

Bank of America, National Association
Hong Kong Branch
Disclosure Statement
June 30, 2022

Bank of America, N.A, Hong Kong Branch

Pillar 3 Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION

	30-Jun-22	30-Jun-21
	HK\$'000	HK\$'000
Interest income	568,393	481,868
Interest expense	(164,743)	(95,430)
Net interest income	<u>403,650</u>	<u>386,438</u>
Other operating income/ (losses)		
Gains arising from trading in foreign currencies	41,525	41,827
Losses on securities held for trading purposes	(4,269)	(36,242)
Gains/ (Losses) arising from trading in interest rate derivatives	802	(21,767)
Gains arising from trading in other derivatives	34,482	25,848
Fees and commissions		
Income	621,182	574,910
Expense	(559)	(1,172)
Other income	—	(640)
	<u>693,163</u>	<u>582,764</u>
Total revenue	1,096,813	969,202
Operating expenses		
Staff expenses	(373,015)	(363,030)
Rental expenses	(74,255)	(85,083)
Other operating expenses		
Depreciation expenses	(843)	(137)
Group servicing fee	(244,314)	(223,884)
Telecom expenses	(4,453)	(4,504)
Equipment expenses	(3,305)	(2,643)
Legal and Professional fee	(7,439)	(6,449)
Travel expenses	(471)	(258)
Subscription fee	(2,804)	(2,866)
Other miscellaneous expenses	(111,509)	(147,279)
	<u>(822,409)</u>	<u>(836,133)</u>
Operating profit before provisions	274,404	133,069
Impairment allowance credit/ (charged)	<u>332,851</u>	<u>(603,167)</u>
Profit/ (Loss) before taxation	607,255	(470,098)
Tax (expense)/ credit	<u>(126,934)</u>	<u>47,474</u>
Profit/ (Loss) after taxation	<u><u>480,321</u></u>	<u><u>(422,624)</u></u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

II. BALANCE SHEET DATA

	30-Jun-22	31-Dec-21
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	7,793,383	5,239,831
Due from Exchange Fund	4,512,588	3,226,705
Placements with banks and financial institutions maturing		
- Within one month	7,419,175	7,251,179
- Between one and twelve months	7,300,036	7,197,624
- Over one year	—	—
Amount due from overseas offices of the institution	29,451,944	24,381,732
Trade bills, net of impairment allowance	332,900	1,220,572
Trading securities, at fair value		
- Other securities	11,763,602	8,396,079
Advances to customers and other receivables, net of impairment allowance	53,305,784	54,466,061
Property, plant & equipment	9,811	10,496
Other assets	2,020,827	1,361,308
	<u>123,910,050</u>	<u>112,751,587</u>
TOTAL ASSETS	<u>123,910,050</u>	<u>112,751,587</u>
LIABILITIES		
Deposits and balances from banks	933,947	613,728
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	38,520,328	30,494,862
- saving deposits	1,653,248	2,050,916
- time, call and notice deposits	7,790,058	9,779,396
Amount due to overseas offices of the institution	72,740,648	66,177,959
Provision for commitments and contingent liabilities	83,210	565,693
Other accounts & accruals	2,188,611	3,069,033
	<u>123,910,050</u>	<u>112,751,587</u>
TOTAL LIABILITIES	<u>123,910,050</u>	<u>112,751,587</u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION

	30-Jun-22	31-Dec-21
	HK\$'000	HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	412,508	1,308,667
Impairment allowance		
Collective assessment	(3,363)	(12,329)
Individual assessment	(76,245)	(75,766)
	<u>332,900</u>	<u>1,220,572</u>
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	54,701,823	55,732,331
Impairment allowance		
Collective assessment	(529,160)	(541,799)
Individual assessment	(935,700)	(759,355)
	<u>53,236,963</u>	<u>54,431,177</u>
Accrued interests	<u>68,821</u>	<u>34,884</u>
	<u>53,305,784</u>	<u>54,466,061</u>
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	15,422,604	14,696,483
Impairment allowance		
Collective assessment	(494)	(6,572)
Individual assessment	(82,716)	(559,121)
	<u>15,339,394</u>	<u>14,130,790</u>

For Branch level, we adopted the internal risk rating and observed the provisioning guidelines issued by Hong Kong Monetary Authority (“HKMA”) to assess the collective impairment allowance for loans and advances. Individual allowances are made against individual loans and advances as and when the management have doubts on the ultimate recoverability of principal or interest in full. Both individual and collective assessment allowances are deducted from “Trade Bills”, “Advances to customers and other receivables” and “Commitments and contingent liabilities” in the balance sheet.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	30-Jun-22 HK\$'000	31-Dec-21 HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
More than one year	<u>401,373</u>	<u>398,848</u>
	<u>401,373</u>	<u>398,848</u>
Individually assessed allowance made in respect of overdue advances to customers		
More than one year	<u>401,373</u>	<u>398,848</u>
	<u>401,373</u>	<u>398,848</u>
Overdue advances to customers as a percentage of total advances to customers		
More than one year	<u>0.73 %</u>	<u>0.72 %</u>
	<u>0.73 %</u>	<u>0.72 %</u>

As at Jun 30, 2022 and Dec 31, 2021, there were no overdue and rescheduled advances to banks. The branch had no rescheduled advances and there was no collateral held in respect of those overdue advances to customers.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	30-Jun-22 HK\$'000	31-Dec-21 HK\$'000
(v) Impaired advances to customers and allowance		
Impaired advances to customers	<u>2,538,680</u>	<u>1,840,876</u>
Individually assessed allowance	<u>935,700</u>	<u>759,355</u>
Impaired advances to customers as a percentage of total advances to customers	<u>4.64 %</u>	<u>3.30 %</u>
(vi) Analysis of other assets which have been overdue		
Overdue trade bills		
More than one year	<u>76,245</u>	<u>75,766</u>
	<u>76,245</u>	<u>75,766</u>
Individually assessed allowance made in respect of		
More than one year	<u>76,245</u>	<u>75,766</u>
	<u>76,245</u>	<u>75,766</u>
Overdue trade bills as a percentage of total trade bills	<u>18.48 %</u>	<u>5.79 %</u>
(vii) As at Jun 30, 2022 and Dec 31, 2021, the Branch had no repossessed assets.		

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IV. OFF-BALANCE SHEET EXPOSURES

	30-Jun-22 HK\$'000	31-Dec-21 HK\$'000
(i) The notional amounts of each of the following class of off-balance sheet exposures outstanding:		
Contingent liabilities and commitments		
- Direct credit substitutes	457,470	531,605
- Transaction-related contingencies	190,549	156,334
- Trade-related contingencies	3,530,222	3,957,618
- Other commitments	32,793,536	25,216,180
	<u>36,971,777</u>	<u>29,861,737</u>
The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	231,322,063	232,498,235
- Interest rate contracts	19,868,446	24,310,513
	<u>251,190,509</u>	<u>256,808,748</u>
 (ii) The fair value of the above derivatives contracts are as follow:		
Fair value assets		
- Exchange rate contracts	3,124,086	1,976,096
- Interest rate contracts	307,395	724,596
	<u>3,431,481</u>	<u>2,700,692</u>
Fair value liabilities		
- Exchange rate contracts	2,590,695	1,978,191
- Interest rate contracts	268,901	731,225
	<u>2,859,597</u>	<u>2,709,415</u>

The contractual amount and fair value above do not take into account the effect of bilateral netting arrangements. Exchange rate contracts exclude forward foreign exchange contracts arising from swap deposit arrangements.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION

- (i) Analysis of gross amount of advances to customers by industry sectors according to the categories and definitions used by the HKMA are as follow:

	30-Jun-22		31-Dec-21	
	Outstanding balance HK\$'000	Balance covered by Collateral HK\$'000	Outstanding balance HK\$'000	Balance covered by collateral HK\$'000
By industry categories:				
Advances for use in Hong Kong				
Industrial, Commercial and Financial				
- Property Development	500,000	—	735,000	—
- Financial Concerns	2,230,279	—	3,031,250	—
- Wholesale & Retail Trade	1,719,653	—	335,358	—
- Manufacturing	10,793,981	—	11,021,356	—
- Transport & Transport equipment	1,833,803	—	2,381,736	—
- Electricity & Gas	500,000	—	1,135,373	—
- Recreational activities	47,075	—	46,779	—
- Information Technology	256,350	—	732,525	—
- All others	5,702,727	—	4,337,581	—
	<u>23,583,868</u>	—	<u>23,756,958</u>	—
Individuals	20,743	—	11,894	—
Trade Finance	8,631,090	—	9,571,876	—
Advances for use outside Hong Kong	<u>22,466,122</u>	—	<u>22,391,603</u>	—
	<u><u>54,701,823</u></u>	—	<u><u>55,732,331</u></u>	—

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION (Continued)

(ii) Analysis of gross amount of advances to customers by countries or geographical areas are as follow:

	30-Jun-22	31-Dec-21
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	30,737,568	29,126,953
- India	9,544,679	9,512,158
- United States	3,046,116	4,065,218
- Virgin Islands	2,100,842	2,627,340
- China	2,039,152	2,186,996
- United Kingdom	1,549,486	1,569,364
- Mauritius	1,116,685	1,092,940
- Switzerland	966,221	1,039,250
- Netherlands	790,340	787,496
- Luxembourg	685,112	493,333
- Cayman Islands	670,343	675,816
- Macau	602,550	602,550
- Kenya	392,295	389,828
- Malawi	258,915	311,862
- Nigeria	78,459	—
- Malaysia	48,582	21,152
- Mexico	22,092	31,507
- Singapore	20,696	61
- South Korea	13,669	6,104
- Thailand	9,350	6,903
- Sri Lanka	7,277	9,366
- Japan	1,203	382
- Ireland	191	1,175,751
-Guernsey	—	1
	<u>54,701,823</u>	<u>55,732,331</u>

Advances to customers by countries or geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area that is different from that of the counterparty.

(iii) Analysis of overdue advances to customers by countries or geographical areas:

- Hong Kong	279,328	277,571
- China	38,984	38,738
- Cayman Islands	83,061	82,539
	<u>401,373</u>	<u>398,848</u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION (Continued)

(iv) Analysis of impaired advances to customers, which are individually assessed by countries or geographical areas:

	30-Jun-22	31-Dec-21
	HK\$'000	HK\$'000
- Hong Kong	2,416,635	1,719,599
- Cayman Islands	83,061	82,539
- China	38,984	38,738
	<u>2,538,680</u>	<u>1,840,876</u>

(v) Analysis of overdue trade bills by countries or geographical areas:

- Hong Kong	<u>76,245</u>	<u>75,766</u>
	<u>76,245</u>	<u>75,766</u>

(vi) Analysis of impaired trade bills by countries or geographical areas:

- Hong Kong	<u>76,245</u>	<u>75,766</u>
	<u>76,245</u>	<u>75,766</u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS

		Banks	Official Sector	Non-bank private sector		Total
				Non-bank financial institutions	Non-financial private sector	
		HK\$ Million				
As at 30 Jun, 2022						
-	Developed countries	30,705	—	—	5,880	36,585
	of which: - United States	30,696	—	—	3,396	34,092
-	Offshore centers	16	—	2,178	21,024	23,218
	of which: - Hong Kong SAR	16	—	2,178	19,219	21,413
-	Developing Asia-Pacific	24,127	—	785	16,180	41,092
	of which: - China	12,452	—	—	6,248	18,700
	- India	3,672	—	394	9,893	13,959
	- South Korea	7,412	—	391	16	7,819
		54,848	—	2,963	43,084	100,895
As at 31 Dec, 2021						
	Developed countries	24,884	—	—	6,610	31,494
	of which: - United States	24,847	—	—	4,236	29,083
	Offshore centers	1,312	—	2,874	26,205	30,392
	of which: - Hong Kong SAR	1,312	—	2,874	24,791	28,978
	Developing Asia-Pacific	18,583	—	586	14,177	33,346
	of which: - China	10,330	—	—	4,843	15,173
	- India	1,620	—	586	9,316	11,522
	- South Korea	6,219	—	—	—	6,219
		44,779	—	3,460	46,993	95,232

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS (Continued)

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognized if the claim against counterparties is guaranteed by another party in a different country or if the claim is on an overseas branch of a bank whose head office is located in a different country. A country or geographical segment (including Hong Kong) should generally be reported individually if it constitutes 10% or more of the aggregated international claims.

Claims arising between head office, branches and subsidiaries are excluded.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VII. CURRENCY RISK

The net position of the following foreign currency constitutes 10% or more of the total net position in all foreign currencies arising from those trading, non-trading and structural position.

	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 30 Jun, 2022		HK\$ Million	
Spot assets	88,284	10,800	99,084
Spot liabilities	(87,745)	(13,338)	(101,083)
Forward purchases	93,774	121,603	215,377
Forward sales	(94,649)	(119,039)	(213,688)
Net option position	—	—	—
	<hr/>		<hr/>
Net (short)/long position	<u>(336)</u>	<u>26</u>	<u>(310)</u>
	<hr/>		<hr/>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
	<hr/>		<hr/>
	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 31 Dec, 2021		HK\$ Million	
Spot assets	84,342	8,844	93,186
Spot liabilities	(81,499)	(11,591)	(93,090)
Forward purchases	86,640	135,587	222,227
Forward sales	(90,156)	(132,802)	(222,958)
Net option position	—	—	—
	<hr/>		<hr/>
Net (short)/long position	<u>(673)</u>	<u>38</u>	<u>(635)</u>
	<hr/>		<hr/>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
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Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	<u>Quarter ended</u> 30-Jun-22	<u>Quarter ended</u> 30-Jun-21
The average liquidity maintenance ratio for the financial period (“Average LMR”)	51.88 %	51.66 %
Average Core Funding ratio (“CFR”) for 3 months period	247.25 %	224.98 %

The average LMR and average CFR for the period are the arithmetic mean of the average value for each calendar month of the reporting period in accordance with the Banking (Liquidity) Rules.

(ii) Liquidity risk management process

The Company’s management of liquidity is conducted in accordance with the corporate strategy on liquidity and in compliance with the rules, regulations and guidelines stipulated by the local regulatory authority. The process, as carried out within the Company and monitored by the Treasury unit, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure liquidity requirements can be met;
- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity against internal and regulatory requirements;
- Management review on balance sheet profile and maturity gaps; and
- Reporting of non-compliance on internal and regulatory requirements.

(iii) Source of Funding

	As at 30 Jun, 2022		As at 31 Dec, 2021	
	Total amount HK\$'000	As % of total liabilities	Total amount HK\$'000	As % of total liabilities
Significant funding instruments				
- Funding raised from connected parties	90,400,014	73.01 %	76,763,604	68.66 %
- Funding raised from banks	813,729	0.66 %	446,648	0.40 %
- Deposit from customers	30,019,224	24.24 %	31,932,253	28.56 %

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IX. MAINLAND ACTIVITIES

The analysis of non-bank Mainland activities is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosures) Rules with reference to the HKMA Return of Mainland activities.

As at 30 Jun, 2022	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	7,463,465	377,911	7,841,376
Local governments, local government-owned entities and their subsidiaries and JVs	2	346,747	—	346,747
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	11,828,059	5,370,080	17,198,139
Other entities of central government not reported in item 1 above	4	—	—	—
Other entities of local government not reported in item 2 above	5	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	1,744,399	2,178,104	3,922,503
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	917,450	196,148	1,113,598
Total	8	22,300,120	8,122,243	30,422,363
Total assets after provision	9	123,826,840		
On-balance sheet exposures as percentage of total assets	10	18.01%		

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IX. MAINLAND ACTIVITIES (CONTINUED)

As at 31 Dec, 2021	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	7,820,005	401,509	8,221,514
Local governments, local government-owned entities and their subsidiaries and JVs	2	1,009,977	—	1,009,977
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	10,651,298	5,268,830	15,920,128
Other entities of central government not reported in item 1 above	4	—	—	—
Other entities of local government not reported in item 2 above	5	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	2,345,938	2,739,108	5,085,046
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	172,818	194,914	367,732
Total	8	22,000,036	8,604,361	30,604,397
Total assets after provision	9	111,808,161		
On-balance sheet exposures as percentage of total assets	10	19.68%		

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	30-Jun-22	31-Dec-21
	US\$ Million	US\$ Million
- Common Equity Tier 1 Capital ratio (Standardized Approach)	10.50%	10.60%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	12.20%	12.30%
- Tier 1 Capital Ratio (Standardized Approach)	12.20%	12.20%
- Tier 1 Capital Ratio (Advanced Approach)	14.30%	14.10%
- Total Capital Ratio (Standardized Approach)	14.20%	14.10%
- Total Capital ratio (Advanced Approach)	16.00%	15.80%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' equity	269,118	270,066
- Risk-weighted assets (Standardized Approach)	1,640,017	1,616,880
- Risk-weighted assets (Advanced Approach)	<u>1,408,872</u>	<u>1,398,299</u>

The capital adequacy ratio is calculated in accordance with the Basel Capital Accord. In addition, the Bank has incorporated a measure for market risk in their regulatory capital calculations in accordance with the regulatory capital guidelines jointly issued by the Federal Reserve Bank, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Besides, the Regulatory capital ratios reflect the transition provisions of Basel 3.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

II. OTHER FINANCIAL INFORMATION

	30-Jun-22	31-Dec-21
	US\$ Million	US\$ Million
- Total assets	3,111,606	3,169,948
- Total liabilities	2,842,488	2,899,282
- Total advances (net of allowances)	1,018,793	966,737
- Total customer deposits	1,984,349	2,064,446
	30-Jun-22	31-Dec-21
	US\$ Million	US\$ Million
- Pre-tax profit	15,324	33,976

A copy of the Disclosure Statement has been lodged with the Hong Kong Monetary Authority's Public Registry and is available on the website <https://www.bofaml.com/en-us/content/apac-hongkong.html>, for public inspection.