in the AA. Of this amount, the branch made 3 loans or 25% of the small business loans and commitments to businesses in a low income tract and 4 loans or 33% in a moderate-income tract. Thus, on an aggregate basis, 58% of the small business loans and commitments sampled were originated in low-and moderate-income census tracts. These percentages compare favorably with the number of businesses in low and moderate income census tracts in the assessment area, 6% and 21% respectively, based on the 2000 Census data. These loans were all originated in LMI tracts of

Brooklyn, Manhattan (Lower East Side area), and Queens Counties. BEA-NY's geographic distribution of small business loans and commitments has increased compared to the prior CRA examination, where 52% of small business loans and commitments were originated in LMI census tracts.

Geographic Distribution of Small Business Loans in the AA								
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
Small Business Loans & Commitments*	6%	25%	21%	33%	22%	25%	49%	17%

*Source: Dun and Bradstreet Data and loan sample. * 2% of the # of business loans & commitments sampled (Or 1 loan) had an unknown income tract. 1% of AA businesses are in geography which has not been assigned an income classification.*

Community Development Loans

BEA-NY level of Community Development (“CD”) lending is outstanding when considering the strong competition and opportunities available within the assessment area.

The branch originated three Community Development Loans totaling \$25 million during our evaluation period, which positively contributed to the lending test. These loans were responsive to the needs of the assessment area and met the Community Development definition.

The three CD loans are commercial mortgage loans made in low and moderate-income geographies of the branch’s assessment area during the evaluation period. The purpose of all three CD loans was to revitalize and stabilize these low and moderate-income geographies by providing long-term job and business opportunities for the community.

Responses to Complaints

BEA-NY has not received any CRA-related complaints covering the review period with respect to its performance.

Fair Lending or Other Illegal Credit Practices Review

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