

## FREQUENTLY ASKED QUESTIONS

- Q:** *When are the Greater China Investment Index CDs issued?*
- A:** The CDs are issued on **10/10/2007** with orders being cut off at noon on **11/30/2007**.
- Q:** *“What are the advantages of the Index CD?”*
- A:**  Your principal deposit amount is guaranteed if the account is held to maturity and it is FDIC insured.
- You have a potential of a higher rate of return on a deposit without sacrificing safety.
- It is affordable - \$5,000.00 minimum investment.
- The account provides an opportunity to diversify investment exposure across a broad base of companies.
- Q:** *“Is there an APY stated for the Index CDs?”*
- A:** An APY is not quoted on Index CDs because interest is determined at maturity.
- Q:** *“How is interest calculated on the Index CDs?”*
- A:** Interest is calculated and paid at maturity by multiplying the principal deposit amount by the variable return rate.
- Q:** *“What is ‘Participation Rate’?”*
- A:** Participation Rate is the percentage applied to the overall performance of the Hang Seng China Enterprises Index used in determining the interest calculation.
- For example:** if you invest \$10,000 in a Greater China Investment Index CD with a participation rate of 90% and the quarterly average index rises 50% over the 5-year term, the interest payment to you would be 45%, or (90% x 50%) at maturity.
- Q:** *Why can't I withdraw my Interest?*
- A:** Partial withdrawals are not permitted on Index CDs. Interest can only be calculated at maturity and at the close of the specified early withdrawal dates. If closing the account at an early withdrawal date is an absolute must, please be aware the total value may be less than the principal deposit amount\*\*.
- Q:** *Are there disadvantages to averaging when determining the variable return rate at maturity?*
- A:** The only disadvantage would be in consecutive “up” markets. Obviously if the market continuously climbed to and closed at an all time high, averaging would lower your variable return rate. On the other hand in a consecutive “down” market, your variable return rate is also averaged in your favor.
- Q:** *Is interest capped?*
- A:** No, there is no cap or maximum return.
- Q:** *What if the market goes down prior to the issue date?*
- A:** That's good, buying low and selling high maximizes your return.
- Q:** *What if the market has extreme swings up and down during the CD's term?*
- A:** Because the final index value is average over 20 quarters, the effect of a volatile market is minimized.
- Q:** *Are Hang Seng China Enterprises Index CDs liquid?*
- A:** No. However, the CDs may be redeemed in the event of death of an account holder or on the specified early withdrawal dates. Early redemption values are subject to market conditions\*\*.

- Q:** *How will I be taxed on this investment over the term?*
- A:** As a holder of a Greater China Investment Index CD you are subject to an annual income tax. An explanation of the annual income tax rate is more fully explained in the Disclosure Statement and is referred to as the Original Issue Discount.
- Every year you will receive a 1099-OID Report based at 4.0%. At maturity, the actual interest earned is netted against interest already reported. A positive value is reported as ordinary income while a negative value is reported as ordinary loss.
- We suggest Index CD holders consult with their tax advisor or IRS Publication 1212 for further details.
- Q:** *What are the risks associated with Indexed CDs?*
- A:** With an indexed CD there is no risk to the Principal Deposit amount so long as the account is held to maturity. So the risk can best be described in comparison to other types of investments.
- As with any other investment, there is an “opportunity risk” of missing out on the return of another potential investment, especially if the Hang Seng China Enterprises Index were to decline in value. You also risk the Liquidity you would have in other types of investments.
- Q:** *What is the account opening or regular maintenance fee?*
- A:** There is no opening or regular maintenance fee.
- Q:** *Am I a good candidate for an Indexed CD?*
- A:** The Greater China Investment Index CD is a logical option for buy and hold customers looking to participate in the appreciation of a market index. Indexed CD customers are conservative, but want to participate in the historically higher returns of the stock market while protecting principal. This Index CD is particularly suited for persons that can put money aside or are saving for a purchase 5 years into the future.
- Q:** *Can the Greater China Investment Index CDs be added to?*
- A:** Only until the Issue Date. After the Issue Date, you would only be able to open a new Index CD if and when East West Bank is able to offer this type of investment again; At that point you would need to fill out a new Customer Order Form and be subject to terms of the new offering.
- Q:** *Will I own stock as part of the certificate?*
- A:** No. The Hang Seng China Enterprises Index is used to track the activity of the stock market but you don't actually purchase stock when you purchase this certificate. Instead, your deposit stays right in the bank.
- Q:** *What are the benefits of FDIC Insurance?*
- A:** In the event of a bank failure, federal deposit insurance protects deposits up to \$100,000. (See, “Insuring Your Deposits” FDIC brochure <[www.fdic.gov](http://www.fdic.gov)>).
- Q:** *If I want to void my transaction, what is the last day I can do this?*
- A:** By noontime November 29, 2007.
- Q:** *What is the minimum investment amount?*
- A:** The minimum you can deposit is \$5,000.



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For more information, please call

**1.888.895.5650**

or visit [www.eastwestbank.com](http://www.eastwestbank.com)

\*All principal is held in an East West Bank Certificate of Deposit and FDIC insurance coverage rules will apply. FDIC Insurance does not guarantee a return from the performance of the Hang Seng China Enterprises Index (HSCEI). Offer is valid from October 10, 2007 through November 30, 2007.

\*\*There may be a penalty for early withdrawals. These penalties are subject to market value. You may receive less than your original principal deposit if you redeem your certificate of deposit prior to maturity.

Account holders will generally be required to report taxable interest income each year that the CD is held. The above offer is not available for retirement accounts.

The Greater China Investment Index CD accounts linked to the HSCEI are solely the obligations of East West Bank. The Hang Seng China Enterprises Index is managed and compiled by HSI Services Limited, a wholly-owned subsidiary of Hang Seng Bank. Neither HSI Services Limited, nor Hang Seng Bank is affiliated with East West Bank or the Greater China Investment Index CD.

**GREATER CHINA  
INVESTMENT INDEX CD**



It has never been a better time to invest in China's booming economy. But at East West Bank, we know you want to make sure your investment carries as little risk as possible. That's why our **Greater China Investment Index CD** is FDIC insured.

We give you the opportunity to invest in a CD whose interest rate is tied to the performance of the Hang Seng China Enterprises Index (HSCEI), a leading stock market index benchmarking the stock performance of Mainland Chinese corporations listed on the Hong Kong Exchange. These companies have at least 50% of their income generated from Mainland China and are generally within the top 200 stocks on the Hong Kong Exchange.

We bridge the best of both worlds: outstanding opportunity with guaranteed principal protection.\*

**The Greater China Investment Index CD has a term of 5 years. As long as the account is held to maturity, the principal investment amount is 100% guaranteed!\***

If you must make an early withdrawal of funds (prior to the 5 year maturity date), there are some very important things to keep in mind.

- 1) You must give the bank an irrevocable notice to withdraw funds by noon, five business days before the Early Withdrawal date each year.
- 2) No other withdrawals will be allowed at any other time of the year, (except in the case of a deceased account holder.)
- 3) You may receive the balance of the account, less any early withdrawal fees, as late as a week after the early withdrawal date. Furthermore, no interest will be earned, credited or paid on early withdrawals.

Since many factors go into calculating the early withdrawal amount, the exact amount of the withdrawal will not be known until the account is actually closed on the early withdrawal date.

ACCOUNT FEATURES							
<b>Minimum Opening Balance:</b> .....	\$5,000.00.						
<b>Term:</b> .....	5 Years.						
<b>FDIC Insured:</b> .....	Up to \$100,000.00 per depositor depending on ownership categories (See FDIC, "Insuring Your Deposits," Brochure).						
<b>Interest:</b> .....	Simple Interest paid at a variable return rate tied to the Hang Seng China Enterprises Index, quarterly average for 20 quarters; calculated and paid at maturity (Interest is not compounded).						
<b>Principal Guaranteed:</b> .....	Only if held until maturity (5 years).						
<b>Additional Deposits:</b> .....	Additional deposits not allowed.						
<b>Grace/Renewal Period:</b> .....	None; does not renew.						
<b>Available to Non - Residents (W-8):</b> .....	Yes.						
<b>Available Ownership Types:</b> .....	Individual, Joint, Trust, Corporate, Partnership, Minor.						
<b>Savings Account Loan:</b> .....	Allowed one year after issue date for up to 75% of the principal deposit amount (fixed at 5%).						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #ADD8E6;">Option I</th> <th style="background-color: #ADD8E6;">Option II</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1% APY per year</td> <td style="text-align: center;">None</td> </tr> <tr> <td style="text-align: center;">Between 70% to 75%</td> <td style="text-align: center;">Between 85% to 90%</td> </tr> </tbody> </table>	Option I	Option II	1% APY per year	None	Between 70% to 75%	Between 85% to 90%
Option I	Option II						
1% APY per year	None						
Between 70% to 75%	Between 85% to 90%						
<b>Minimum Rate Guarantee:</b> .....							
<b>Participation Rate TBD at Issue Date:</b> ....							
<b>Partial Withdrawal:</b> .....	Partial withdrawals not allowed; lump sum only.						
<b>Redemption Amount At Maturity:</b> .....	<p><b>Option 1</b> – Principal amount plus either the variable return or the 1.0% APY guarantee, whichever is greater (Refer to Interest Calculation).</p> <p><b>Option 2</b> – Principal amount plus the variable return (Refer to Interest Calculation).</p>						
<b>Early Withdrawal:</b> .....	At allowed redemption periods only; Principal amount and variable return amount (if any) may be considerably less than principal amount. See (Early Withdrawal Information).						
<b>Early Withdrawal Requests:</b> .....	To make an early withdrawal, an irrevocable request must be submitted by noon at least five business days <b>before</b> the January 30 <sup>th</sup> Early Withdrawal Date each year starting in 2009. You may receive funds as late as a week <b>after</b> the Early Withdrawal Date.						
<b>Death Benefit:</b> .....	Full access to the principal deposit amount without penalties upon death of an account owner.						
<b>1099 OID Tax Filing:</b> .....	Annually, assumed interest of 4% APY per year for 5 Years.						
<b>Variable Interest Rate Calculation</b> .....	Final Average Index Value (F) minus the Initial Index Value (I) divided by the Initial Index Value (I) multiplied by the Participation Rate (P) = <u>Variable Interest Rate (R)</u> .						
<b>applicable only if held to maturity:</b>	$(F - I) \div I \times P = R$						
<b>Interest Amount Calculation</b> .....	<b>Principal Amount x Variable Interest Rate = Interest Amount.</b>						

### EARLY WITHDRAWAL INFORMATION

These types of investments are **designed to be held until maturity (for the entire five years)**. If you anticipate a need to withdraw funds before the five year term, this may not be the account for you.

It is most important to understand that although the Greater China Investment Index CD account is a non-callable, variable rate Certificate of Deposit account; the funds, in a sense, are "tied up" with the funds of other bank customers and locked in the investment for five years.

\*\*With this type of investment, when you need to make an early withdrawal, a couple of things will take place:

- 1) Since your portion of the investment cannot be immediately liquidated (due to the fact that it is "tied up" with other funds), EWB must cover the current value at a cost.
- 2) The cost to cover your portion of the investment is calculated by a third party (not by East West Bank).

The total current value of your account minus this cost may reduce the value to an amount that is less than your principal deposit amount. For this reason, the principal deposit amount cannot be guaranteed unless the account is held to maturity.

The exact amount of the early withdrawal is not calculated until the stock price closes on the Redemption Date. The customer must submit an irrevocable request to withdraw at least five business days before the early withdrawal date. When the stock closes on the Redemption Date, the exact value can then be determined.

A **Savings Account Loan** against the principal deposit amount **may provide a better option** to consider instead of an early withdrawal.

The value of the Hang Seng China Enterprises Index and it's constituents is published daily at:

[http://www.hsi.com.hk/family/hscei\\_e.html](http://www.hsi.com.hk/family/hscei_e.html)