



**BANC OF AMERICA SECURITIES ASIA LIMITED**

**Audited Annual Financial Statements  
for the year ended 31 December 2020**

# **Banc of America Securities Asia Limited**

Audited Annual Financial Statements for the year ended 31 December 2020

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The reports and statements set out below comprise the audited annual financial statements presented to the shareholder:

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# **Banc of America Securities Asia Limited**

Audited Annual Financial Statements for the year ended 31 December 2020

## **DIRECTORS' REPORT**

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The directors submit their report together with the audited financial statements for the year ended 31 December 2020.

### **Principal activities**

Banc of America Securities Asia Limited (the "Company") is a restricted licensed bank regulated by Hong Kong Monetary Authority and Securities and Futures Commission.

The principal activities of the Company are trading Fixed Income and Currency products.

### **Results and appropriations**

The results of the Company for the year ended 31 December 2020 are set out in the statement of comprehensive income on page 5.

The directors do not recommend the payment of a dividend.

### **Shares issued in the year**

Details of the shares issued in the year ended 31 December 2020 are set out in note 20 to the financial statements.

### **Directors**

The directors of the Company during the year and up to the date of this report were:

Anand, Puneet

Law, Pak Kin Patrick

(appointed on 3rd September 2020)

Su, Chin

(resigned on 3rd September 2020)

Yee, Danny Ong

Iyer, Krishna

Yacenda, Richard

All the existing directors would continue in office.

### **Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business**

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company's fellow subsidiaries or holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debenture of the Company or any specified undertaking of the Company or any other associated corporation**

Certain directors of the Company are entitled to Employee Stock Compensation. Other than as disclosed in note 13 to the financial statements, at no time during the year was the Company, its fellow subsidiaries, its holding companies or its other associated corporation a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

### **Employee stock compensation**

Details of share-based payment transactions are set out in note 13 to the financial statements.

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## DIRECTORS' REPORT

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### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Permitted indemnity provisions

The Bylaws of the Company's ultimate parent entity, Bank of America Corporation ("BAC"), provide that an individual serving as a director of BAC or one of its affiliates (the "Indemnitee") shall be indemnified against all expense, liability and loss reasonably incurred in connection with any actions or proceedings brought against the Indemnitee by reason of Indemnitee's service as a director. The indemnification is only available if the Indemnitee acted in good faith and in a manner the Indemnity reasonably believed to be in or not opposed to the best interest of BAC and its affiliates, and, with respect to any criminal proceeding, had no reasonable cause to believe that Indemnitee's conduct was unlawful. BAC maintains insurance against the costs associated with defending any claims which may be brought against a director of BAC or one of its affiliates.

### Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules which set out the minimum standards for public disclosure which authorised institutions must make in respect of the statement of comprehensive income, state of affairs and capital adequacy. The financial statements for the financial year ended 31 December 2020 comply fully with the applicable disclosure provision of the Banking (Disclosure) Rules.

### Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Law, Pak Kin Patrick, Director

Hong Kong, 27 April 2021



# **Banc of America Securities Asia Limited**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Member of Banc of America Securities Asia Limited  
(incorporated in Hong Kong with limited liability)

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Opinion

*What we have audited*

The financial statements of Banc of America Securities Asia Limited (the "Company") set out on pages 5 to 40, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the directors' report and supplementary financial information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Directors for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# **Banc of America Securities Asia Limited**

Audited Annual Financial Statements for the year ended 31 December 2020

## **INDEPENDENT AUDITOR'S REPORT**

To the Member of Banc of America Securities Asia Limited  
(incorporated in Hong Kong with limited liability)

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 April 2021

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 US\$'000	2019 US\$'000
Interest income		668	6,847
Interest expense		(272)	(2,484)
Net interest income	6,23	396	4,363
Fee and commission expense	7	(71)	(40)
Net trading income	8	6,279	6,301
Other operating income	9,23	4,909	1,696
Operating income		11,513	12,320
Operating expenses	10	(5,587)	(10,871)
Profit before taxation		5,926	1,449
Tax expense	14	(1,313)	(238)
Profit for the year		4,613	1,211
<b>Total comprehensive profit for the year</b>		<b>4,613</b>	<b>1,211</b>
<b>Attributable to</b>			
Equity holders		4,613	1,211

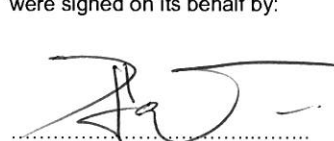
# Banc of America Securities Asia Limited


Audited Annual Financial Statements for the year ended 31 December 2020

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 US\$'000	2019 US\$'000	Cross references to definition of capital components in supplementary financial information
<b>Assets</b>				
Cash and balances with banks	16	164,035	286,335	
Financial assets at fair value through profit or loss	17	377,721	285,355	
Derivative financial instruments	18	6,220	3,062	
Amount due from intermediate holding company	22	11,873	353	
Amount due from affiliates	22	784	—	
Current income tax assets		108	—	
Deferred income tax assets	15	692	1,360	(4)
<b>Total assets</b>		<b>561,433</b>	<b>576,465</b>	
<b>Liabilities</b>				
Deposits and balances from banks		551	30,548	
Derivative financial instruments	18	19,407	3,699	
Amount due to intermediate holding company	22	374	2,231	
Amount due to affiliates	22	247	1,546	
Current income tax liabilities		—	1,293	
Other liabilities	19	658	1,565	
<b>Total liabilities</b>		<b>21,237</b>	<b>40,882</b>	
<b>Equity</b>				
Share capital	20	491,442	491,442	(1)
Retained earnings		42,287	37,674	(2)
Other reserves	21	6,467	6,467	(3)
<b>Total equity</b>		<b>540,196</b>	<b>535,583</b>	
<b>Total equity and liabilities</b>		<b>561,433</b>	<b>576,465</b>	

The financial statements on pages 5 to 40 were approved and authorised for issue by the Board of Directors on 27 April 2021 and were signed on its behalf by:

  
 Law, Pak Kin Patrick, Director

  
 Iyer, Krishna, Director

**STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020**

	Share capital US\$'000	Retained earnings US\$'000	Other reserves US\$'000	Total US\$'000
Beginning balance at 1 January 2019	491,442	36,463	6,467	534,372
Total comprehensive profit for the year	—	1,211	—	1,211
Ending balance at 31 December 2019	<u>491,442</u>	<u>37,674</u>	<u>6,467</u>	<u>535,583</u>
Beginning balance at 1 January 2020	491,442	37,674	6,467	535,583
Total comprehensive profit for the year	—	4,613	—	4,613
Ending balance at 31 December 2020	<u>491,442</u>	<u>42,287</u>	<u>6,467</u>	<u>540,196</u>

## Banc of America Securities Asia Limited

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### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 US\$'000	2019 US\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	5,926	1,449
Adjustment for:		
Net interest income	(396)	(4,363)
Net interest income on trading	(503)	(59)
Loss on disposal of subsidiary	—	2,086
<b>Operating profit / (loss) before movements in working capital</b>	<b>5,027</b>	<b>(887)</b>
Change in financial assets at fair value through profit or loss	(91,931)	(280,863)
Change in derivative financial instruments	12,550	637
Change in placements with bank with original maturity beyond 3 months	8,083	16,166
Change in deposit and balance from banks	(29,952)	(70,005)
Change in financial liabilities held for trading	—	(1,682)
Change in amount due from / to intermediate holding company	(13,377)	618
Change in amount due from / to affiliates	(2,083)	6,236
Change in other assets	—	5
Change in other liabilities	(907)	(143)
<b>Cash used in operating activities</b>	<b>(112,590)</b>	<b>(329,918)</b>
Interest received	741	7,025
Interest paid	(322)	(2,738)
Income taxes (paid) / refund	(2,046)	184
<b>Net cash used in operating activities</b>	<b>(114,217)</b>	<b>(325,447)</b>
<b>Cash flows from investing activities</b>		
Repatriation of capital from subsidiary	—	10,885
<b>Net cash generated from investing activities</b>	<b>—</b>	<b>10,885</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(114,217)</b>	<b>(314,562)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>270,169</b>	<b>584,731</b>
<b>Cash and cash equivalents at the end of year</b>	<b>155,952</b>	<b>270,169</b>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash and balances with banks	164,035	286,335
Deposit and balances from bank with original maturity more than 3 months	(8,083)	(16,166)
Cash and cash equivalents at the end of year	155,952	270,169

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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### 1. General information

Banc of America Securities Asia Limited ("the Company") trades Fixed Income and Currency products. The immediate holding company is Bank of America, National Association and the ultimate holding company is Bank of America Corporation ("BAC"), a listed company incorporated in the United States of America.

The Company is a restricted licensed bank incorporated and domiciled in Hong Kong, regulated by Hong Kong Monetary Authority ("HKMA") and Securities and Futures Commission ("SFC"). The address of its registered office is 52/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The financial statements are presented in US dollars, unless otherwise stated.

### 2. Summary of significant accounting policies

#### 2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622.

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

After the outbreak of Coronavirus Disease ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented. The Company has paid close attention to the development of COVID-19 and continues to evaluate its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorized for issue, the Company was not aware of any material adverse effects on the financial statements as a result of the COVID-19.

#### 2.1.1 New and amended standards adopted by the Company

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1st January 2020 that have had a material impact on the Company.

#### 2.1.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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### 2.2 Foreign currency translation

The financial statements have been presented in US dollars as this is the functional currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are subsequently re-translated into the functional currency using the exchange rates prevailing at the reporting date. Exchange gains and losses on monetary assets and liabilities are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities in a foreign currency that are not measured at fair value are not subsequently re-translated for movements in prevailing exchange rates.

Exchange gains and losses on non-monetary financial assets and liabilities held at fair value through profit or loss (FVPL) are recognised in profit or loss as part of the fair value gain or loss. Exchange gains and losses on non-monetary financial assets measured at fair value through other comprehensive income (FVOCI) are included in other comprehensive income.

### 2.3 Financial assets

The Company recognises financial assets in the statement of financial position when it becomes a party of the contractual provisions of the instrument.

The Company initially measures a financial asset at its fair value plus or minus, in the case of a financial asset not subsequently measured at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Company classifies its financial assets as measured at: amortised cost, FVOCI or FVPL. A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt instrument is classified as measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets, including derivative assets, are classified as measured at FVPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

### 2.4 Financial liabilities

The Company recognises financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The company classifies its financial liabilities in the following categories: FVPL or Amortised cost.



# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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### 2.4 Financial liabilities (continued)

Financial liabilities are classified at FVPL when the financial liability is either held for trading or designated as FVPL. The Company's derivatives are categorised as held for trading as at year end.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Subsequent movements in fair value are recorded in the statement of comprehensive income within net income from financial instruments designated at fair value.

All remaining financial liabilities are carried at amortised cost using the effective interest method.

### 2.5 Derecognition of financial assets and financial liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a secured borrowing for the cash proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received and any cumulative gain that had been recognised in OCI is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications to the terms of financial assets and liabilities may result in derecognition if it is deemed that the modification results in an expiry of the contractual rights and obligations of the original instrument.

### 2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### 2.7 Impairment of financial assets

The Company calculates a probability-weighted loss allowance for expected credit loss (ECL) on its financial assets that are cash and balances with banks, amount due from intermediate holding company and affiliates and other assets that are not measured at FVPL. The Company measures loss allowances at an amount equal to 12-month ECL for financial instruments on which credit risk has not increased significantly since their initial recognition. Loss allowances for financial instruments where there has been a significant increase in credit risk are measured at lifetime ECL.

### 2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible into known amounts of cash; which are subject to an insignificant risk of changes in value and which have a maturity of three months or less at acquisition.

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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### 2.9 Current and deferred income tax

The tax charge for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income (for example, deferred tax liability on pension) or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and is measured at the average tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised over the Company's planning horizon.

### 2.10 Share-based payments

The Company participates in several employee compensation plans managed by Bank of America Corporation ("BAC"), the ultimate holding company.

As this is a group share-based payment arrangement, all awards are treated by the Company as equity-settled share-based payment plans and are measured based on the fair value of those awards at grant date and recognized as staff costs.

For most awards, expense is generally recognised ratably over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Company accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, the Company recognises expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

There is no net equity impact on the Company's financial positions as the Company has contracted under a global Recharge Agreement to reimburse BAC or through an intermediate holding company, for the issuance of these awards.

### 2.11 Other operating income

Other operating income includes service fee income, which consists of charges made to affiliated undertakings to remunerate the Company for services provided or to reimburse the Company for expenditure incurred. Service fee income is recognised on an accruals basis when the transactions occur or as the service is provided.

### 2.12 Interest income and expenses

#### 2.12.1 Amortised cost and effective interest rate

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider expected credit losses. For financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

## **Banc of America Securities Asia Limited**

Audited Annual Financial Statements for the year ended 31 December 2020

### **NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**

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#### 2.12 Interest income and expenses (continued)

##### 2.12.1 Amortised cost and effective interest rate (continued)

The calculation of the effective interest rate includes all amounts received or paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

##### Calculation of interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised on accrual basis using the effective interest method. The effective interest rate is applied to the gross carrying amount of the financial asset (for non-credit impaired assets) or to the amortised cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest on trading assets or other assets at FVPL are presented as part of net trading income in the statement of comprehensive income.

Interest income and expenses are recognised in the statement of comprehensive income for all interest-bearing financial instruments, except for those classified as designated at fair value through profit or loss, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### 2.13 Net trading income

Net trading income comprises realised and unrealised gains and losses on trading, and gains and losses on derivatives held for the purpose of hedging foreign currency exposure. Unrealised gains and losses, which represents changes in fair value of financial instruments held for trading, are recognised within net trading income as they arise. Net trading income also includes interest income and expense attributable to trading financial assets and liabilities.

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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### 3. Critical accounting estimates and judgements

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below, along with the judgements made by the Company in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements.

#### 3.1 Valuation of financial instruments

The Company's accounting policy for valuation of financial instruments is included in note 2. The fair values of financial instruments that are not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs.

Where models are used to determine fair values, they are periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions. Note 5 further discusses the valuation of financial instruments.

### 4. Risk Management

#### 4.1 Legal entity governance

BAC has established a risk governance framework (the "Risk Framework") which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries (including the Company). The Risk Framework applies to all the employees. It provides an understanding of the Company's approach to risk management and each employee's responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Company. The following are the five components of the Company's risk management approach:

- Culture of Managing Risk Well;
- Risk Appetite and Risk Limits;
- Risk Management Processes;
- Risk Data Management, Aggregation and Reporting; and
- Risk Governance

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are market, credit, operational, liquidity, reputational, strategic and compliance risks.

Set out below is a summary of the Company's approach to each of the risk types.

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

### 4.1 Legal entity governance (continued)

#### 4.1.1 Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Company applies a 'Value-at-Risk' ("VaR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Company has in place limits on the VaR that may be accepted. The Company's VaR is monitored on a daily basis.

The daily market VaR is an estimate, with a confidence level set at 99%, of the potential loss that might arise if the current positions were to be held unchanged for one business day. The measurement is structured so that daily losses exceeding the VaR figure should occur, on average, not more than once every 100 days. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation.

As VaR constitutes an integral part of the Company's market risk control regime, VaR limits are established for all trading and portfolio operations; actual exposure against limits is reviewed daily by management.

The following table shows the year-end VaR, average, high and low VaR utilisation for trading market risk:

In US\$'000	VaR Utilisation		VaR Utilisation	
	As at 31 December 2020	1 January 2020 to 31 December 2020		
		Average	High	Low
Total	312	296	619	84

In US\$'000	VaR Utilisation		VaR Utilisation	
	As at 31 December 2019	1 January 2019 to 31 December 2019		
		Average	High	Low
Total	148	167	349	20

However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

# Banc of America Securities Asia Limited

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## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

### 4.1 Legal entity governance (continued)

#### 4.1.1 Market risk (continued)

##### (a) Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The tables below summarise the Company's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Company's assets and liabilities at carrying amounts in US dollars equivalent, categorised by the original currency.

	HKD US\$'000	USD US\$'000	CNY US\$'000	Other US\$'000	Total US\$'000
As at 31 December 2020					
<u>Assets</u>					
Cash and balances with banks	1,181	158,541	236	4,077	164,035
Financial assets at fair value through profit or loss	—	—	—	377,721	377,721
Derivative financial instruments	—	(69,753)	—	75,973	6,220
Amount due from intermediate holding company	—	11,873	—	—	11,873
Amount due from affiliates	—	784	—	—	784
<b>Total assets</b>	<b>1,181</b>	<b>101,445</b>	<b>236</b>	<b>457,771</b>	<b>560,633</b>
<u>Liabilities</u>					
Deposits and balances from banks	—	—	—	551	551
Derivative financial instruments	—	(431,591)	—	450,998	19,407
Amount due to intermediate holding company	230	144	—	—	374
Amount due to affiliates	—	247	—	—	247
Other liabilities	126	529	—	3	658
<b>Total liabilities</b>	<b>356</b>	<b>(430,671)</b>	<b>—</b>	<b>451,552</b>	<b>21,237</b>
<b>Net on-balance sheet position</b>	<b>825</b>	<b>532,116</b>	<b>236</b>	<b>6,219</b>	<b>539,396</b>

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 4.1 Legal entity governance (continued)

##### 4.1.1 Market risk (continued)

##### (a) Currency risk (Continued)

	HKD US\$'000	USD US\$'000	CNY US\$'000	Other US\$'000	Total US\$'000
As at 31 December 2019					
<u>Assets</u>					
Cash and balances with banks	572	282,760	244	2,759	286,335
Financial assets at fair value through profit or loss	—	—	—	285,355	285,355
Derivative financial instruments	—	(137,214)	—	140,276	3,062
Amount due from intermediate holding company	—	353	—	—	353
Amount due from affiliates	—	—	—	—	—
<b>Total assets</b>	<b>572</b>	<b>145,899</b>	<b>244</b>	<b>428,390</b>	<b>575,105</b>
<u>Liabilities</u>					
Deposits and balances from banks	—	30,045	—	503	30,548
Derivative financial instruments	—	(422,589)	—	426,288	3,699
Amount due to intermediate holding company	49	2,182	—	—	2,231
Amount due to affiliates	—	1,546	—	—	1,546
Other liabilities	142	1,423	—	—	1,565
<b>Total liabilities</b>	<b>191</b>	<b>(387,393)</b>	<b>—</b>	<b>426,791</b>	<b>39,589</b>
<b>Net on-balance sheet position</b>	<b>381</b>	<b>533,292</b>	<b>244</b>	<b>1,599</b>	<b>535,516</b>

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

### 4.1 Legal entity governance (continued)

#### 4.1.1 Market risk (continued)

##### (b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The tables summarise the Company's exposure to interest rate risk as at 31 December. Included in the tables are the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non- interest bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2020							
<u>Assets</u>							
Cash and balances with banks	43,277	—	—	8,083	—	112,675	164,035
Financial assets at fair value through profit or loss	119,612	258,109	—	—	—	—	377,721
Derivative financial instruments	—	—	—	—	—	6,220	6,220
Amount due from intermediate holding company	11,351	—	—	—	—	522	11,873
Amount due from affiliates	—	—	—	—	—	784	784
<b>Total assets</b>	<b>174,240</b>	<b>258,109</b>	<b>—</b>	<b>8,083</b>	<b>—</b>	<b>120,201</b>	<b>560,633</b>
<u>Liabilities</u>							
Deposits and balances from banks	—	546	—	—	—	5	551
Derivative financial instruments	—	—	—	—	—	19,407	19,407
Amount due to intermediate holding company	—	—	—	—	—	374	374
Amount due to affiliates	—	—	—	—	—	247	247
Other liabilities	—	—	—	—	—	658	658
<b>Total liabilities</b>	<b>—</b>	<b>546</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20,691</b>	<b>21,237</b>
<b>Total interest sensitivity gap</b>	<b>174,240</b>	<b>257,563</b>	<b>—</b>	<b>8,083</b>	<b>—</b>	<b>99,510</b>	



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### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 4.1 Legal entity governance (continued)

##### 4.1.1 Market risk (continued)

###### (b) Interest rate risk (Continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non- interest bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2019							
<u>Assets</u>							
Cash and balances with banks	155,899	—	—	16,167	—	114,269	286,335
Financial assets at fair value through profit or loss	103,811	181,534	—	10	—	—	285,355
Derivative financial instruments	—	—	—	—	—	3,062	3,062
Amount due from intermediate holding company	290	—	—	—	—	63	353
Amount due from affiliates	—	—	—	—	—	—	—
<b>Total assets</b>	<b>260,000</b>	<b>181,534</b>	<b>—</b>	<b>16,177</b>	<b>—</b>	<b>117,394</b>	<b>575,105</b>
<u>Liabilities</u>							
Deposits and balances from banks	45	30,498	—	—	—	5	30,548
Derivative financial instruments	—	—	—	—	—	3,699	3,699
Amount due to intermediate holding company	—	—	—	—	—	2,231	2,231
Amount due to affiliates	—	—	—	—	—	1,546	1,546
Other liabilities	—	—	—	—	—	1,565	1,565
<b>Total liabilities</b>	<b>45</b>	<b>30,498</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,046</b>	<b>39,589</b>
<b>Total interest sensitivity gap</b>	<b>259,955</b>	<b>151,036</b>	<b>—</b>	<b>16,177</b>	<b>—</b>	<b>108,348</b>	

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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### 4.1 Legal entity governance (continued)

#### 4.1.1 Market risk (continued)

##### (b) Interest rate risk (Continued)

The Company defines interest rate risk in the banking book as the risk to its current or anticipated earnings or capital arising from movements in interest rates. Economic Value of Equity (EVE) and Net Interest Income (NII) scenario based risk measurements are monitored against established limits and hedging actions will be taken as necessary. The Asset and Liability Committee approves the risk measurement methodology, limits and hedging strategy.

Change in EVE and NII under interest rate shock scenarios are measured quarterly. The bank uses a combination of parallel up, parallel down, steepener, flattener, short rates up and short rates down interest rate shock scenarios consistent with HKMA SPM IR-1 Interest Rate Risk in the Banking Book. There are no differences in modelling assumptions between internal assessments and disclosures in Template IRRBB1. Key modelling and parametric assumptions include:

- Change in EVE measurements include commercial margins in cash flows and uses a risk free discount rate that does not include commercial margins
- Non-maturity deposits (NMDs) repricing maturity is based on shortest possible period that the deposit could be repriced
- Analysis of contractual terms to estimate prepayment rates of customer loans and early withdrawal rates for time deposits
- Risk measurement for each material currency is aggregated by direct summation. For change in EVE, any gains by currency are ignored

IRRBB hedges that may be taken include changing the maturity and/or interest rate repricing profile of banking book assets and liabilities either through incremental positions or longer term changes to the composition of the statement of financial position (which is accounted for under fair value or accrual accounting).

#### 4.1.2 Credit risk

In conducting its business activities, the Company is exposed to the risk that borrowers or counterparties may default on their obligations to the Company. Credit risk arises through counterparty exposures on capital markets transactions.

The Board of Directors of the Company has established procedures for reviewing and monitoring credit decisions adopted and transactional activity. The Company also takes into account the requirements of the Hong Kong Banking Ordinance and the guidelines issued by the HKMA with respect to large exposures requirements.

The Company enters into International Swaps and Derivatives Association, Inc. ("ISDA") master agreements or their equivalent ("master netting agreements") with derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for risk management purposes. Agreements are negotiated bilaterally and can require complex terms. The enforceability of master netting agreements under bankruptcy laws in certain countries is not free from doubt, and receivables and payables with counterparties in these countries are accordingly recorded on a gross basis for risk assessment purposes.

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

### 4.1 Legal entity governance (continued)

#### 4.1.2 Credit risk (continued)

In addition, to reduce the risk of loss, the Company usually requires collateral that is permitted by documentation such as Credit Support Annex to an ISDA. From an economic standpoint, the Company evaluates risk exposures net of related collateral that meets specified standards. The Company also attempts to mitigate its default risk on derivatives whenever possible by entering into transactions with provisions that enable it to terminate or reset the terms of the derivative contracts under certain defined conditions.

##### (a) Credit risk measurement

For cash, placements with banks, external rating such as Standard & Poor's and Moody's rating are used for managing the credit risk exposures.

##### (b) Risk limit control and mitigation policies

The Company maintains strict control limits on derivative position. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Company together with the potential exposures from market movement. The credit risk exposure arise from derivative exposure is managed as part of the overall lending limits with customers.

Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Company's market transactions on any single day.

##### (c) Maximum exposure to credit risk before collateral held or other credit enhancements

	2020 US\$'000	2019 US\$'000
Cash and balances with banks	164,035	286,335
Financial assets at fair value through profit or loss	377,721	285,355
Derivative financial instruments	6,220	3,062
Amount due from intermediate holding company	11,873	353
Amount due from affiliates	784	—
	<u>560,633</u>	<u>575,105</u>

At 31 December 2020 and 31 December 2019, there were no loans and advances to customers.

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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4.1 Legal entity governance (continued)

4.1.2 Credit risk (continued)

(d) Financial assets at fair value through profit or loss

The table below presents an analysis of financial assets at fair value through profit or loss by rating agency designation for the respective issues at 31 December, based on Moody's, Fitch and Standard & Poor's ratings or their equivalent:

	US\$'000
As at 31 December 2020	
AA- to AA+	377,721
B- to BBB+	—
Total	<u><u>377,721</u></u>
As at 31 December 2019	
AA- to AA+	285,345
B- to BBB+	10
Total	<u><u>285,355</u></u>

At 31 December 2020 and 31 December 2019, there are no overdue nor individually impaired financial assets at fair value through profit or loss.

The Company's counterparties are primarily highly rated financial institutions and the financial assets in the scope of HKFRS 9 are typically short-dated. As a result, the probability of default, loss given default, or both are such that the resulting ECL is not significant to the Company. No written off during the year. In light of this, no further breakdown of the Company's debtors by credit risk grade is considered necessary.

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 4.1 Legal entity governance (continued)

##### 4.1.2 Credit risk (continued)

###### (e) Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties. Credit risk exposure by geographical sectors is classified according to the location of counterparties after taking into account the transfer risk.

	Hong Kong US\$'000	Asia Pacific excluding Hong Kong US\$'000	North America and South America US\$'000	Europe US\$'000	Total US\$'000
As at 31 December 2020					
Cash and balances with banks	26,059	3,689	123,644	10,643	164,035
Financial assets at fair value through profit or loss	—	377,721	—	—	377,721
Derivative financial instruments	—	—	6,220	—	6,220
Amount due from intermediate holding company	—	—	11,873	—	11,873
Amount due from affiliates	—	—	—	784	784
As at 31 December 2019					
Cash and balances with banks	46,290	2,364	227,220	10,461	286,335
Financial assets at fair value through profit or loss	—	285,355	—	—	285,355
Derivative financial instruments	—	—	3,062	—	3,062
Amount due from intermediate holding company	—	—	353	—	353
Amount due from affiliates	—	—	—	—	—

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

### 4.1 Legal entity governance (continued)

#### 4.1.2 Credit risk (continued)

##### (f) Offsetting financial assets and financial liabilities

The financial instruments are subject to enforceable master netting arrangements.

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreements as follows:

	Related amounts set off in the statement of financial position			Related amounts not set off in the statement of financial position		Net amount US\$'000
	Gross amounts		Net amounts - presented in statement of financial position US\$'000	Financial assets/ (liabilities) US\$'000	Financial collateral US\$'000	
	- financial assets US\$'000	- financial liabilities US\$'000				
As at 31 December 2020						
Derivative assets	6,220	—	6,220	(6,220)	—	—
Derivative liabilities	—	(19,407)	(19,407)	6,220	11,350	(1,837)
	<u>6,220</u>	<u>(19,407)</u>	<u>(13,187)</u>	<u>—</u>	<u>11,350</u>	<u>(1,837)</u>
As at 31 December 2019						
Derivative assets	3,062	—	3,062	(3,062)	—	—
Derivative liabilities	—	(3,699)	(3,699)	3,062	290	(347)
	<u>3,062</u>	<u>(3,699)</u>	<u>(637)</u>	<u>—</u>	<u>290</u>	<u>(347)</u>

#### 4.1.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

##### (a) 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.

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 4.1 Legal entity governance (continued)

##### 4.1.3 Liquidity risk (continued)

###### (b) Maturity analysis

The tables below summarise the Company's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	Repayable on Demand US\$'000	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
As at 31 December 2020								
<u>Assets</u>								
Cash and balances with banks	126,866	29,086	—	—	8,083	—	—	164,035
Financial assets at fair value through profit or loss	—	119,612	258,109	—	—	—	—	377,721
Derivative financial instruments	—	37	6,183	—	—	—	—	6,220
Amount due from intermediate holding company	11,351	522	—	—	—	—	—	11,873
Amount due from affiliates	—	784	—	—	—	—	—	784
<b>Total assets</b>	<b>138,217</b>	<b>150,041</b>	<b>264,292</b>	<b>—</b>	<b>8,083</b>	<b>—</b>	<b>—</b>	<b>560,633</b>
<u>Liabilities</u>								
Deposits and balances from banks	5	—	546	—	—	—	—	551
Derivative financial instruments	—	—	19,407	—	—	—	—	19,407
Amount due to intermediate holding company	—	374	—	—	—	—	—	374
Amount due to affiliates	—	247	—	—	—	—	—	247
Other liabilities	—	—	529	121	—	—	8	658
<b>Total liabilities</b>	<b>5</b>	<b>621</b>	<b>20,482</b>	<b>121</b>	<b>—</b>	<b>—</b>	<b>8</b>	<b>21,237</b>
<b>Net liquidity gap</b>	<b>138,212</b>	<b>149,420</b>	<b>243,810</b>	<b>(121)</b>	<b>8,083</b>	<b>—</b>	<b>(8)</b>	<b>539,396</b>

## Banc of America Securities Asia Limited

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### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 4.1 Legal entity governance (continued)

##### 4.1.3 Liquidity risk (continued)

##### (b) Maturity analysis (continued)

	Repayable on Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2019								
<u>Assets</u>								
Cash and balances with banks	126,951	143,218	—	—	16,166	—	—	286,335
Financial assets at fair value through profit or loss	—	103,811	181,534	—	10	—	—	285,355
Derivative financial instruments	—	—	—	3,062	—	—	—	3,062
Amount due from intermediate holding company	290	63	—	—	—	—	—	353
Amount due from affiliates	—	—	—	—	—	—	—	—
<b>Total assets</b>	<b>127,241</b>	<b>247,092</b>	<b>181,534</b>	<b>3,062</b>	<b>16,176</b>	<b>—</b>	<b>—</b>	<b>575,105</b>
<u>Liabilities</u>								
Deposits and balances from banks	5	45	30,498	—	—	—	—	30,548
Derivative financial instruments	—	50	—	3,649	—	—	—	3,699
Amount due to intermediate holding company	6	2,225	—	—	—	—	—	2,231
Amount due to affiliates	—	1,546	—	—	—	—	—	1,546
Other liabilities	—	—	1,422	142	—	—	1	1,565
<b>Total liabilities</b>	<b>11</b>	<b>3,866</b>	<b>31,920</b>	<b>3,791</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>39,589</b>
<b>Net liquidity gap</b>	<b>127,230</b>	<b>243,226</b>	<b>149,614</b>	<b>(729)</b>	<b>16,176</b>	<b>—</b>	<b>(1)</b>	<b>535,516</b>



## Banc of America Securities Asia Limited

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### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 4.1 Legal entity governance (continued)

##### 4.1.3 Liquidity risk (continued)

###### (c) Funding approach

Sources of liquidity are regularly reviewed by the Treasury unit to ensure daily and expected funding requirement can be fully met.

###### (d) Non-derivative financial liabilities held for managing liquidity risk

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Repayable on Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2020								
Deposits and balances from banks	5	—	546	—	—	—	—	551
Amount due to intermediate holding company	—	374	—	—	—	—	—	374
Amount due to affiliates	—	247	—	—	—	—	—	247
Other liabilities	—	—	529	121	—	—	8	658
	<u>5</u>	<u>621</u>	<u>1,075</u>	<u>121</u>	<u>—</u>	<u>—</u>	<u>8</u>	<u>1,830</u>
Assets held for managing liquidity risk	<u>138,217</u>	<u>150,004</u>	<u>258,109</u>	<u>—</u>	<u>8,083</u>	<u>—</u>	<u>—</u>	<u>554,413</u>
As at 31 December 2019								
Deposits and balances from banks	5	45	30,498	—	—	—	—	30,548
Amount due to intermediate holding company	6	2,225	—	—	—	—	—	2,231
Amount due to affiliates	—	1,546	—	—	—	—	—	1,546
Other liabilities	—	—	1,422	142	—	—	1	1,565
	<u>11</u>	<u>3,816</u>	<u>31,920</u>	<u>142</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>35,890</u>
Assets held for managing liquidity risk	<u>127,241</u>	<u>247,092</u>	<u>181,534</u>	<u>—</u>	<u>16,176</u>	<u>—</u>	<u>—</u>	<u>572,043</u>

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

### 4.1 Legal entity governance (continued)

#### 4.1.3 Liquidity risk (continued)

##### (e) Derivative liabilities

The table below analyses the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cashflows on all derivatives. Some of the Company's derivatives are subject to collateral requirements. Cash flows for those derivatives could occur earlier than the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
As at 31 December 2020							
Derivative financial instruments:							
Exchange rate contracts							
- Outflow	—	451,014	—	—	—	—	451,014
- Inflow	—	431,607	—	—	—	—	431,607

As at 31 December 2019

Derivative financial instruments:

Exchange rate contracts							
- Outflow	3,246	—	423,064	—	—	—	426,310
- Inflow	3,196	—	419,415	—	—	—	422,611

### 4.2 Capital management

The Company's objectives when managing capital are as follows:

- To comply with the capital requirement under the Banking (Capital) Rule of the Hong Kong Banking Ordinance;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits of other stakeholders;
- To support the Company's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The Hong Kong Banking Ordinance requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the minimum of 8%.

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 4.2 Capital management (continued)

Capital adequacy and the use of capital are monitored daily by the Company's management. The Company applies an internal trigger capital adequacy ratio which is well above the minimum statutory requirement as an indicator for managing the capital adequacy. In addition, the Company will assess the impact on its capital adequacy ratio when there are new products, new investments or any significant transactions.

The table below summarises the ratio and the composition of regulatory capital of the Company as at 31 December.

	2020	2019
Capital adequacy ratios		
Common Equity Tier 1	674.48 %	457.65 %
Tier 1	674.48 %	457.65 %
Total	674.48 %	457.65 %

The capital base used in the calculation of the above capital adequacy ratios as at 31 December and reported to HKMA is analysed as follows:

	2020	2019
	US\$'000	US\$'000
Components of capital base:		
Common Equity Tier 1:		
Paid up ordinary share capital	491,442	491,442
Disclosed reserves	44,141	42,930
Profit and loss account	4,613	1,211
Regulatory deductions	(692)	(1,361)
Total capital base	539,504	534,222

The capital adequacy ratios (including Common Equity Tier 1, Tier 1 Capital and Total Capital ratios) as at 31 December 2020 and 31 December 2019 were calculated in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the HKMA under section 98A of the Hong Kong Banking Ordinance. HKMA has implemented Basel III capital adequacy requirements which became effective on 1 January 2014. In accordance with the Capital Rules, the Company has adopted the "standardised (credit risk) approach" for the calculation of the risk-weighted assets for credit risk and the "basic indicator approach" for the calculation of operational risk.

There were regulatory deductions on the Company's Common Equity Tier 1 capital and the total capital base as at 31 December 2020 and 31 December 2019, representing valuations adjustments and deferred tax assets (refer to note 5 Composition of Regulatory Capital in the Supplementary financial information). There were no limits or minima applied to the calculation of the capital base of the Company in accordance with the Capital Rules.

The Banking (Capital) (Amendment) Rules 2014 came into effect on 1 January 2015 to implement the Basel III capital buffer requirements in Hong Kong. The changes include the phase-in from 2016 to 2019 of the Capital Conservation Buffer ("CB") which is designed to ensure banks build up capital outside periods of stress of 2.5% of risk-weighted assets, the Countercyclical Capital Buffer ("CCyB") which is set on an individual country basis and is built up during periods of excess credit growth to protect against future losses, and the Higher Loss Absorbency ("HLA") requirements for Domestic Systemically Important Banks ("D-SIB"). On 10 January 2018, the HKMA announced a CCyB for Hong Kong of 2.5% of risk-weighted assets from 1 January 2019. On 14 October 2019, the HKMA announced a CCyB for Hong Kong is reduced to 2% from 2.5% of risk-weighted assets with immediate effect. On 16th March 2020, the HKMA announced a CCyB for Hong Kong is reduced to 1% from 2% of risk-weighted assets with immediate effect. On 16th March 2015 and 31 December 2015, the HKMA announced that the Company is not designed as a D-SIB in Hong Kong and is not required to establish risk-weighted assets for HLA from 1 January 2016 under the phase-in arrangement.

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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### 4.2 Capital management (continued)

The applicable CCyB ratio to the Company as at 31 December is as follows:

	2020	2019
Countercyclical capital buffer ratio	<u>0.00 %</u>	<u>0.00 %</u>

During the year, the Company has complied with all of the externally imposed capital requirements set by the HKMA.

### 5. Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

a) The fair values of financial assets and liabilities not presented at fair value in the Company's statement of financial position are estimated as follows:

#### Cash and short term funds

The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits, which is normally less than one year, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore the fair value is approximately equal to its carrying value.

#### Placements with banks

The estimated fair value of fixed interest-bearing deposits of banks without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As they are normally less than one year, their fair values are approximately equal to their carrying values.

#### Other assets and other liabilities

The carrying value of other assets and other liabilities approximates their fair value as these balances are generally short term in nature and the associated credit risk considered to be insignificant.

#### b) Fair value hierarchy

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

5. Fair value of financial assets and liabilities (continued)

b) Fair value hierarchy (continued)

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes actively traded securities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes the majority of the OTC derivative contracts. The sources of input parameters are Bloomberg and Reuters.

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

	Level 2 US\$'000
At 31 December 2020	
<u>Assets</u>	
Financial assets at fair value through profit or loss	
Debt securities	377,721
Derivative financial instruments	
Exchange rate contracts	6,220
<b>Total assets</b>	<b>383,941</b>
<u>Liabilities</u>	
Derivative financial instruments	
Exchange rate contracts	19,407
<b>Total liabilities</b>	<b>19,407</b>
At 31 December 2019	
<u>Assets</u>	
Financial assets at fair value through profit or loss	
Debt securities	285,355
Derivative financial instruments	
Exchange rate contracts	3,062
<b>Total assets</b>	<b>288,417</b>
<u>Liabilities</u>	
Derivative financial instruments	
Exchange rate contracts	3,699
<b>Total liabilities</b>	<b>3,699</b>

There were no transfers of financial assets or liabilities between levels of the fair value hierarchy classifications during the years ended 31 December 2020 and 2019.

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

6. Net interest income	2020	2019
	US\$'000	US\$'000
<u>Interest income:</u>		
Placements with banks	668	6,847
<u>Interest expense:</u>		
Deposits and balances from banks	(272)	(2,484)
Net interest income	<u>396</u>	<u>4,363</u>

7. Fee & commission expense	2020	2019
	US\$'000	US\$'000
Securities custodian fees	70	39
Other fees paid	1	1
Fee and commission expense	<u>71</u>	<u>40</u>

No fee income and fee expenses (other than amounts included in determining the effective interest rate) arise/arose from financial assets or financial liabilities that are not held for trading nor designated at fair value.

8. Net trading income	2020	2019
	US\$'000	US\$'000
Net foreign exchange gain	5,796	6,249
Interest income from financial assets at fair value through profit or loss	508	97
Interest expense from financial liabilities held for trading	(5)	(38)
Net loss from financial instruments at fair value through profit or loss	(20)	(7)
	<u>6,279</u>	<u>6,301</u>

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 9. Other operating income

	2020 US\$'000	2019 US\$'000
Service fee income (note 23)	4,909	1,696
	<u>4,909</u>	<u>1,696</u>

#### 10. Operating expenses

	2020 US\$'000	2019 US\$'000
Auditors' remuneration	97	93
Employee benefit expenses (note 11)	3,422	5,453
Directors' fees (note 12)	152	133
Legal and professional fees	7	2
Licence fee	50	56
Impairment loss of subsidiary (note 23)	—	2,086
Service fee expenses (note 23)	1,465	2,804
Others	394	244
	<u>5,587</u>	<u>10,871</u>

#### 11. Employee benefit expenses

	2020 US\$'000	2019 US\$'000
Wages, salaries and other staff costs	1,357	2,239
Share-based payments (note 13)	2,024	3,166
Retirement benefit schemes contribution	26	22
Other post-employment benefits	15	26
	<u>3,422</u>	<u>5,453</u>

As of 31 December 2020, staff related payable of US\$23,000 (2019: US\$27,000) is included in other liabilities.

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 12. Directors' fees

	2020 US\$'000	2019 US\$'000
Fees	152	133
	<u>152</u>	<u>133</u>

Certain directors of the Company are members of stock option schemes and restricted stock plans which give them the rights to acquire shares in BAC. During the year ended 31 December 2020 and 2019, no stock and/ or stock option in respect of their services to the Company was granted to the directors.

#### 13. Share-based payments

The Company participates in several employee compensation plans managed by BAC, with awards being granted predominantly from the Bank of America Corporation Key Employee Equity Plan ("KEEP").

Generally, one-third of the restricted stock units ("RSUs") vest on each of the first three anniversaries of the grant date provided that the employee remains continuously employed with the Company during that time.

The fair value of RSU was determined based on the price of BAC common stock at the date of grant. RSUs may be settled in cash or in shares of common stock depending on the terms of the applicable award.

The Company granted 36,000 stock units at a grant price of \$33.54 and 57,644 stock units at a grant price of \$31.40, for a total grant cost of \$3,017,000. The compensation cost for the stock-based plans was US\$2,024,000 and US\$3,166,000 in 2020 and 2019 respectively.

##### Other Stock Plans

The Company did not grant any non-qualified stock options plans for both 2020 and 2019 respectively. All the options has been expired in 2018 and there are no non-qualified stock options outstanding at the end of the year 2020 and 2019.

#### 14. Taxation

Hong Kong profits tax has been calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

(a) The amount of tax charged to the statement of comprehensive income represents:

	2020 US\$'000	2019 US\$'000
Current income tax:		
- Hong Kong profits tax	654	730
- Withholding Tax	2	4
- Adjustment in respect of prior years	(18)	308
Deferred tax		
- Reversal of temporary differences	323	(491)
- Adjustment in respect of prior years	352	(313)
Taxation expense	<u>1,313</u>	<u>238</u>



## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 14. Taxation (continued)

- (b) The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2020 US\$'000	2019 US\$'000
Profit before taxation	5,926	1,449
Calculated at Hong Kong profits tax rate of 16.5%	978	239
Tax effect:		
Income not taxable for tax purposes	(1)	—
Foreign tax paid	2	4
Adjustment in respect of prior years	334	(5)
Taxation expense	<u>1,313</u>	<u>238</u>

#### 15. Deferred income tax assets

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2019: 16.5%). The movement in the deferred income tax assets/ (liabilities) during the year is as follows:

	Depreciation allowances US\$'000	Share-based payment charge and accrual US\$'000	Total US\$'000
Beginning balance at 1 January 2019	(2)	552	550
Charge to the statement of comprehensive income for the year	—	804	804
Foreign exchange difference	—	6	6
Ending balance at 31 December 2019	<u>(2)</u>	<u>1,362</u>	<u>1,360</u>
Charge to the statement of comprehensive income for the year	—	(675)	(675)
Foreign exchange difference	—	7	7
Ending balance at 31 December 2020	<u>(2)</u>	<u>694</u>	<u>692</u>

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 16. Cash and balances with banks

	2020 US\$'000	2019 US\$'000
Demand balances with banks	126,866	126,951
Deposits at call	37,169	159,384
	<u>164,035</u>	<u>286,335</u>

#### 17. Financial assets at fair value through profit or loss

	2020 US\$'000	2019 US\$'000
Debt securities, at fair value:		
Government bonds	377,721	285,355
	<u>377,721</u>	<u>285,355</u>

#### 18. Derivative financial instruments

The Company uses the following derivative instruments for trading purpose.

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of these. No exchange of principal takes place, except for certain currency swaps. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

The notional amounts provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instrument assets and liabilities can fluctuate significantly from time to time.

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 18. Derivative financial instruments (continued)

The fair values of derivative instruments held are set out below:

	Notional Amount US\$'000	Fair Value	
		Assets US\$'000	Liabilities US\$'000
At 31 December 2020			
Derivatives held for trading			
- Exchange rate contracts			
Currency Swaps	526,851	6,220	(19,407)
FX Forwards	—	—	—
At 31 December 2019			
Derivatives held for trading			
- Exchange rate contracts			
Currency Swaps	10,855	257	—
FX Forwards	555,276	2,805	(3,699)

As at 31 December, the credit risk-weighted amounts of the financial derivative exposures entered during the year, are shown on a gross basis as follows:

	Credit risk weighted amount	
	2020 US\$'000	2019 US\$'000
Derivatives:		
- Exchange rate contracts		
Currency swaps	1,051	183
FX forwards	—	4,169

The contractual amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date, they do not represent amounts at risk.

The credit risk-weighted amounts at 31 December 2020 and 31 December 2019 were computed in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

#### 19. Other liabilities

	2020 US\$'000	2019 US\$'000
Other payable	658	1,565

## Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

### NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

#### 20. Share capital

	Number of Shares	Share Capital US\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	110,000,000	491,442

#### 21. Other reserves

	Share-based payments reserve US\$'000
At 1 January 2019 and 31 December 2019	6,467
Directors' and employees' stocks and stock options granted	—
At 31 December 2020	6,467

Share-based payments reserve is not available for distribution.

#### 22. Balances with group companies

Included in the following balance sheet captions are balances with subsidiaries of BAC, the ultimate holding company.

	2020 US\$'000	2019 US\$'000
<u>Assets</u>		
Cash and balance with bank		
Demand balances with banks	112,664	114,259
Deposits at call	37,169	159,384
	<u>149,833</u>	<u>273,643</u>
Derivative financial instruments - Assets	6,220	3,062
Amount due from intermediate holding company	11,873	353
Amount due from affiliates	784	—
	<u>168,710</u>	<u>277,058</u>
<u>Liabilities</u>		
Deposits and balances from banks	546	30,543
Derivative financial instruments - Liabilities	19,407	3,699
Amount due to intermediate holding company	374	2,231
Amount due to affiliates	247	1,546
	<u>20,574</u>	<u>38,019</u>

# Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2020

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

### 23. Related party transactions

In addition to balances with group companies as set out in note 22 and note 24, the Company had the following material transactions with related parties during the year:

#### (a) Profit and loss

	Note	2020 US\$'000	2019 US\$'000
Revenue			
Interest income on placements	(i)	668	6,847
Service fee income	(ii)	4,909	1,696
Expenses			
Interest expense on deposits	(iii)	(272)	(2,484)
Impairment loss of subsidiary	(iv)	—	(2,086)
Service fee expenses	(v)	(1,465)	(2,804)

Note:

- (i) The interest income was generated from placements with group companies. The interest rates are similar to that which would normally apply to customers of comparable standing.
- (ii) Service fee income represents income received and receivable from supporting services provided to group companies and income recognised when certain charges are accrued by the Company. Service fees are calculated in accordance with BAC Global Transfer Pricing Policy and are generally documented in service level agreements entered into between the Company and other group companies.
- (iii) The interest expenses were paid on deposits from group companies. The interest rates are similar to that which would normally apply to customers of comparable standing.
- (iv) The amount represents impairment loss of subsidiary.
- (v) Service fee expenses represent expenses paid and payable for supporting services provided by group companies and expenses recognised when certain charges are accrued by the service provider. Service fees are calculated in accordance with BAC Global Transfer Pricing Policy and are generally documented in service level agreements entered into between the Company and other group companies.

The amounts paid to holding companies include amount charged under the Recharge Agreement described in note 2.10 for the Company's participation in the employee compensation plans. The fee is determined based on the change of the fair value between the grant dates and the vesting dates for shares; and between the grant dates and the exercise dates for options and the allocation of fair value for employees who rendered services to the Company and other group companies during the life of the awards. The amount included in Service fee income is a net service fee of US\$ 1,913,000 (2019: The amount included in Service fee expense is a net service fee of US\$ 705,000).

#### (b) Derivatives transactions

	Note	2020 US\$'000	2019 US\$'000
Exchange rate contracts with group companies for trading purpose	(i)	526,851	566,131

Note:

- (i) Balances represent the contractual notional amount of the outstanding currency swap and forward contracts entered into with group companies. The terms of these contracts were entered in accordance with terms and conditions which would apply to customers of comparable standing.

## **Banc of America Securities Asia Limited**

Audited Annual Financial Statements for the year ended 31 December 2020

### **NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**

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**24.. Key management compensation**

Key management personnel include individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Company.

Apart from the aggregated amount of directors' fees as disclosed in note 12 above, there were no other contracts and transactions with key personnel during the year of 2019 and 2020.

**25. Contingent liabilities and commitments**

At 31 December 2020 and 31 December 2019, the Company did not have any contingent liabilities and commitments.

**26. Event after the reporting period**

Subsequent to the reporting date, no material events have occurred up to the date of this report.

**27. Approval of Accounts**

The accounts were approved by the Board of Directors on 27 April 2021.

The following supplementary financial information is disclosed  
as part of the accompanying information to the accounts and  
does not form part of the audited accounts

# Banc of America Securities Asia Limited

## Supplementary Financial Information (Unaudited)

### 1. Key Prudential Ratios:

The following table provides an overview of the Bank's key prudential ratios.

		as at 31 Dec 2020	as at 30 Sep 2020	as at 30 Jun 2020	as at 31 Mar 2020	as at 31 Dec 2019
	<b>Regulatory capital (amount US\$'000)</b>					
1	Common Equity Tier 1 (CET1)	539,504	538,256	536,056	535,154	534,222
2	Tier 1	539,504	538,256	536,056	535,154	534,222
3	Total capital	539,504	538,256	536,056	535,154	534,222
	<b>RWA (amount US\$'000)</b>					
4	Total RWA	79,988	113,666	144,349	137,218	116,731
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5	CET1 ratio (%)	674.48	473.54	371.36	390.00	457.65
6	Tier 1 ratio (%)	674.48	473.54	371.36	390.00	457.65
7	Total capital ratio (%)	674.48	473.54	371.36	390.00	457.65
	<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>					
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical capital buffer requirement (%)	—	0.02	0.83	—	—
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	NA	NA	NA	NA	NA
11	Total AI-specific CET1 buffer requirements (%)	2.50	2.52	3.33	2.50	2.50
12	CET1 available after meeting the AI's minimum capital requirements (%)	663.98	463.02	360.03	379.50	447.15
	<b>Basel III leverage ratio</b>					
13	Total leverage ratio (LR) exposure measure (amount US\$'000)	562,848	551,690	649,908	673,993	580,765
14	LR (%)	95.85	97.57	82.48	79.40	91.99
	<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
	Applicable to category 2 institution only:					
17a	LMR (%)	13,958.79	22,652.19	252,336.43	577,337.34	4,278,110.69
	<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>					
	Applicable to category 1 institution only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

As of December 31, 2020, the LMR was 13,958.79%, decreased by 8,693.40% when compared to 30th September 2020. This is mainly driven by slight decreased in average liquefiable assets and increased in comparative average qualifying liabilities during the quarter.

As of December 31, 2020, the CAR was 674.48%, decreased by 200.94% when compared to 30th September 2020. This is primary driven by lower credit risk exposure as compared to previous quarter.

The above key regulatory ratios were calculated in accordance with the following Rules, where relevant, issued by the HKMA.

- Banking (Capital) Rules ("BCR")
- Leverage Ratio Framework
- Banking (Liquidity) Rules ("BLR")



# Banc of America Securities Asia Limited

## Supplementary Financial Information (Unaudited)

### 2. Risk Management Approach

BASAL has adopted the risk philosophy, processes and controls of BAC, including the BAC Risk Framework. Bank of America's risk management approach is appropriate given the Company's size, complexity, structure, activities and risk profile. The following are the five components of our risk management approach:

- **Risk culture:** A culture that instills the importance of managing risk well, ensures appropriate focus on risk in all activities and that risk is everyone's responsibility. It encourages the necessary mindset and behavior to enable effective risk management and promote sound risk-taking within our risk appetite. Our culture requires that risks are promptly identified, escalated and debated, thereby benefiting the overall performance of the Company.
- **Risk appetite:** The Company's risk appetite statement defines the types and levels of risk the Company is willing to take to achieve its objectives. It includes qualitative statements and quantitative measures, as appropriate.
- **Risk governance:** Our risk governance framework serves as the foundation for the comprehensive management of risks facing the Company. It outlines, among other things, clear ownership and accountability for managing risk across three lines of defense: front line units, independent risk management and corporate audit.
- **Risk data aggregation and reporting:** Effective risk reporting provides a clear understanding of our risk profile. We leverage our data and management information systems to achieve transparency and generate timely, accurate and actionable insights.
- **Risk management processes:** Sound risk management includes processes to effectively identify, measure, monitor and control risk. Risk management is both an essential component of our daily business activities and an integral part of our strategic, capital and financial planning processes. BASAL employs a simple but effective risk management process, referred to as IMMC: Identify, Measure, Monitor and Control.

The risk appetite statement indicates the amount of capital, earnings or liquidity we are willing to put at risk to achieve our strategic objectives and business plans, consistent with applicable regulatory requirements. The risk appetite statements ensure that the Company maintains an acceptable risk profile that is in alignment with our strategic and capital plans. Risk appetite statements provide a common framework and a comparable set of measures for senior management and the boards of directors to clearly indicate the level of risk the Company is willing to accept. The risk appetite statements include both quantitative limits and qualitative components that are reviewed and approved by the board of directors at least annually.

The Risk Appetite Statement is rooted in several principles:

- **Overall risk capacity:** BASAL's overall capacity to take risk is limited; therefore, it prioritizes the risks it takes. Our risk capacity informs our risk appetite, which is the level and types of risk we are willing to take to achieve our business objectives.
- **Financial strength to absorb risk:** BASAL must maintain a strong and flexible financial position so it can weather challenging economic times and take advantage of growth opportunities. Therefore, BASAL sets objectives and targets for capital and liquidity that will permit the Company to continue to operate in a safe and sound manner at all times, including under stressed market conditions.
- **Risk-reward evaluation:** Risks taken must fit BASAL risk appetite and offer acceptable risk-adjusted returns.
- **Acceptable risks:** We consider all types of risk including those that are difficult to quantify. Qualitative guidance within the risk appetite statements describes our approach to managing such risks in a manner consistent with our risk culture. For example, actions considered in a line of business that unduly threaten the Company's reputation should be escalated and restricted appropriately.
- **Skills and capabilities:** BASAL seeks to only assume only those risks for which it has the skills and capacities to identify, measure, monitor and control.

The risk appetite statements quantitative framework is designed to articulate the risks we are willing to take and limit excessive risk taking. It is comprised of limits indicating the amount of risk we are willing to take.

Robust monitoring and reporting processes for limits are in place, with limit breaches triggering appropriate notification and escalation based on the severity of the breach as defined by magnitude or frequency. Breach resolution plans include a written description of the root cause, how a breach will be resolved and the timeline for remediation. Management and committees of the board of directors monitor risk metrics relative to risk appetite limits and take action as necessary to proactively and effectively manage risk.

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

#### 2. Risk Management Approach (continued)

Integration with strategic, capital and financial operating plans and other processes:

Risk appetite is set at least annually to consistency with BASAL's strategy and financial resources. Ongoing reporting shows performance against the business plan, as well as risk appetite breaches. Risk appetite is also considered within the New Product Review and Approval Policy and processes, within decisions around acquisitions and divestitures, if any, and as part of compensation and performance management decisions.

The Company's Risk Appetite Statement encompasses the seven risk types described in the Risk Framework.

The risk appetite structure is comprised of qualitative narrative statements and a framework of quantitative metrics and limits.

The qualitative narrative statements describe BASAL's appetite for risk and establish the tone and structure for line of business and subsidiary legal entity risk appetite:

<b>Risk Type</b>	<b>Risk Appetite Qualitative Summary Statements</b>
Strategic	We evaluate our capacity for risk and seek to protect our brand and reputation, our financial strength and flexibility, the value of our assets and the strategic potential of the Company.
Credit	We maintain prudent underwriting standards with a focus on client selection that allows us to deliver for customers and shareholders throughout the credit cycle.
Market	We manage our sensitivity to changes in interest rates and market prices in order to deliver for customers and shareholders at all times, including during times of volatility and stress.
Liquidity	We ensure that Bank of America can meet expected or unexpected cash flow and collateral needs under a range of economic conditions.
Operational	We manage operational risk to an overall residual risk level of moderate across the company and within each business by striving for operational excellence in everything that we do.
Compliance	We have no tolerance for compliance breaches. While minor breaches may occur from time to time due to the scope of our business, there is no excuse for substantive breaches at any time.
Reputational	We manage and control situations that could negatively impact our reputation and brand. When reputational risk arises, we aggressively manage it to preserve our brand and reputation.

# Banc of America Securities Asia Limited

## Supplementary Financial Information (Unaudited)

### 2. Risk Management Approach (continued)

BASAL's risk appetite is heavily influenced and evidenced by our client selection criteria, which aim to achieve a high quality portfolio mostly comprising multinational corporate clients, strong domestic and foreign financial institutions, and strong local corporate clients. As a result, the Company does not currently focus on retail and consumer clients, small to medium sized enterprises, project finance, or real estate, which tend to carry higher levels of credit and other risks.

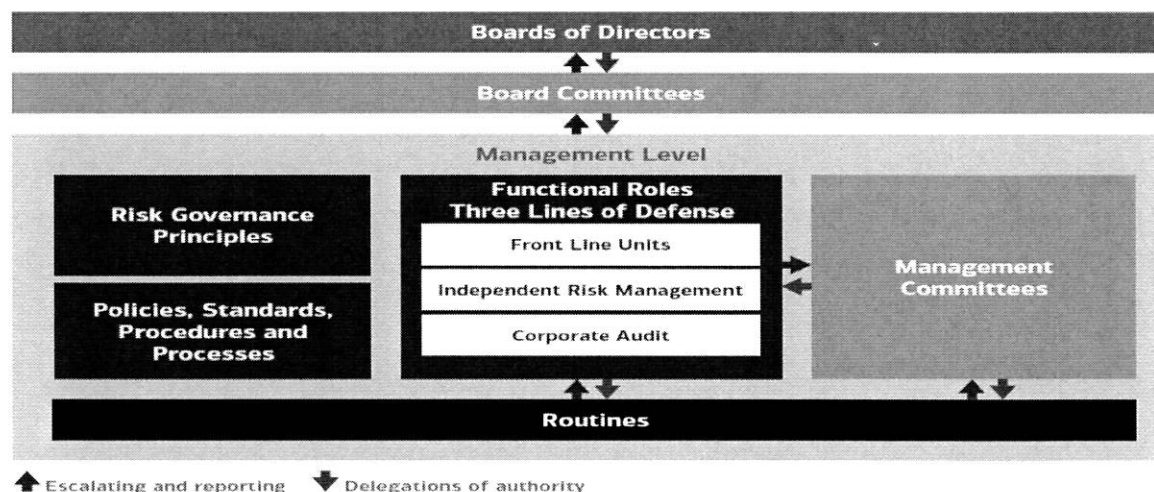
BASAL's client selection criteria consist of the following characteristics:

1. Global Multinational and Asian indigenous companies which maintain a significant global strategic and operating footprint or whose cross border business flows leave us well positioned as a provider of operating, treasury, risk management, and advisory solutions.
2. Companies with sophisticated corporate treasury and financing requirements, including the need to raise capital, in either public or private markets in capital markets covered by BAC, or hedging.
3. Companies who are leaders in the industries that they operate and require multiple product offerings and financial solutions.
4. Companies either currently or likely to be investors in or acquirers of offshore financial or strategic assets.

Our business will generally remain focused on the upper quartile of the corporate sector, as measured either by market capitalization, revenue mix, market share, or governance and disclosure practices. Our client base will also include government, quasi-government, and "national champions" whose economic or political significance in the domestic economy provide certain competitive advantages and implied government support or sponsorship. Bank and non-bank financial institutions client selection guideline is also based on FI's financial strengths, risk / return criteria, and market position & size.

BASAL adheres to a risk governance framework that is designed by independent risk management and approved by the board of directors of BASAL. The risk governance framework includes delegations of authority from the board of directors or board committees to management committees and executive officers as well as risk limits established for material activities to ensure the Company operates within risk appetite.

Bank of America's risk governance framework links multiple components to provide strong risk governance



Bank of America's Risk Framework is reviewed at least annually by appropriate board-level committees. Any off-cycle changes to the Risk Framework deemed to be significant by the Chief Risk Officer (CRO) must be reviewed and approved by boards of directors. Immaterial changes (e.g. corrections, name changes) may be approved by the CRO with no subsequent reporting to the boards of directors and their committees.

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

#### 2. Risk Management Approach (continued)

As part of their oversight responsibilities, BASAL's board of directors and its delegated committees exercise sound independent judgment to actively oversee risk-taking activities and hold management accountable for adhering to the Risk Framework. The board of directors conduct an annual self-assessment that includes an evaluation of their effectiveness in meeting the requirements of the Risk Framework. Any changes in governance approved by the board of directors may be reflected in an updated version of the Risk Framework without additional approval of the Risk Framework by the board of directors.

Effective risk data management, aggregation and reporting are critical to provide a clear understanding of current and emerging risks, as well as how these risks align with overall risk appetite and ability to quickly and effectively act upon them. BASAL achieves transparency in risk reporting by understanding the current risk profile; leveraging data, information and analytics; and by reporting actionable insights and recommendations to appropriate levels of the Company.

Reporting risk information and analysis to employees, senior management, the boards of directors and their committees is a central component of managing risk well.

Key objectives of our risk reporting efforts include:

- Timely, accurate and actionable reporting – Reports that are accurate and comprehensive and provided with the appropriate frequency to enable us to manage all material current and emerging risks and changing business needs, at all times.
- Granularity and differentiation by audience – Reports that are tailored to meet the needs of their recipients and contain the information needed to enable effective decision-making.

#### 3. Overview of Risk Weighted Assets

The following table sets out the Banks's risk-weighted assets ("RWA") and the corresponding minimum capital requirements by risk types.

		RWA US\$'000		Minimum capital requirements US\$'000
		As at 31 Dec 2020	As at 30 Sep 2020	As at 31 Dec 2020
1	Credit risk for non-securitization exposures	37,956	70,704	3,037
2	Of which STC approach	37,956	70,704	3,037
2a	Of which BSC approach	—	—	—
3	Of which foundation IRB approach	—	—	—
4	Of which supervisory slotting criteria approach	—	—	—
5	Of which advanced IRB approach	—	—	—
6	Counterparty default risk and default fund contributions	1,530	1,568	122
7	Of which SA-CCR	—	—	—
7a	Of which CEM	1,051	1,077	84
8	Of which IMM(CCR) approach	—	—	—
9	Of which other	—	—	—
10	CVA Risk	479	491	38
11	Equity positions in banking book under the simple risk-weight method and internal models method	—	—	—
12	Collective investment scheme ("CIS") exposures – LTA	—	—	—
13	CIS exposures – MBA	—	—	—

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

14	CIS exposures – FBA	—	—	—
14a	CIS exposures – combination of approaches	—	—	—
15	Settlement risk	—	—	—
16	Securitization exposures in banking book	—	—	—
17	Of which SEC-IRBA	—	—	—
18	Of which SEC-ERBA (including IAA)	—	—	—
19	Of which SEC-SA	—	—	—
19a	Of which SEC-FBA	—	—	—
20	Market risk	19,797	20,509	1,584
21	Of which STM approach	19,797	20,509	1,584
22	Of which IMM approach	—	—	—
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	—	—	—
24	Operational risk	20,705	20,885	1,656
24a	Sovereign concentration risk	—	—	—
25	Amounts below the thresholds for deduction (subject to 250% RW)	—	—	—
26	Capital floor adjustment	—	—	—
26a	Deduction to RWA	—	—	—
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	—	—	—
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	—	—	—
27	Total	79,988	113,666	6,399

#### 4. Prudent Valuation Adjustments

At 31 Dec 2020, the Company did not have any Prudent Valuation Adjustments.

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

#### 5. Composition of Regulatory Capital

##### 5.1 Financial Statements and Regulatory Scope of Consolidation

For regulatory reporting purposes, the bank is required to compute its capital adequacy ratio and leverage ratio on a solo basis.

##### 5.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Financial Statement

The following table sets out the detailed composition of the Company's regulatory capital as at 31 Dec 2020.

		US\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	<b>CET1 capital: instruments and reserves</b>		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	491,442	(1)
2	Retained earnings	42,287	(2)
3	Disclosed reserves	6,467	(3)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	—	
6	<b>CET1 capital before regulatory deductions</b>	540,196	
	<b>CET1 capital: regulatory deductions</b>		
7	Valuation adjustments	—	
8	Goodwill (net of associated deferred tax liability)	—	
9	Other intangible assets (net of associated deferred tax liability)	—	
10	Deferred tax assets net of deferred tax liabilities	692	(4)
11	Cash flow hedge reserve	—	
12	Excess of total EL amount over total eligible provisions under the IRB approach	—	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	—	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	—	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	—	
17	Reciprocal cross-holdings in CET1 capital instruments	—	



## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	—	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	—	
26b	Regulatory reserve for general banking risks	—	
26c	Securitization exposures specified in a notice given by the MA	—	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	—	
26e	Capital shortfall of regulated non-bank subsidiaries	—	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	—	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	—	
28	<b>Total regulatory deductions to CET1 capital</b>	—	
29	<b>CET1 capital</b>	539,504	
	<b>AT1 capital: instruments</b>		
30	Qualifying AT1 capital instruments plus any related share premium	—	
31	of which: classified as equity under applicable accounting standards	—	
32	of which: classified as liabilities under applicable accounting standards	—	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	—	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	—	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	—	
36	<b>AT1 capital before regulatory deductions</b>	—	
	<b>AT1 capital: regulatory deductions</b>		
37	Investments in own AT1 capital instruments	—	
38	Reciprocal cross-holdings in AT1 capital instruments	—	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	

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### Supplementary Financial Information (Unaudited)

40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
41	National specific regulatory adjustments applied to AT1 capital	—	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	—	
43	<b>Total regulatory deductions to AT1 capital</b>	—	
44	<b>AT1 capital</b>	—	
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	539,504	
	<b>Tier 2 capital: instruments and provisions</b>		
46	Qualifying Tier 2 capital instruments plus any related share premium	—	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	—	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	—	
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	—	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	—	
51	<b>Tier 2 capital before regulatory deductions</b>	—	
	<b>Tier 2 capital: regulatory deductions</b>		
52	Investments in own Tier 2 capital instruments	—	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	—	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	—	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	—	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	
56	National specific regulatory adjustments applied to Tier 2 capital	—	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	—	
57	<b>Total regulatory deductions to Tier 2 capital</b>	—	
58	<b>Tier 2 capital</b>	—	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	539,504	
60	<b>Total RWA</b>	79,988	
	<b>Capital ratios (as a percentage of RWA)</b>		
61	CET1 capital ratio	674.48 %	
62	Tier 1 capital ratio	674.48 %	



## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

63	Total capital ratio	674.48 %	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.50 %	
65	<i>of which: capital conservation buffer requirement</i>	2.50 %	
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.00 %	
67	<i>of which: higher loss absorbency requirement</i>	0.00 %	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	663.98 %	
<b>National minima (if different from Basel 3 minimum)</b>			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	—	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
74	Mortgage servicing rights (net of associated deferred tax liability)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liability)	Not applicable	Not applicable
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	—	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	—	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	—	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	—	
<b>Capital instruments subject to phase-out arrangements</b>			
80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	—	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	—	
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	—	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	—	

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

#### 5.3 Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

US\$'000	As at 31 Dec 2020						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				not subject to capital requirements or subject to deduction from capital
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	
<b>Assets</b>							
Cash and balances with bank	164,035	164,035	164,035	—	—	—	—
Financial assets at fair value through profit or loss	377,721	377,721	—	—	—	377,721	—
Derivative financial instruments	6,220	6,220	—	6,220	—	—	—
Amount due from intermediate holding company	11,873	11,873	11,873	—	—	—	—
Amount due from affiliates	784	784	784	—	—	—	—
Current income tax assets	108	108	—	—	—	—	108
Deferred income tax assets	692	692	—	—	—	—	692
<b>Total assets</b>	<b>561,433</b>	<b>561,433</b>	<b>176,692</b>	<b>6,220</b>	<b>—</b>	<b>377,721</b>	<b>800</b>
<b>Liabilities</b>							
Deposits and balances from banks	551	551	—	—	—	—	551
Derivative financial instruments	19,407	19,407	—	—	—	—	19,407
Amount due to intermediate holding company	374	374	—	—	—	—	374
Amount due to affiliates	247	247	—	—	—	—	247
Other liabilities	658	658	—	—	—	—	658
<b>Total liabilities</b>	<b>21,237</b>	<b>21,237</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>21,237</b>

The above table shows the mapping of financial statement categories with regulatory risk categories; the amounts shown in the column "Carrying values under scope of regulatory exposure" do not equal to the sum of the amounts shown in the remaining columns for "Derivatives financial instruments" as it is subjected to regulatory capital charges in counterparty credit risk and market risk categories.

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

#### 5.4 Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:

US\$'000		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	560,633	176,692	—	6,220	377,721
2	Liabilities carrying value amount under regulatory scope of consolidation	—	—	—	—	—
3	Total net amount under regulatory scope of consolidation	560,633	176,692	—	6,220	377,721
4	Off-balance sheet amounts	2,107	—	—	2,107	—
5	Exposure amounts considered for regulatory purposes	562,740	176,692	—	8,327	377,721

#### Explanations of differences between accounting and regulatory exposure amounts

The key differences between regulatory exposure amounts and accounting carrying value is the potential future exposures arising from derivatives.

#### 5.5 Main Features of Capital Instruments

The following is a summary of main features of the Company's issued Common Equity Tier 1 ("CET1") capital instrument outstanding as at 31 Dec 2020.

The Company did not have Additional Tier 1 or Tier 2 capital instruments as of 31 Dec 2020.

1	Issuer	Banc of America Securities Asia Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	BBG002Y21XT8
3	Governing law(s) of the instrument	Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / solo & group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	USD 491mil
9	Par value of instrument	NA
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 22, 1973
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Discretionary dividend amount
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	No
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

#### 6. Countercyclical Capital Buffer

##### 6.1 Geographical breakdown of RWA related to Credit Exposures used in the Countercyclical Capital Buffer Ratio

As at 31 Dec 2020					
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect %	RWA used in computation of CCyB ratio US\$'000	AI Specific CCyB ratio %	CCyB amount US\$'000
1	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	0.00%	321		
	Sum		321		
	Total		321	0.00%	-

**Banc of America Securities Asia Limited**  
**Supplementary Financial Information (Unaudited)**

**7. Leverage Ratio**

**7.1 Summary Comparison of Accounting Assets against Leverage Ratio (“LR”) Exposure Measure**

	Item	Leverage ratio framework US\$'000 31 Dec 2020
1	Total consolidated assets as per published financial statements	561,433
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	—
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	—
4	Adjustments for derivative contracts	2,107
5	Adjustment for SFTs (i.e. repos and similar secured lending)	—
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	—
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	—
7	Other adjustments	(692)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>562,848</b>

**7.2 Leverage Ratio (“LR”)**

	Item	Leverage ratio framework US\$'000 31 Dec 2020	Leverage ratio framework US\$'000 30 Sep 2020
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	561,433	550,327
2	Less: Asset amounts deducted in determining Tier 1 capital	(692)	(792)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	560,741	549,535
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	—	—
5	Add-on amounts for PFE associated with all derivatives transactions	2,107	2,155
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	—	—

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8	Less: Exempted CCP leg of client-cleared trade exposures	—	—
9	Adjusted effective notional amount of written credit derivatives contracts	—	—
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	—	—
11	Total exposures arising from derivative contracts	2,107	2,155
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	—	—
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	—	—
15	Agent transaction exposures	—	—
16	Total exposures arising from SFTs	—	—
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	—	—
18	Less: Adjustments for conversion to credit equivalent amounts	—	—
19	Off-balance sheet items	—	—
<b>Capital and total exposures</b>			
20	Tier 1 capital	539,504	538,256
20a	Total exposures before adjustments for specific and collective provisions	562,848	551,690
20b	Adjustments for specific and collective provisions	—	—
21	Total exposures after adjustments for specific and collective provisions	562,848	551,690
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>95.85 %</b>	<b>97.57 %</b>

#### 8. Liquidity Risk Management

Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers under a range of economic conditions.

Liquidity risk is present in each of our lines of business and in enterprise activities conducted by Bank of America Corporation and its Subsidiaries. The Bank of America Corporation Liquidity Risk Policy establishes requirements and accountabilities for managing liquidity risk at BAC and its Subsidiaries in conformity with applicable laws, rules and regulations. The BAC Policy also outlines requirements for uniformity in liquidity risk management practices in alignment with the Bank of America Risk Framework (the "Risk Framework") and BAC Risk Appetite Statement.

Banc of America Securities Asia Limited ("BASAL") is a Tier 3 Subsidiary that adheres to global standards for liquidity risk management, as established by the BAC Policy. The BAC Policy permits Subsidiary or branch specific liquidity risk policies as deemed necessary by Global Risk Management ("GRM") or by regulatory requirement.



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As described in the Risk Framework, the BAC assigns clear accountability for managing risk across three lines of defense: 1) FLUs; 2) Independent Risk Management; and 3) Corporate Audit. All of the BASAL's lines of business are categorized as FLUs; in addition, certain areas within Company-wide control functions are also categorized as FLUs. For example, Treasury is a FLU responsible for managing the BASAL's liquidity and funding position.

FLUs have primary responsibility for managing liquidity risk inherent in their businesses. FLUs actively identify, escalate and debate liquidity risks related to their activities both internally and to independent risk management.

GRM, a second line of defense, oversees the risk management governance structure, establishes liquidity risk policies, reports and monitors all liquidity risk related limits, and provides effective challenge and an independent view of the BASAL's liquidity risk management processes. GRM is also accountable for providing timely and accurate liquidity risk reporting to risk governance committees and boards. Global Compliance and Operational Risk and the Enterprise Independent Testing group, both divisions of GRM, conduct independent monitoring and testing of compliance with laws, regulations, directives and guidance that impact liquidity risk management.

Corporate Audit, in its role as the third line of defense, provides independent assessment and validation through testing of key processes and controls across BASAL.

The BASAL Asset and Liability Committee ("ALCO"), reports to the BASAL Board of Directors ("BASAL Board"), and is responsible for providing management oversight and certain approvals of (or recommending to the BASAL Board, the Asia Pacific Regional Risk Committee or other committees, as appropriate) balance sheet, capital, liquidity management and stress testing activities for BASAL.

The BASAL Board provides oversight of BASAL's liquidity risk profile. The BASAL Board periodically reviews and approves the liquidity risk management strategies, policies, and procedures and BASAL LRP.

The BAC Policy and BASAL LRP determine the approach to liquidity risk management and combined with local liquidity risk limits define the overall liquidity risk appetite for BASAL.

BASAL has funding and liquidity management strategy documented and reviewed at the local ALCO. The document highlights how different products are funded, including its source, currency, funding instrument, funding tenor, and funding source concentration.

For liquidity risk mitigation, BASAL has below Key components:

- BASAL LRP, which formally articulates the principles for managing liquidity risk within BASAL, including requirements for internal stress testing, limits and risk indicators, reporting and monitoring, roles and accountabilities and regulatory requirements;
- Liquidity risk limits, established by GMFR – Liquidity APAC and approved based on internal procedures, requiring BASAL to maintain sufficient excess liquidity resources and to comply with regulatory requirements; and
- The BASAL Financial Contingency and Recovery plan ("BASAL FCRP"), which details management's strategy to address potential liquidity shortfalls during periods of stress.

BASAL has developed a robust internal liquidity stress testing approach to monitor and measure liquidity stress impacts across several time horizons. It progressively has severe scenarios that incorporate market wide and Company-specific events. The stress tests are used to monitor and analyze the level of cash inflows and outflows including contractual and contingent flows, and to estimate the LMR position during a stress event. The results are reviewed by ALCO regularly.

The Hong Kong's Financial Contingency and Recovery Plan describes a cohesive financial contingency planning framework to effectively respond to financial stress in an organised and coordinated manner. The Plan provides details of quantitative and qualitative indicators, protocols, and a set of potential options that may be taken to raise cash during various liquidity stress environments.

BASAL has reviewed and approved via the local ALCO Short Term and Long Term Cash Flow forecast assumptions which highlights the customized tools and methodologies at which BASAL's balance sheet and cash flow are projected.

For Liquidity exposure and funding, BASAL has quarterly process of forward looking forecasts of balance sheet by product, by currency, and by business line allows determination of liquidity exposures and funding needs for BASAL. BASAL relies on funding from the Parent and its centralized liquidity pool. The entity performed an assessment to demonstrate sufficiency, availability and transferability of funds from Head Office to meet liquidity needs in Hong Kong in a timely manner.

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BASAL's analysis of on- and off-balance sheet items by remaining maturity and the resultant liquidity gaps as at 31st December 2020 is show as follow:

	Repayable on demand US\$'000	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
As at 31 December 2020								
<u>Assets</u>								
Cash and balances with banks	126,866	29,086	—	—	8,083	—	—	164,035
Financial assets at fair value through profit or loss	—	119,612	258,109	—	—	—	—	377,721
Derivative financial instruments	—	37	6,183	—	—	—	—	6,220
Amount due from intermediate holding company	11,351	522	—	—	—	—	—	11,873
Amount due from affiliates	—	784	—	—	—	—	—	784
<b>Total assets</b>	<b>138,217</b>	<b>150,041</b>	<b>264,292</b>	<b>—</b>	<b>8,083</b>	<b>—</b>	<b>—</b>	<b>560,633</b>
<u>Liabilities</u>								
Deposits and balances from banks	5	—	546	—	—	—	—	551
Derivative financial instruments	—	—	19,407	—	—	—	—	19,407
Amount due to intermediate holding company	—	374	—	—	—	—	—	374
Amount due to affiliates	—	247	—	—	—	—	—	247
Other liabilities	—	—	529	121	—	—	8	658
<b>Total liabilities</b>	<b>5</b>	<b>621</b>	<b>20,482</b>	<b>121</b>	<b>—</b>	<b>—</b>	<b>8</b>	<b>21,237</b>
<b>Net liquidity gap</b>	<b>138,212</b>	<b>149,420</b>	<b>243,810</b>	<b>(121)</b>	<b>8,083</b>	<b>—</b>	<b>(8)</b>	<b>539,396</b>

The sources of funding are the following:

	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Group Companies	491,993	521,985
As of total liabilities	87.63 %	90.55%



## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

#### 9. Interest Rate Risk in Banking Books

##### 9.1 Qualitative Disclosures

BASAL defines interest rate risk in the banking book as the risk to its current or anticipated earnings or capital arising from movements in interest rates. Economic Value of Equity (EVE) and Net Interest Income (NII) scenario based risk measurements are monitored against established limits and hedging actions will be taken as necessary. The Asset and Liability Committee approves the risk measurement methodology, limits and hedging strategy.

Change in EVE and NII under interest rate shock scenarios are measured quarterly. The bank uses a combination of parallel up, parallel down, steepener, flattener, short rates up and short rates down interest rate shock scenarios consistent with HKMA SPM IR-1 Interest Rate Risk in the Banking Book. There are no differences in modelling assumptions between internal assessments and disclosures in Template IRRRB1. Key modelling and parametric assumptions include:

- Change in EVE measurements include commercial margins in cash flows and uses a discount rate that does not include commercial margins
- Non-maturity deposits (NMDs) repricing maturity is based on shortest possible period that the deposit could be repriced
- Analysis of contractual terms to estimate prepayment rates of customer loans and early withdrawal rates for time deposits
- Risk measurement for each material currency is aggregated by direct summation. For change in EVE, any gains by currency are ignored

IRRBB hedges that may be taken include changing the maturity and/or interest rate repricing profile of banking book assets and liabilities either through incremental positions or longer term changes to the composition of the balance sheet (which is accounted for under fair value or accrual accounting).

##### 9.2.1 Quantitative Disclosures

Average repricing maturity assigned to NMDs is 1 day.

Longest repricing maturity assigned to NMDs is 1 day.

##### 9.2.2 Quantitative Disclosures on interest rate risk in banking book

(US\$'000)	Period	EVE		NII	
		T	T-1	T	T-1
1	Parallel up	248	798	(968)	(2,585)
2	Parallel down	—	—	968	2,585
3	Steepener	—	—		
4	Flattener	314	852		
5	Short rate up	393	1,149		
6	Short rate down	—	—		
7	<b>Maximum</b>	393	1,149	968	2,585
	<b>Period</b>	<b>T</b>		<b>T-1</b>	
8	<b>Tier 1 capital</b>	539,504		534,222	

Positive values in the above table indicate losses. Period T is as of Dec 31, 2020 and T-1 as of Dec 31, 2019. Maximum loss for EVE and NII as a proportion of Tier 1 capital is 0.07% and 0.18% respectively. This is within BASAL's risk appetite. No material changes between the periods.

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## Supplementary Financial Information (Unaudited)

### 10. Credit Risk

#### 10.1 Qualitative Disclosures

##### (a) General Information Disclosures

Credit risk in BASAL primarily arises from its trading activities:

- Holding of debt securities issued by government, corporates or financial institutes
- Due from placements with financial institutions

Credit risk arising from holding of debt securities are approved based on grid limits subject to any statutory large exposure limit and concentration limit approved by the Board for exempt exposures from time to time.

BASAL will be required to comply with these BASAL Grid Limits as well as the Global Issuer Grid Limits under the Core Credit Policy, which may be more restrictive.

BAC manages credit risk within its risk appetite utilizing three processes:

- Credit strategy and origination. To align each credit decision with our strategic goals, BAC has established a comprehensive credit risk strategy and developed credit processes to provide for the efficient execution of that strategy. This strategy enables the setting and enforcement of different limits by business, segment, country or risk type at origination so that actual risk exposures are maintained within approved risk tolerances.
- Credit portfolio management. Once credit has been extended, processes are in place to monitor credit risk exposures at both the individual and portfolio levels, as well as to actively manage the portfolio to achieve desired risk and return goals.
- Loss mitigation. At times, our borrowers and counterparties do not fulfil their obligations and we must take steps to mitigate and manage our losses. We have stringent processes to appropriately handle nonperforming loans

Given the approved product scope of BASAL, the focus of credit risk management is on issuer risk arisen from bond trading, corporate debt, credit default swaps and other credit derivatives. Issuer risk exposure measures the value of securities held via trading activities or balance sheet management activities. Exposure is typically calculated daily at fair market value on an aggregate basis per issuer. Net long positions are managed against the issuer risk limit.

BASAL Grid Limits specifying maximum issuer risk exposures for BASAL on certain sovereigns, investment grade and non-investment grade names are set up and monitored by Global Markets and Financial Risk – Asia ("GMFR Asia"). BASAL will be required to comply with these BASAL Grid Limits as well as the Global Issuer Grid Limits under the Core Credit Policy, which may be more restrictive

##### (b) Credit Risk Mitigation

At 31 December 2020, the Company apply credit risk mitigation technique for credit risk capital calculation.

##### (c) Use of ECAI Ratings

BASAL calculates credit risk by using STC approach.

The risk-weight for an exposure is determined based on ECAI ratings assigned by external credit assessment institutions (ECAIs) recognized by the HKMA. Each of the six ECAI ratings based portfolios has its own risk-weighting framework under which risk-weights are mapped to a scale of Credit Quality Grades represented by the numerals 1 to 5 or 1 to 6, as the case may be.

ECAIs recognized by the HKMA and used by BASAL are Standard & Poor's Rating Services (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch). In instances where there are more than one ECAI the credit assessment ratings, BASAL will choose ECAI rating for deriving risk weights of the exposure as per HKMA guidance in Banking Capital Rules.

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The ECAI(s) nominated for an ECAI ratings based portfolio should (taken collectively if more than one ECAI is nominated) issue a range of credit assessment ratings which provides a reasonable coverage to the counterparties and the geographical regions in relation to the exposures falling within that portfolio. BASAL use the ratings of the nominated ECAI(s) within each of the portfolios consistently.

#### 10.2 Quantitative Disclosures

The Company uses the standardized approach for calculation of credit risk.

At 31 Dec 2020, the Company did not have any loans, debt securities and off-balance sheet exposures for subjected to credit risk capital.

#### 10.3 Credit Risk Exposures and effects of Recognized Credit Risk Mitigation –STC Approach

US\$'000		As of 31 Dec 2020					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density (%)
1	Sovereign exposures	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—
4	Bank exposures	176,050	2,107	176,050	2,107	38,686	22
5	Securities firm exposures	642	—	642	—	321	50
6	Corporate exposures	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—
8	Cash items	—	—	—	—	—	—
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—
12	Other exposures which are not past due	—	—	—	—	—	—
13	Past due exposures	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—
15	Total	176,692	2,107	176,692	2,107	39,007	22

## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

#### 10.4 Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach

US\$'000		As of 31 Dec 2020										
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	Exposure class											
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	167,974	—	10,183	—	—	—	—	—	178,157
5	Securities firm exposures	—	—	—	—	642	—	—	—	—	—	642
6	Corporate exposures	—	—	—	—	—	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Cash items	—	—	—	—	—	—	—	—	—	—	—
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
12	Other exposures which are not past due exposures	—	—	—	—	—	—	—	—	—	—	—
13	Past due exposures	—	—	—	—	—	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
15	Total	—	—	167,974	—	10,825	—	—	—	—	—	178,799

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### 11. Counterparty Credit Risk

#### 11.1 Qualitative Disclosures related to Counterparty Credit Risk

Counterparty Credit Risk is the risk that a counterparty could default before the final settlement of the cash flows of derivatives or securities financing transactions. Master Agreement (such as the International Swaps and Derivatives Association ("ISDA")) helps manage counterparty credit risk by defining Events of Default and Termination Events which may trigger termination of transactions prior to maturity and sets out agreed procedures for calculating the associated exposure and closeout of terminated trades. The ISDA Credit Support Annex ("CSA"), or similar credit support agreement, attaches to the ISDA and establishes provisions for managing the posting and exchange of collateral.

BASAL is governed by the HK Banking Ordinance, BAC's Global Core Credit Policy and BASAL Large Exposure & Concentration Policy, which actively manages concentrations in relation to the credit risk it undertakes by placing limits on the amount of risk accepted. Limits are reviewed annually or more frequently when considered necessary. Actual exposures against limits are monitored regularly. In addition, BASAL must comply with HKMA's large exposure limits in relation to non-exempt exposures. A cluster limit is also set up and approved by the Board from time to time.

#### Country Limits

- Country Limits set the maximum amount of exposure which BAC is willing to take in each country outside the United States where it conducts or intends to conduct business. These limits reflect a balancing of several considerations including the country's risk rating, BAC's Risk Appetite, the business strategy guiding BAC's activities in the country, and the desire to support the business needs of its customers.
- Country Limits are reviewed and approved annually by the Regional Risk Committee ("RRC") and the Country Risk Committee ("CRC"). The Country Risk Group facilitates the annual review of limits and presents annual limit recommendations to the RRC and CRC for approval.

#### 11.2 Quantitative Disclosures

##### (a) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		Replacement cost (RC)	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
	As of 31 Dec 2020	US\$'000					
1	SA-CCR (for derivative contracts)	—	—		1.4	—	—
1a	CEM	—	2,107		—	2,107	1,051
2	IMM (CCR) approach			—	—	—	—
3	Simple Approach (for SFTs)					—	—
4	Comprehensive Approach (for					—	—
5	VaR (for SFTs)					—	—
6	Total						1,051

##### (b) CVA capital charge

		EAD post CRM	RWA
	As of 31 Dec 2020	US\$'000	
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	—	—
1	(i) VaR (after application of multiplication factor if applicable)		—
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		—
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	2,107	479
4	Total	2,107	479

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(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – STC approach

As of 31 Dec 2020												US\$'000
	Risk Weight	0%	10 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %	Others	Total default risk exposure after CRM
	Exposure class											
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	9	—	2,098	—	—	—	—	—	2,107
5	Securities firm exposures	—	—	—	—	—	—	—	—	—	—	—
6	Corporate exposures	—	—	—	—	—	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
9	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
10	Other exposures which are not past due exposures	—	—	—	—	—	—	—	—	—	—	—
11	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
12	Total	—	—	9	—	2,098	—	—	—	—	—	2,107

(d) Composition of collateral for counterparty default risk exposures (including those or contracts or transactions cleared through CCPs)

At 31 Dec 2020, the Company did not have any composition of collateral for counterparty default risk exposures.

(e) Credit-related derivatives contracts

At 31 Dec 2020, the Company did not have any credit-related derivatives contracts.

(f) Exposures to CCPs

At 31 Dec 2020, the Company did not have any exposures as clearing member or client to qualifying and non-qualifying CCPs.

12. Securitization Exposures

At 31 Dec 2020, the Company did not have any Securitization Exposures.

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### Supplementary Financial Information (Unaudited)

#### 13. Market Risk

##### 13.1 Qualitative Disclosure

Market risk is the risk that changes in market conditions may adversely impact the value of asset or liabilities or otherwise negatively impact earnings. Market risk is inherent in the financial instruments associated with the operations and activities engaged by BASAL and its market risk exposures emanates primarily from its Global Markets business.

Key market risk exposures are assessed at both specific and aggregate levels. At the specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange. At the aggregate level, market risk is assessed using two key measures, which are Value-at-Risk ("VaR") and Bi-Weekly Maximum Observed Loss ("MOL").

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. The Entity uses historical simulation approach for VaR and it is calculated over a one-day holding period at a 99% confidence level, using three years of historical data. The performance of VaR model is monitored through daily back-testing and is performed at both Entity and Line of Business (LoB) level. MOL is the potential market value loss on a portfolio over a 10-day holding period using historical data with start date anchored to January 1st, 2007.

VaR and MOL measurements are supplemented with stress tests that are conducted on a quarterly basis per our stress testing framework. The stress tests are designed to highlight exposures to unlikely but plausible events or extremely volatile conditions, both hypothetically and historically.

Market risk of the Entity is primarily managed through establishing and monitoring limits. Approved limits are stored and tracked in a centralized Limits Management System ("LMS") to ensure appropriate controls are in place and complete audit trails are maintained. Limit excesses, temporary, and permanent limit changes are communicated to senior management and to relevant risk governance committees. Risk exposures, including VaR and MOL are reported to senior management and reviewed at the monthly BASAL Risk Forum.

The Market Risk function is independent of the Business. Market Risk is managed by personnel based in Hong Kong, accountable to the BASAL Chief Risk Officer (CRO).

##### 13.2 Quantitative Disclosure

###### Market Risk under Standardized Approach

(US \$'000)		As at 31 Dec 2020
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	13,083
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	6,714
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	19,797



# Banc of America Securities Asia Limited

## Supplementary Financial Information (Unaudited)

### 14. Corporate Governance

Corporate governance is a system by which business entities are directed, supervised, monitored and controlled. The corporate governance structure specifies the interaction of rights and responsibilities among the shareholders, Board of Directors, officers, senior management and other stakeholders, and sets forth the rules, policies, procedures and guidelines for making decisions on corporate affairs. The corporate governance structure of the Company met the relevant requirements set out in the guideline on "Corporate Governance of Locally Incorporated Authorized Institutions" under the Supervisory Policy Manual issued by HKMA.

As at 31st December 2020, the Board of Directors of the Company was comprised of an independent non-executive director and four other directors representing the business and control functions including executive management, finance and risk management. Appointment to the directorships must be approved by the Board and HKMA.

In addition to the Board of Directors, the businesses and affairs of the Company are also monitored by the following governance framework:

#### Country Leadership Team

Bank of America Corporation's operations in the Asia Pacific region are managed by a Country Leadership Team ("CLT") in each jurisdiction with membership generally comprised of the Country Executive, Country Operating Officer, Risk, Compliance, Finance, HR and Representatives from Local Lines of Business and other Enterprise Control Functions. The CLT is chaired by the Country Executive.

Country governance and control is managed by the Country Executive and the CLT and connects at the regional level through the Regional President and the Regional Executive Committee ("APAC ExCo"). Issues and agenda items at a country level are brought to the APAC ExCo for resolution.

The management of BASAL is accountable to the Hong Kong CLT. The Chief Executive's office will ensure that any material issues and/or changes in operational or reputational risk profile identified are promptly escalated and reported to the Hong Kong CLT.

#### Audit Committee

The Board of Directors formed the Audit Committee on 12 September 2019. Its main function is to provide independent oversight of the Company's financial reporting, internal and external audit function, internal controls and to help ensure checks and balances within the Company. Its objective is to assist the Board in ensuring the adequacy of internal control systems and reinforcing the work of the internal and external auditors.

As at 31st December 2020, the Audit Committee of the Company was chaired by an independent non-executive director and its membership also includes two non-executive directors. The Board of Directors of the Company has adopted the same risk management philosophies and control procedures that are established by BAC and has designed a corporate governance structure to monitor different risks of the business.

#### Risk Committee

The Board of Directors formed the Risk Committee on 17 August 2017. Its main function is to assist the Board in fulfilling its oversight responsibility relating to senior management's responsibilities regarding the identification of, management of, and planning for, the following key risks of the Company: strategic risk, market risk, credit risk, liquidity risk, regulatory risk, operational risk and reputational risk.

As at 31st December 2020, the Risk Committee of the Company was chaired by a non-executive director and its membership also includes one independent non-executive director and one non-executive director.

#### Remuneration, Nomination and Culture Committee

The Board of Directors formed the Remuneration, Nomination and Culture Committee ("RNCC") on 12 September 2019. Its main function is to assist the Board to ensure the Company utilizes transparent, rigorous and comprehensive procedures for the appointment, review, compensation and removal of senior management and members of the Board. In addition, the RNCC supports the Board in ensuring that the Company's culture and behavioral standards promote prudent risk-taking and fair treatment of clients.



## Banc of America Securities Asia Limited

### Supplementary Financial Information (Unaudited)

As at 31st December 2020, the RNCC of the Company was chaired by a non-executive director and its membership also includes one independent non-executive director and one executive director.

#### Operating Committee (OpCo)

The Operating Committee ("OPCO") ensures that BASAL operates in compliance with applicable local laws, rules and regulations. The OPCO is a management level committee established by the BASAL Board of Directors. The OPCO's objective is to provide effective oversight of branch operations and review and approve global line of business policies and procedures as well as local regulatory requirements.

The OPCO is chaired by BASAL's Chief Executive and is comprised of Alternate Chief Executive(s), Chief Operating Officer and BASAL's Front Line Unit and Control Function leaders from key business lines representing Finance, Risk, Compliance, Global Financial Crimes and Compliance ("GFCC"), Operations, Human Resources, Legal, Technology and Corporate Treasury as voting members. In addition, the Committee comprises of other non-voting such as Audit. Furthermore, the Committee shall have authority to invite to its meetings any officers, employees and independent advisers, or any other person or persons it deems necessary to effectively perform its role.

#### Asset and Liability Committee (ALCO)

The BASAL Asset and Liability Committee ("ALCO") is responsible for providing management oversight and certain approvals of (or recommending to the Board, the Asia Pacific Regional Risk Committee (the "APAC RRC") of Bank of America, National Association ("BANA") or other committees, as appropriate) balance sheet, capital, liquidity management and stress testing activities for BASAL. It reports to the BASAL Board of Directors.

The Chair of the ALCO and the BASAL Corporate Treasurer is a standing invitee of the BASAL Risk Committee and provides an ALCO update at each Risk Committee meeting.

#### Remuneration System

##### **Introduction**

The following information sets forth the remuneration disclosures required under Section 3 of the Guideline on a Sound Remuneration System (CG-5) issued by the Hong Kong Monetary Authority ("HKMA") in March 2015 (the "Guideline") and the Banking (Disclosure) (Amendment) Rules 2018 (Section 21: Division 9 - Remuneration), to reflect the Pillar 3 requirements for remuneration disclosure published by the Basel Committee on Banking Supervision in March 2017. The information relates to the incentive remuneration programs operated in respect of performance year 2020 by Bank of America Corporation ("Bank of America" or the "Company"). Annex A of the Guideline outlines the qualitative remuneration disclosure requirements under paragraphs (a) to (f) as exhibited in the following information. The quantitative remuneration disclosures required under the Amendment paragraphs (16ZR) to (16ZV) in respect of Bank of America operations in Hong Kong appear after this section.

The disclosures relate to employees located in Hong Kong providing service to Banc of America Securities Asia Limited, including senior management and Key Personnel as defined in Section 2 of the Guideline..

The Company applies prudent risk management practices to its incentive remuneration programs across the enterprise and is committed to a remuneration governance structure that effectively contributes to its overall risk management policies.

In order to provide an appropriate balance of risk and reward, incentive remuneration plans are developed in accordance with the Company's Global Compensation Principles:

Principle 1. Compensation should be comprised of an appropriate mix of salary, benefits and incentives paid over time that properly aligns employee and stockholder interests.

Principle 2. Criteria for payment of incentive compensation should take into account Company-wide, business unit and individual factors.

Principle 3. Compensation should be determined on the basis of a combination of financial and non-financial factors that reflect both the current period and a longer period.

Principle 4. Compensation programs should incorporate appropriate governance processes and procedures.

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### Supplementary Financial Information (Unaudited)

These principles work in conjunction with broader remuneration practices, including the Company's overall commitment to pay-for-performance, remuneration policies and risk management processes set forth in the Company's Risk Framework and Risk Appetite Statement.

#### **Governance and the Decision-making Process for Determining the Remuneration Policy**

The Company applies its remuneration policy on a global basis and has four primary levels for the governance of incentive remuneration plans:

- i. The Company's Board of Directors (the "Board"),
- ii. The Board's Compensation and Human Capital Committee (the "Committee"), which is wholly made up of independent directors and functions as the Company's global Remuneration Committee,
- iii. The Management Compensation Committee ("MCC"), and
- iv. Governance by line of business management and independent control functions aligned to the line of business and regional governance.

The Committee oversees the establishment, maintenance and administration of the Company's remuneration programs and employee benefit plans, including approving the remuneration of the direct reports of the Chief Executive Officer (the "CEO") and approving and recommending the remuneration of the CEO to the Board for its further approval. Under supervision of the Committee, oversight, review and responsibility for remuneration decision-making is allocated to the appropriate level of the Company's structure so that the most relevant level of management makes remuneration decisions with documented input from the Company's independent control functions.

The Committee has adopted and annually reviews (most recently in September 2020) the Bank of America Compensation Governance Policy ("CGP") to govern incentive remuneration decisions and define the framework for design oversight of incentive remuneration programs across the Company. The CGP is designed to be consistent with global regulatory initiatives so that the Company's incentive remuneration programs do not encourage excessive risk taking.

The Committee receives, from time to time, direct feedback from the independent control functions on remuneration programs. For performance year 2020, in addition to reviewing the individual incentive remuneration awards for executive officers and other senior executives who report directly to the CEO, the Committee also reviewed the outcomes of the Company's robust control function feedback process, conduct reviews and individual incentive remuneration awards for certain highly compensated employees and material risk takers. As part of its governance routine, the Committee met with the heads of the Company's independent control functions (including the Chief Risk Officer ("CRO")) and business lines to discuss their feedback on the pay-for-performance process, including their experience managing risk and conduct matters. In addition, the Company's CRO also certifies all incentive plans across the Company as part of the MCC's governance process.

As a result of these processes and reviews, and in combination with the risk management and clawback features of the Company's remuneration programs, Bank of America believes that its remuneration policies and practices appropriately balance risks and rewards in a manner that does not encourage excessive risk taking or create risks that are reasonably likely to have a material adverse effect on the Company. Moreover, oversight by the Committee, MCC, independent control functions, and line of business management help the Company maintain a remuneration program that is intended to mitigate the potential for conflicts of interests.

As authorized under its charter, the Committee has engaged Farient Advisors, LLC as its independent remuneration consultant. The independent remuneration consultant meets regularly with the Committee outside of the presence of management and alone with the Committee Chair, and also reviews management's incentive plan certifications with the Committee.

During performance year 2020, the Committee held seven (7) meetings. Additional information regarding the Committee is included in the annual Proxy Statement available on Bank of America's Investor Relations website.

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#### **The Link between Pay and Performance**

The cornerstone of Bank of America's remuneration philosophy across all lines of business is to pay for performance – Company, line of business and individual performance. Through the Company's Performance Management process, employees understand performance expectations for their role through ongoing dialogue with their manager. The Performance Management process is designed and monitored by the Leadership Development function in Human Resources. This process is reviewed periodically so that it meets the needs of managers to assess and communicate performance expectations. Throughout the year, employees receive coaching on their performance and ultimately receive a rating for their full year of performance based upon their achievement of goals for their job.

In addition, the Company does not remunerate or assess employees' performance in a way that encourages employees to act in a manner that conflicts with the duties owed to the Company's clients. Each employee's performance is assessed on quantitative and qualitative objectives as well as specific behaviors, and performance is factored into each employee's incentive remuneration award. Depending on the employee, quantitative performance objectives may be focused on Company-wide, line of business or product results. Qualitative performance objectives may include quality and sustainability of earnings, successful implementation of strategic initiatives, adoption of risk culture/adherence to the Risk Framework and operating principles and other core values of the Company.

Employees receive two ratings – a Result rating (based on factors such as business performance) and a Behavior rating (based on factors such as conduct, broader contributions to the Company, leadership, teamwork, etc.). The scale for both ratings is Exceeds Expectations, Meets Expectations, and Does Not Meet Expectations. Both the Result and Behavior ratings are used in determining employees' remuneration. As a result, an employee's remuneration can be influenced not only by what the employee achieves, but how the employee achieves it and the employee may receive no variable award if performance is not sufficiently strong.

The Company's pay-for-performance program also requires that all employees complete annual mandatory risk and compliance training.

#### **Risk Management and Incentive Plans**

Risk is inherent in every material business activity that the Company undertakes. The Company's business exposes it to strategic, credit, market, liquidity, compliance, operational and reputational risks. The Company must manage these risks to maximize its long-term results by ensuring the integrity of its assets and the quality of its earnings. To support the Company's corporate goals and objectives, risk appetite, and business and risk strategies, the Company maintains a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Company's Board.

Executive management develops for Board approval the Company's Risk Framework, which defines the accountability of the Company and its employees in managing risk; the Company's Risk Appetite Statement, which defines the parameters under which the Company will take risk; and the Company's strategic and financial operating plans. Management monitors, and the Board oversees directly and through its committees, the Company's financial performance, execution against the strategic and financial operating plans, compliance with risk appetite metrics and adequacy of internal controls.

The Company believes that prudent risk management practices are applied to its incentive remuneration programs across the enterprise. The Company continually evaluates the design of its remuneration programs in accordance with the Risk Framework. The Committee is committed to a remuneration governance structure that effectively contributes to the Company's broader risk management policies.

The Company's incentive plans are designed to compensate employees based on their performance ratings for results against their individual performance plan and behaviors, as well as overall Company and line of business performance. Annual budgets for incentive pools are established as part of the overall financial planning process so that planned incentives align to the overall anticipated performance of the Bank. Incentive pools are based on a combination of financial, risk and non-financial measures and performance. The determination of incentive pools is also subject to management discretion, taking into account overall performance, inclusive of risk, of the Bank and/or specific lines of business and other factors including the achievement of strategic objectives and a qualitative assessment of the quality and sustainability of earnings over time. Incentive pools may be adjusted to reflect long-term risk arising through line of business and product performance.

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Risk is also taken into account and managed in connection with the Company's incentive remuneration programs through arrangements permitting performance adjustment of deferred variable remuneration. Employees in positions where the greatest risk is being taken are subject to higher levels of deferral and potential performance adjustments.

The remuneration of the independent control functions operates independently from the lines of business they support. To this end, independent control functions operate as separate lines of business, and remuneration of independent control function employees (including salary levels and incentive awards) is not based on the financial performance of the individual lines of business they support.

#### **Employee Pay**

Bank of America compensates its employees using a balanced mix of fixed remuneration, benefits, annual cash incentives and deferred incentives (which are delivered in equity, equity-based instruments or cash). In general, the higher an employee's management level or amount of incentive remuneration award, the greater the proportion of incentive remuneration that should be (i) subject to deferral and (ii) delivered in the form of equity-based remuneration. The Company believes equity-based awards are the simplest, most direct way to align employee interests with those of its stockholders. A portion of the incentive award is provided as a deferred incentive that generally becomes earned and payable over a period of three or four years after grant and will be cancelled in case of detrimental conduct and (for certain key risk takers) may be cancelled if the Company, line of business or business unit (as applicable) fails to remain profitable during the vesting period. This approach serves two key objectives, which are to focus employees on long-term sustainable results and to subject remuneration awards to being at-risk over an appropriate time horizon that can be easily communicated and understood.

#### **Key Personnel Identification and Pay**

The Company operates an enterprise-wide approach in the identification of material risk takers, which has included determining where senior management and Key Personnel (or equivalent designations) are located. Senior management, for the purposes of the Guideline, are those employees "who are responsible for oversight of the [Company's] firm-wide strategy or activities or those of the [Company's] material business lines (including, by not limited to, executive directors, the chief executive and other senior executives)." Key Personnel includes individual employees "whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the [Company or their local employing entity]." The Company considers that it applies its remuneration policies (including the determination of senior management and Key Personnel) in a way that is appropriate to the size, internal organization and the nature, scope and complexity of its activities in all the countries in which it operates.

Variable pay for Key Personnel generally consists of a mixture of payments and deferred awards. Deferred awards will be cancelled in the case of detrimental conduct and may be cancelled if the Company, line of business or business unit, as applicable, fails to remain profitable during the vesting period. If risks taken as part of approved business strategies do not result in sustainable profits, or if the employee fails to behave according to Company standards, the value of the deferred equity award may be impacted. The deferral rates for Key Personnel range from approximately 70% of total variable remuneration.

By combining cancellation and detrimental conduct clawback provisions, the Company believes that it places a strong focus on sustainable long-term results and appropriate behaviors.

#### **Quantitative Disclosures and Tables**

The Committee held seven (7) meetings in 2019 and seven (7) in 2020. The 2019 remuneration of the Committee members is disclosed in the 2020 Proxy Statement available on Bank of America's Investor Relations website. 2020 remuneration of the Committee members will similarly be disclosed in the 2021 Proxy Statement, to be available on mid-March 2021

The following disclosure tables contain the information required under paragraphs (16ZR) to (16ZV) of the Banking (Disclosure) (Amendment) Rules 2018 (Section 21: Division 9 – Remuneration) in respect of Banc of America Securities Asia Limited related to all employees, including Key Personnel, due to employee privacy concerns arising from the very small number of Key Personnel. There were no employees of the Banc of America Securities Asia Limited identified as senior management. Senior employees at Banc of America Securities Asia Limited have functional reporting lines to more senior Bank of America employees in other countries and/or legal entities who are covered by local and/or regional regulations and who are reported as senior management and/or Key Personnel equivalents in their respective countries.

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**16ZT. Remuneration Awarded during Financial Year - Annual Disclosures**

(US\$'000)			As of 31 Dec 2020	As of 31 Dec 2019
Remuneration amount and quantitative information			Key personnel	Key personnel
1		Number of employees	2	2
2		Total fixed remuneration	825	816
3		Of which: cash-based	825	816
4	Fixed remuneration	Of which: deferred	—	—
5		Of which: shares or other share-linked instruments	—	—
6		Of which: deferred	—	—
7		Of which: other forms	—	—
8		Of which: deferred	—	—
9		Number of employees	2	2
10		Total variable remuneration	1,775	3,409
11		Of which: cash-based	529	1,422
12	Variable remuneration	Of which: deferred	—	—
13		Of which: shares or other share-linked instruments	1,246	1,987
14		Of which: deferred	1,246	1,987
15		Of which: other forms	—	—
16		Of which: deferred	—	—
<b>17</b>	<b>Total remuneration</b>		<b>2,600</b>	<b>4,225</b>

**16ZU. Special Payments - Annual Disclosures**

(US\$'000)		Guaranteed bonuses		Sign-on awards		Severance payments	
Special payments		# of EE	Total \$	# of EE	Total \$	# of EE	Total \$
2020	Key personnel	—	—	—	—	—	—
2019	Key personnel	—	—	—	—	—	—

**16ZV. Deferred Remuneration - Annual Disclosures**

(US\$'000)						
Deferred and retained remuneration		Total amount of outstanding deferred remuneration (as of Dec 31)	Of which: Total amount of outstanding and deferred and retained remuneration exposed to ex post explicit and/ or implicit adjustment (as of Dec 31)	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
2020 Key personnel						
1	Cash	—	—	—	—	—
2	Shares	2,048	2,048	—	206	1,748
3	Cash-linked instruments	—	—	—	—	—
4	Other	—	—	—	—	—
2019 Key personnel						
5	Cash	—	—	—	—	—
6	Shares	5,030	5,030	—	—	3,230
7	Cash-linked instruments	—	—	—	—	—
8	Other	—	—	—	—	—

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**15. International Claims**

US\$'000					
As at December 31, 2020	Banks	Official Sector	Non Bank Private Sector		Total
			Non-bank Financial institutions	Non-financial private sector	
Developed Countries	181,090	—	642	—	181,732
- United States (31%)	170,804	—	642	—	171,446
Developing Asia and Pacific	—	377,721	—	—	377,721
- South Korea (68%)	—	377,721	—	—	377,721
<b>Total</b>	<b>181,090</b>	<b>377,721</b>	<b>642</b>	<b>—</b>	<b>559,453</b>

US\$'000					
As at December 31, 2019	Banks	Official Sector	Non Bank Private Sector		Total
			Non-bank Financial institutions	Non-financial private sector	
Developed Countries	289,178	—	—	—	289,178
- United States (49%)	279,082	—	—	—	279,082
Developing Asia and Pacific	—	285,345	—	10	285,355
- South Korea (50%)	—	285,345	—	—	285,345
<b>Total</b>	<b>289,178</b>	<b>285,345</b>	<b>—</b>	<b>10</b>	<b>574,533</b>

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 claims against counterparties are guaranteed by another party in a different country or if the claims are 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.

**16. Loans and Advance to Customers and Overdue and Rescheduled Assets**

At 31 Dec 2020, the Company did not have any loans and advance to customers and overdue and rescheduled assets.

**17. Repossessed Assets**

At 31 Dec 2020, the Company did not have any repossessed assets.

**18. Mainland Activities**

At 31 Dec 2020, the Company did not have any exposures on Mainland activities.



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#### 19. Currency Risk

The net positions in foreign currencies in US dollars equivalent are disclosed below where each currency constitutes 10% or more of the respective total net position in all foreign currencies.

US\$'000	USD	CNY	EUR	PHP	KRW	OTH	Total
As at December 31, 2020							
Spot assets	177,418	236	377	1,667	379,744	10	559,452
Spot liabilities	(560,528)	—	(550)	—	—	(1)	(561,079)
Forward purchases	431,668	—	—	—	75,953	—	507,621
Forward sales	(69,761)	—	—	—	(450,898)	—	(520,659)
Net long/(short) position	(21,203)	236	(173)	1,667	4,799	9	(14,665)

US\$'000	USD	CNY	EUR	PHP	KRW	OTH	Total
As at December 31, 2019							
Spot assets	286,174	244	385	1,581	286,128	21	574,533
Spot liabilities	(574,478)	—	(502)	—	—	(1)	(574,981)
Forward purchases	425,391	—	—	—	140,740	—	566,131
Forward sales	(138,259)	—	—	—	(427,516)	—	(565,775)
Net long/(short) position	(1,172)	244	(117)	1,581	(648)	20	(92)

As at 31st December 2020, the Company did not have any net structural position.

#### 20. Authorized Institution under Requirements of G-SIBs

BASAL is not an authorized institution under requirements of G-SIB.

#### 21. Operational Risk

The Company has adopted the Basel Committee definition of operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of the Company to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the Company's business. Although operational risk excludes strategic and reputational risks, operational risk may impact or be impacted by these risks. Operational risk events may result in unexpected or undesired consequences including a financial loss, an unexpected gain, a near miss, an opportunity cost (lost future revenue), or a reputational impact.

An operational loss event can be associated with any of the following seven operational loss event categories: Internal fraud; external fraud; employment practices and workplace safety; clients, products, and business practices; damage to physical assets; business disruption and system failures; or execution, delivery and process management.

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Operational risk exists in all business activities across the Company. The Company is committed to maintaining strong operational risk management practices across all front line units and control functions. Strong sustainable risk management practices support the front line units' and control functions' responsibility for identifying, escalating and debating risks associated with their business activities in support of: the Bank of America Risk Framework, operational risk management program requirements and their related identification, measurement, monitoring, and control ("IMMC") accountabilities. The Operational Risk Management - Enterprise Policy ("Policy") establishes the minimum requirements and accountabilities for managing operational risk at Bank of America, in conformity with applicable laws and regulations.

Operational risk management is the responsibility of all Bank of America employees through the continual identification, escalation and debate of operational risks and control related issues.

The key roles to facilitate and support the implementation of this Policy are outlined below. These roles and accountabilities should be read in conjunction with the specific requirements within this Policy; further detail is available in the supporting Standards.

**Front line units & control functions** own operational risk, with roles & responsibilities defined as:

- Identify their business processes and the related risks and controls
- Understand the laws, rules, regulations and internal policies applicable to their business activities
- Measure, monitor and report on the effectiveness of the control environment
- Identify Issues and Risks and take timely action to remediate control gaps and mitigate risks
- Identify, assess, and mitigate operational risk
- Aggregate and escalate operational risk within front line units / control functions
- Oversee that employees complete required operational risk training

**The Global Compliance & Operational Risk (GC&OR) teams** are independent of front line unit & control function, and objectively assess, challenge and advise on operational risk.

- Assess and advise on front line unit / control function implementation of the program
- Execute the Coverage Plan to assess, monitor, and test the effectiveness of the operational risk controls
- Challenge operational risks and controls
- Aggregate and escalate operational risk in accordance with established criteria
- Work with the front line units / control functions on a consultative, regular basis to manage and mitigate operational risk
- Monitor completion of required operational risk training

**Operational Risk Program Owners** define the program, oversee its implementation and assess and report on the Enterprise Operational Risk Profile

- Define the program and enterprise governance for operational risk management
- Execute Company-wide (i.e., program level) processes and provide infrastructure required to support the implementation of the program
- Oversee adherence to Policy and Standard requirements by front line units / control functions and GC&OR Teams
- Conduct reporting and analytics to support the aggregation and reporting of risk data to enterprise governance committees
- Build and deliver Company-wide training to support the implementation of the program and monitor training completion

22. To the best of the Company's knowledge and belief, the information contained in this statement is not false or misleading in any material respect and the operations of the Company are clearly explained.



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### **Supplementary Financial Information (Unaudited)**

#### **Statement of Compliance**

Upon consultation with the HKMA under section 16(2)(a) of the Banking (Disclosure) Rules ("BDR"), BASAL had sought consent from the HKMA to continue uploading the required financial disclosure information to the website of its ultimate parent entity, Bank of America Corporation.

It is not practicable for BASAL to disclose under section 16(FE)(1)(b) of the BDR the full terms and conditions of all of its relevant regulatory capital instruments on its internet website, since BASAL does not currently maintain its own internet website. This is the reason that led BASAL to seek the aforementioned consent from HKMA.

Herein included below is the direct link to Bank of America Corporation's internet website, whereby the full terms and conditions of all of BASAL's relevant regulatory capital instruments and financial disclosure information can be accessed:

<https://investor.bankofamerica.com/regulatory-and-other-filings/subsidiary-and-country-disclosures>

This information is also the closest available alternative to the information which have been the subject of the required disclosures.