

Bank of America, National Association
Hong Kong Branch
Disclosure Statement
December 31, 2020

Bank of America, N.A, Hong Kong Branch

Pillar 3 Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION

	31-Dec-20	31-Dec-19
	HK\$'000	HK\$'000
Interest income	1,922,978	3,610,921
Interest expense	(864,390)	(2,334,376)
Net interest income	<u>1,058,588</u>	<u>1,276,545</u>
Other operating income		
Gains arising from trading in foreign currencies	81,327	11,600
Gains arising from non-trading activities in foreign currencies	6,510	72,714
Gains on securities held for trading purposes	68,923	179,097
Losses arising from trading in interest rate derivatives	(88,893)	(163,362)
Losses arising from trading in other derivatives	(80,576)	(45,304)
Fees and commissions		
- Income	1,304,885	1,388,781
- Expense	(1,354)	(3,610)
Other income	—	2,984
	<u>1,290,822</u>	<u>1,442,900</u>
Total revenue	2,349,410	2,719,445
Operating expenses		
Staff expenses	(680,284)	(695,895)
Rental expenses	(162,128)	(121,429)
Other operating expenses		
- Depreciation expenses	(260)	(473)
- Group servicing fee	(420,754)	(528,657)
- Telecom expenses	(10,211)	(7,461)
- Equipment expenses	(6,790)	(1,489)
- Legal and Professional fee	(17,476)	(25,185)
- Travel expenses	(2,808)	(22,613)
- Subscription fee	(5,366)	(7,106)
- Other miscellaneous expenses	(255,106)	(325,128)
	<u>(1,561,183)</u>	<u>(1,735,436)</u>
Operating profit before provisions	788,227	984,009
Impairment allowance credit/ (charged)	172,109	(80,850)
Loss on sale of fixed assets	(801)	—
Profit before taxation	<u>959,535</u>	<u>903,159</u>
Tax expense	<u>(171,030)</u>	<u>(144,180)</u>
Profit after taxation	<u><u>788,505</u></u>	<u><u>758,979</u></u>

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II. BALANCE SHEET DATA

	31-Dec-20	30-Jun-20
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	4,074,744	3,225,581
Due from Exchange Fund	2,485,295	2,110,864
Placements with banks and financial institutions maturing		
- Within one month	3,648,504	3,749,080
- Between one and twelve months	5,171,166	10,167,948
- Over one year	463,853	464,311
Amount due from overseas offices of the institution	12,652,055	16,432,669
Trade bills, net of impairment allowance	240,278	53,120
Trading securities, at fair value		
- Other securities	13,704,186	17,059,181
Advances to customers and other receivables, net of impairment allowance	49,036,474	52,566,628
Property, plant & equipment	9,562	11,125
Other assets	1,812,115	2,126,361
	<u>93,298,232</u>	<u>107,966,868</u>
TOTAL ASSETS	<u>93,298,232</u>	<u>107,966,868</u>
LIABILITIES		
Deposits and balances from banks	440,529	506,094
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	23,705,422	23,119,458
- saving deposits	2,515,807	2,999,722
- time, call and notice deposits	6,907,670	6,792,002
Amount due to overseas offices of the institution	56,195,654	69,017,027
Provision for commitments and contingent liabilities	23,409	117,701
Other accounts & accruals	3,509,741	5,414,864
	<u>93,298,232</u>	<u>107,966,868</u>
TOTAL LIABILITIES	<u>93,298,232</u>	<u>107,966,868</u>

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III. ADDITIONAL BALANCE SHEET INFORMATION

	31-Dec-20 HK\$'000	30-Jun-20 HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	318,030	128,974
Impairment allowance		
- Collective assessment	(2,427)	(537)
- Individual assessment	(75,325)	(75,317)
	<u>240,278</u>	<u>53,120</u>
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	49,909,752	53,341,259
Impairment allowance		
- Collective assessment	(515,614)	(562,232)
- Individual assessment	(404,662)	(396,590)
	<u>48,989,476</u>	<u>52,382,437</u>
Accrued interests	<u>46,998</u>	<u>184,191</u>
	<u>49,036,474</u>	<u>52,566,628</u>
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	7,859,771	9,993,932
Impairment allowance		
- Collective assessment	(23,409)	(24,138)
- Individual assessment	—	(93,563)
	<u>7,836,362</u>	<u>9,876,231</u>

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

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	31-Dec-20 HK\$'000	30-Jun-20 HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
- More than one year	<u>396,606</u>	<u>396,562</u>
	<u>396,606</u>	<u>396,562</u>
Individually assessed allowance made in respect of overdue advances to customers		
- More than one year	<u>396,606</u>	<u>396,562</u>
	<u>396,606</u>	<u>396,562</u>
Overdue advances to customers as a percentage of total advances to customers		
- More than one year	<u>0.79 %</u>	<u>0.74 %</u>
	<u>0.79 %</u>	<u>0.74 %</u>

As at Dec 31, 2020 and Jun 30, 2020, there were no overdue and rescheduled advances to banks. The branch had no rescheduled advances and there was no collateral held in respect of those overdue advances to customers.

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III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	31-Dec-20	30-Jun-20
	HK\$'000	HK\$'000
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	<u>428,832</u>	<u>396,672</u>
- Individually assessed allowance	<u>404,662</u>	<u>396,590</u>
- Impaired advances to customers as a percentage of total advances to customers	<u>0.86 %</u>	<u>0.74 %</u>

As at Dec 31, 2020 and Jun 30, 2020, there was no collateral held in respect of impaired advances to customers. There was no impaired advance to banks & other financial institutions.

(vi) Analysis of other assets which have been overdue

Overdue trade bills

- More than one year	<u>75,325</u>	<u>75,317</u>
	<u>75,325</u>	<u>75,317</u>
Individually assessed allowance made in respect of		
- More than one year	<u>75,325</u>	<u>75,317</u>
	<u>75,325</u>	<u>75,317</u>
Overdue trade bills as a percentage of total trade bills	<u>23.68 %</u>	<u>58.40 %</u>

(vii) As at Dec 31, 2020 and Jun 30, 2020, the Branch had no repossessed assets.

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IV. OFF-BALANCE SHEET EXPOSURES

	31-Dec-20 HK\$'000	30-Jun-20 HK\$'000
(i) The notional amounts of each of the following class of off-balance sheet exposures outstanding:		
Contingent liabilities and commitments		
- Direct credit substitutes	2,497,090	3,702,157
- Transaction-related contingencies	126,498	120,182
- Trade-related contingencies	3,151,147	2,801,653
- Other commitments	15,021,322	17,965,070
	<u>20,796,057</u>	<u>24,589,062</u>
The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	80,319,691	134,145,033
- Interest rate contracts	30,280,966	48,307,624
	<u>110,600,657</u>	<u>182,452,657</u>
 (ii) The fair value of the above derivatives contracts are as follow:		
Fair value assets		
- Exchange rate contracts	1,146,540	1,240,179
- Interest rate contracts	1,271,984	1,671,529
	<u>2,418,524</u>	<u>2,911,708</u>
Fair value liabilities		
- Exchange rate contracts	1,171,643	1,231,511
- Interest rate contracts	1,301,656	1,772,446
	<u>2,473,300</u>	<u>3,003,957</u>

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

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V. SEGMENTAL INFORMATION

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

	31-Dec-20		30-Jun-20	
	Outstanding balance HK\$'000	Balance covered by Collateral HK\$'000	Outstanding balance HK\$'000	Balance covered by collateral HK\$'000
By industry categories:				
Advances for use in Hong Kong				
Industrial, Commercial and Financial				
- Property Development	500,000	—	500,000	—
- Financial Concerns	1,883,955	—	2,932,610	—
- Wholesale & Retail Trade	1,232,442	—	467,668	—
- Manufacturing	6,401,504	—	6,413,763	—
- Transport & Transport Equipment	2,130,466	—	2,305,567	—
- Electricity & Gas	984,390	—	1,077,571	—
- Recreational activities	46,507	—	69,753	—
- Information Technology	1,137,304	—	1,174,338	—
- All others	5,326,705	—	4,313,887	—
	<u>19,643,273</u>	<u>—</u>	<u>19,255,157</u>	<u>—</u>
Individuals	3,411	—	2,843	—
Trade Finance	7,702,291	—	7,390,458	—
Advances for use outside Hong Kong	<u>22,560,777</u>	<u>—</u>	<u>26,692,801</u>	<u>—</u>
	<u><u>49,909,752</u></u>	<u><u>—</u></u>	<u><u>53,341,259</u></u>	<u><u>—</u></u>

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V. SEGMENTAL INFORMATION (Continued)

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

	31-Dec-20	30-Jun-20
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	28,602,158	29,045,393
- India	9,766,870	12,068,549
- China	3,150,378	1,716,053
- Cayman Islands	2,174,194	951,910
- United States	1,948,539	3,805,966
- United Kingdom	1,517,997	971,046
- Macau	1,083,926	1,830,289
- South Korea	497,557	605,268
- Luxembourg	464,844	123,468
- Malawi	310,048	310,014
- Switzerland	264,322	388,282
- Netherlands	69,774	474,722
- Mexico	42,298	63,655
- Malaysia	6,631	3,112
- Sri Lanka	6,355	1,988
- France	2,797	13,717
- Japan	547	—
- Singapore	398	—
- Ireland	115	107
- Guernsey	4	—
- Taiwan	1	—
- Mauritius	—	967,720
	<u>49,909,752</u>	<u>53,341,259</u>

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

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

- China	38,591	38,586
- Hong Kong	275,956	275,926
- Cayman Islands	82,059	82,050
	<u>396,606</u>	<u>396,562</u>

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION (Continued)

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

	31-Dec-20 HK\$'000	30-Jun-20 HK\$'000
- China	38,591	38,586
- Hong Kong	308,182	276,035
- Cayman Islands	82,059	82,050
	<u>428,832</u>	<u>396,671</u>

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

- Hong Kong	<u>75,325</u>	<u>75,317</u>
	<u>75,325</u>	<u>75,317</u>

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

- Hong Kong	<u>75,325</u>	<u>75,317</u>
	<u>75,325</u>	<u>75,317</u>

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VI. INTERNATIONAL CLAIMS

	Banks	Official Sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
As at 31 Dec, 2020			HK\$ Million		
- Developed countries	12,720	—	—	4,397	17,117
of which: - United States	12,664	—	—	2,074	14,738
- Offshore centers	1,045	—	4,107	24,459	29,611
of which: -Hong Kong SAR	1,045	—	4,107	21,102	26,254
- Developing Asia-Pacific	13,135	135	587	19,926	33,783
of which: - China	6,940	3,041	—	3,158	13,139
- India	1,164	—	583	9,195	10,942
	26,900	135	4,694	48,782	80,511

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VI. INTERNATIONAL CLAIMS (Continued)

	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Total
As at 30 Jun, 2020	HK\$ Million				
Developed countries	16,499	—	1	3,137	19,637
- United States	16,476	—	—	1,165	17,641
Offshore centers	1,550	—	5,486	24,021	31,057
of which: - Cayman Islands	—	—	—	1,065	1,065
- Hong Kong SAR	1,550	—	5,486	20,155	27,191
- Macau SAR	—	—	—	1,833	1,833
Developing Africa and Middle East	948	—	—	310	1,258
- Malawi	—	—	—	310	310
Developing Asia-Pacific	15,134	709	583	20,457	36,883
of which: - China	9,017	—	—	8,335	17,352
- India	1,873	—	583	11,510	13,966
Developing Latin America and Caribbean	—	—	—	64	64
of which: - Mexico	—	—	—	64	64
	34,131	709	6,070	47,989	88,899

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS (Continued)

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

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

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VII. CURRENCY RISK

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

	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 31 Dec, 2020		HK\$ Million	
Spot assets	65,403	12,349	77,752
Spot liabilities	(69,155)	(8,191)	(77,346)
Forward purchases	31,636	41,655	73,291
Forward sales	(28,189)	(45,922)	(74,111)
Net option position	—	—	—
	<hr/>		<hr/>
Net (short)/long position	<u>(305)</u>	<u>(109)</u>	<u>(414)</u>
	<hr/>		<hr/>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
	<hr/>		<hr/>
	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 30 Jun, 2020		HK\$ Million	
Spot assets	79,003	10,976	89,979
Spot liabilities	(80,806)	(11,773)	(92,579)
Forward purchases	59,542	65,588	125,130
Forward sales	(58,009)	(64,755)	(122,764)
Net option position	—	—	—
	<hr/>		<hr/>
Net (short)/long position	<u>(270)</u>	<u>36</u>	<u>(234)</u>
	<hr/>		<hr/>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
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VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	<u>Quarter ended</u> 31-Dec-20	<u>Quarter ended</u> 31-Dec-19
The average liquidity maintenance ratio for the financial period (“Average LMR”)	55.97 %	54.35 %
Average Core Funding ratio (“CFR”) for 3 months period	216.16 %	N/A

The Branch was designated as the category 2A institution by the Hong Kong Monetary Authority effective from July 1, 2020 and thus required to comply with all the calculation and disclosure requirements related to Core Funding Ratio in accordance with the Banking (Liquidity) Rules effective from January 1, 2018.

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

(ii) Liquidity risk management process

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

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

(iii) Source of Funding

	As at 31 Dec, 2020		As at 31 Dec, 2019	
	Total amount HK\$'000	As % of total liabilities	Total amount HK\$'000	As % of total liabilities
Significant funding instruments				
- Funding raised from connected parties	63,543,844	68.13 %	89,245,508	65.98 %
- Funding raised from banks	237,340	0.25 %	1,551,003	1.15 %
- Deposit from customers	25,226,624	27.05 %	38,697,558	28.61 %

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IX. MAINLAND ACTIVITIES

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

As at 31 Dec, 2020	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	12,573,862	—	12,573,862
Local governments, local government-owned entities and their subsidiaries and JVs	2	776,454	—	776,454
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	7,615,963	630,464	8,246,427
Other entities of central government not reported in item 1 above	4	—	—	—
Other entities of local government not reported in item 2 above	5	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	2,944,671	1,446,808	4,391,479
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	1,427,147	155,024	1,582,171
Total	8	25,338,097	2,232,296	27,570,394
Total assets after provision	9	93,274,823		
On-balance sheet exposures as percentage of total assets	10	27.16%		

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IX. MAINLAND ACTIVITIES (CONTINUED)

As at 30 Jun, 2020	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	16,924,151	361,657	17,285,808
Local governments, local government-owned entities and their subsidiaries and JVs	2	2,374,265	—	2,374,265
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	8,190,128	1,315,743	9,505,871
Other entities of central government not reported in item 1 above	4	—	—	—
Other entities of local government not reported in item 2 above	5	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	2,718,134	953,770	3,671,904
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	904,491	—	904,491
Total	8	31,111,169	2,631,170	33,742,339
Total assets after provision	9	107,849,167		
On-balance sheet exposures as percentage of total assets	10	28.85%		

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X. OTHER INFORMATION

(i) Principal Activities

The principal activities of Bank of America, National Association, Hong Kong Branch (“BANA HK”) are Corporate Banking and Global Markets. Corporate Banking includes Cash Management, Loans, Deposits; Trade Finance and Treasury solutions to Financial Institution (“FIs”) and corporate clients. Global Market includes Foreign Exchange and Bonds trading and funding for BANA HK.

(ii) 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 the Bank of America, N.A. Hong Kong Branch, with specific regard to 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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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

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:

1. the Board of Directors (the "Board"),
2. the Board of Directors Compensation and Benefits Committee (the "Committee"), which is wholly made up of independent directors and functions as the Company's global Remuneration Committee,
3. the Management Compensation Committee ("MCC"), and
4. 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 plans 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.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

Governance and the Decision-making Process for Determining the Remuneration Policy (continued)

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 risk and reward in a way that does not encourage excessive or imprudent 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 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.

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.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

The link between pay and performance (continued)

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 the risk appetite metrics and the 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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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

Risk Management and Incentive Plans (continued)

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 is determined independently from the line of business supported. The funding of the incentive pool for these employees is based upon overall Company performance with the actual employee awards determined based upon individual performance against predetermined objectives.

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 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 incentive awards is provided as a deferred incentive that generally becomes earned and payable over a period of three years after grant and will be cancelled in case of detrimental conduct and (for certain 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 at-risk over an appropriate time horizon that can be easily communicated and understood.

Bank of America, N.A, Hong Kong Branch

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

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 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 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 ranged from approximately 20%-55% 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 mid March 2021.

Bank of America, N.A. Hong Kong Branch is one of the banking businesses operated in Hong Kong by Bank of America. For performance year 2020, the Bank of America, N.A. Hong Kong Branch employed approximately 500 employees.

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 Bank of America, N.A. Hong Kong Branch related to employees identified as Key Personnel. There were no employees of the Bank of America, N.A. Hong Kong Branch identified as senior management. Senior employees, including risk control functions, at Bank of America, N.A. Hong Kong Branch have functional reporting lines to more senior Bank of America employees in other countries 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.

Bank of America, N.A, Hong Kong Branch

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

Quantitative Disclosures and Tables (continued)

162T. Remuneration awarded during financial year - annual disclosures

(USD 000's)			2020	2019
Remuneration amount and quantitative information			Key personnel	Key personnel
1	Fixed remuneration	Number of employees	5	5
2		Total fixed remuneration	1,876	2,199
3		- Of which: cash-based	1,876	2,199
4		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	Variable remuneration	Number of employees	5	5
10		Total variable remuneration	2,448	3,972
11		- Of which: cash-based	1,417	2,112
12		Of which: deferred	—	—
13		- Of which: shares or other share-linked instruments	1,031	1,860
14		Of which: deferred	1,031	1,860
15		- Of which: other forms	—	—
16		Of which: deferred	—	—
17	Total remuneration		4,324	6,171

162U. Special payments - annual disclosures

(USD 000's)				(e)	(f)		
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		# of EE	Total \$	# of EE	Total \$	# of EE	Total \$
2020	Key personnel	—	—	—	—	1	240
2019	Key personnel	—	—	—	—	—	—

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

Quantitative Disclosures and Tables (continued)

16ZV. Deferred remuneration - annual disclosures

(USD 000's)	(a)	(b)	(c)	(d)	(e)
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	2,732	2,732	—	253	1,743
3 - Cash-linked instruments	—	—	—	—	—
4 - Other	—	—	—	—	—
2019 Key personnel					
5 - Cash	—	—	—	—	—
6 - Shares	4,295	4,295	—	—	2,459
7 - Cash-linked instruments	—	—	—	—	—
8 - Other	—	—	—	—	—

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION B – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

XI. SUPPLEMENTARY INFORMATION (Liquidity Risk Management)

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.

It is present in each of our lines of business and in enterprise activities conducted by Bank of America Corporation (“BAC” or the “Parent”) and its Subsidiaries. The Bank of America Corporation Liquidity Risk Policy (“BAC LRP”) establishes requirements and accountabilities for managing liquidity risk at BAC and its Subsidiaries in conformity with applicable laws, rules and regulations. The BAC LRP permits Subsidiary- or branch-specific liquidity risk policies as deemed necessary by regulatory requirement. The BAC LRP also outlines requirements for uniformity in liquidity risk management practices in alignment with the Bank of America Risk Framework and BAC Risk Appetite Statement.

Bank of America, National Association Hong Kong Branch (“BANA Hong Kong”) is a branch of Bank of America, National Association that adheres to global standards for liquidity risk management, as established by the BAC LRP. The BAC LRP permits Subsidiary- or branch-specific liquidity risk policies as deemed necessary by Global Risk Management (“GRM”) or by regulatory requirement. The purpose of BANA Hong Kong Liquidity Risk Policy (“BANA Hong Kong LRP”) is to establish specific local governance, controls, and risk management practices necessary to monitor and manage liquidity risk within BANA Hong Kong in accordance with local regulatory requirements and BANA Hong Kong’s unique liquidity risk profile.

As described in the Risk Framework, BAC assigns clear accountability for managing risk across three lines of defense: 1) Front Line Units (“FLUs”); 2) independent risk management; and 3) Corporate Audit. All of BANA Hong Kong’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 BANA Hong Kong’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 BANA Hong Kong’s liquidity risk management processes. GRM is also accountable for providing timely and accurate liquidity risk reporting to risk governance committees. 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 BANA Hong Kong.

The BANA Hong Kong Asset and Liability Committee (“ALCO”), reports to the Asia Pacific Regional Risk Committee (the “APAC RRC”), and is responsible for providing management oversight and certain approvals of (or recommending to the APAC RRC or other committees, as appropriate) balance sheet, capital, liquidity management and stress testing activities for BANA Hong Kong. The BAC LRP and BANA Hong Kong LRP determine the approach to liquidity risk management and combined with local liquidity risk limits define the overall liquidity risk appetite for BANA Hong Kong. BANA Hong Kong LRP is approved by ALCO.

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Pillar III Disclosure

SECTION B – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

SUPPLEMENTARY INFORMATION (Liquidity Risk Management) (Continued)

BANA Hong Kong perform periodic liquidity reporting which enables liquidity risk monitoring and appropriate risk escalation, which includes defined protocols for limit breaches and emerging risks and issues. Regular liquidity risk reports are sent to the ALCO.

BANA Hong Kong has funding strategy documented and reviewed at 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, BANA Hong Kong has below key components:

- The BANA Hong Kong LRP, which formally articulates the principles for managing liquidity risk within BANA Hong Kong, including requirements for internal stress testing, limits and risk indicators, reporting and monitoring, roles and accountabilities and regulatory requirements;
- Liquidity risk limits, established by Global Markets and Financial Risk – Liquidity APAC and approved by ALCO, requiring BANA Hong Kong to maintain sufficient excess liquidity resources and to comply with regulatory requirements; and
- The BANA Hong Kong contingency funding plan ("BANA CFP"), which details management's strategy to address potential liquidity shortfalls during periods of stress.

BANA Hong Kong 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 organized 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.

BANA CFP is the branch's ALCO's as well as management's strategy and procedures to address potential liquidity shortfalls during periods of stress. The plan includes an inventory of key indicators monitored to detect potential emerging liquidity stress, procedures for activating and deactivating the BANA CFP, and quantitative analysis of actions that may be taken to raise cash during various liquidity stress environments.

BANA Hong Kong 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 BANA Hong Kong's balance sheet and cash flow are projected.

For Liquidity exposure and funding, BANA Hong Kong has monthly 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 BANA Hong Kong. BANA Hong Kong relies on funding from the Parent and its centralized liquidity pool. BANA Hong Kong performed an assessment to demonstrate sufficiency, availability and transferability of funds from the Parent to meet liquidity needs in Hong Kong in a timely manner.

Bank of America, N.A, Hong Kong Branch

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SECTION B – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

SUPPLEMENTARY INFORMATION (Liquidity Risk Management) (Continued)

BANA Hong Kong'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:

(HK \$ million)	Repayabl e on Demand	Within 1 month	>1 month up to 3 months	>3 months up to 1 year	>1 year up to 5 years	over 5 years	undated or overdue
Placement with banks and other financial	19,120	3,741	2,652	2,524	464	-	-
Advances to customers, acceptances and	1,581	8,479	4,451	12,025	23,266	-	472
Debt securities, prescribed instruments	12,256	-	-	1,477	-	-	-
Other assets	85.06	537	797	7,667	1,471	336	99
Total on-balance sheet assets	33,042	12,757	7,901	23,693	25,201	336	571
Total off-balance sheet claims	-	-	-	-	-	-	-
Deposit with banks and other financial	4,852	2,235	9,304	11,815	27,668	-	-
Deposit from customers	30,286	2,171	678	6	-	-	-
Other liabilities and capital	103	1,365	877	7,873	1,400	339	1,214
Total on-balance sheet liabilities	35,241	5,770	10,858	19,693	29,068	339	1,214
Total off-balance sheet obligations	332	514	1,002	5,684	12,447	488	329
Contractual maturity mismatch	(2,530)	6,473	(3,959)	(1,684)	(16,314)	(491)	
Cumclative contractual maturity mismatch	(2,530)	3,942	(17)	(1,701)	(18,015)	(18,506)	

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION C – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	31-Dec-20	30-Jun-20
	US\$ Million	US\$ Million
- Common Equity Tier 1 Capital ratio (Standardized Approach)	11.90%	11.60%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	12.90%	11.40%
- Tier 1 Capital Ratio (Standardized Approach)	13.50%	13.20%
- Tier 1 Capital Ratio (Advanced Approach)	14.60%	12.90%
- Total Capital Ratio (Standardized Approach)	16.10%	15.80%
- Total Capital ratio (Advanced Approach)	16.60%	14.80%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' funds	272,924	265,637
- Risk-weighted assets (Standardized Approach)	1,480,439	1,475,047
- Risk-weighted assets (Advanced Approach)	<u>1,371,548</u>	<u>1,503,074</u>

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

Bank of America, N.A, Hong Kong Branch

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II. OTHER FINANCIAL INFORMATION

	31-Dec-20	30-Jun-20
	US\$ Million	US\$ Million
- Total assets	2,819,627	2,741,688
- Total liabilities	2,546,703	2,476,051
- Total advances (net of allowances)	909,059	979,555
- Total customer deposits	1,795,480	1,718,666
	31-Dec-20	30-Jun-20
	US\$ Million	US\$ Million
- Pre-tax profit	18,995	8,330

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