



Bank of America, National Association

Hong Kong Branch

Disclosure Statement

June 30, 2021

BANK OF AMERICA, NATIONAL ASSOCIATION
HONG KONG BRANCH
Jun 30, 2021

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION

	30-Jun-21	30-Jun-20
	HK\$'000	HK\$'000
Interest income	481,868	1,247,427
Interest expense	(95,430)	(693,347)
Net interest income	386,438	554,080
Other operating income/ (Losses)		
Gains arising from trading in foreign currencies	41,827	41,645
Gains arising from non-trading activities in foreign currencies	—	6,510
(Losses)/ Gains on securities held for trading purposes	(36,242)	79,447
Losses arising from trading in interest rate derivatives	(21,767)	(90,530)
Gains/ (Losses) arising from trading in other derivatives	25,848	(27,485)
Fees and commissions		
Income	574,910	599,941
Expense	(1,172)	(664)
Other income	(640)	(6,281)
	582,764	602,583
Total revenue	969,202	1,156,663
Operating expenses		
Staff expenses	(363,030)	(370,282)
Rental expenses	(85,083)	(78,397)
Other operating expenses		
Depreciation expenses	(137)	(118)
Group servicing fee	(223,884)	(242,457)
Telecom expenses	(4,504)	(3,764)
Equipment expenses	(2,643)	(4,069)
Legal and Professional fee	(6,449)	(9,933)
Travel expenses	(258)	(2,409)
Subscription fee	(2,866)	(2,645)
Other miscellaneous expenses	(147,279)	(119,868)
	(836,133)	(833,941)
Operating profit before provisions	133,069	322,722
Impairment allowance (charged)/credit	(603,167)	41,116
Loss on sale of fixed assets	—	(798)
(Loss)/ Profit before taxation	(470,098)	363,040
Tax credit/ (expense)	47,474	(80,875)
(Loss)/ Profit after taxation	(422,624)	282,165

BANK OF AMERICA, NATIONAL ASSOCIATION
HONG KONG BRANCH
Jun 30, 2021

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

II. BALANCE SHEET DATA

	30-Jun-21	31-Dec-20
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	1,572,201	4,074,744
Due from Exchange Fund	2,969,649	2,485,295
Placements with banks and financial institutions maturing		
- Within one month	3,245,680	3,648,504
- Between one and twelve months	7,462,922	5,171,166
- Over one year	—	463,853
Amount due from overseas offices of the institution	16,986,118	12,652,055
Trade bills, net of impairment allowance	290,872	240,278
Trading securities, at fair value		
- Other securities	12,668,126	13,704,186
Advances to customers and other receivables, net of impairment allowance	50,828,898	49,036,474
Property, plant & equipment	7,722	9,562
Other assets	1,603,795	1,812,115
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TOTAL ASSETS	97,635,983	93,298,232
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LIABILITIES		
Deposits and balances from banks	502,757	440,529
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	23,641,114	23,705,422
- saving deposits	2,230,705	2,515,807
- time, call and notice deposits	6,818,438	6,907,670
Amount due to overseas offices of the institution	60,946,131	56,195,654
Provision for commitments and contingent liabilities	357,990	23,409
Other accounts & accruals	3,138,848	3,509,741
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TOTAL LIABILITIES	97,635,983	93,298,232
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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION

	30-Jun-21	31-Dec-20
	HK\$'000	HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	369,269	318,030
Impairment allowance		
- Collective assessment	(2,938)	(2,427)
- Individual assessment	(75,459)	(75,325)
	<u>290,872</u>	<u>240,278</u>
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	51,978,130	49,909,752
Impairment allowance		
- Collective assessment	(516,080)	(515,614)
- Individual assessment	(673,446)	(404,662)
	<u>50,788,604</u>	<u>48,989,476</u>
Accrued interests	<u>40,294</u>	<u>46,998</u>
	<u>50,828,898</u>	<u>49,036,474</u>
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	13,305,273	7,859,771
Impairment allowance		
- Collective assessment	(23,895)	(23,409)
- Individual assessment	(334,095)	—
	<u>12,947,283</u>	<u>7,836,362</u>

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

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	30-Jun-21	31-Dec-20
	HK\$'000	HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
- More than one year	<u>397,231</u>	<u>396,606</u>
Individually assessed allowance made in respect of overdue advances to customers		
- More than one year	<u>397,231</u>	<u>396,606</u>
Overdue advances to customers as a percentage of total advances to customers		
- More than one year	<u>0.76 %</u>	<u>0.79 %</u>

As at Jun 30, 2021 and Dec 31, 2020, there was no collateral held in respect of overdue advances to customers and no rescheduled advances. The branch had no overdue and rescheduled advances to banks and other financial institutions.

(v) Impaired advances to customers and allowance		
- Impaired advances to customers	<u>1,502,092</u>	<u>428,832</u>
- Individually assessed allowance	<u>673,446</u>	<u>404,662</u>
- Impaired advances to customers as a percentage of total advances to customers	<u>2.89 %</u>	<u>0.86 %</u>

As at Jun 30, 2021 and Dec 31, 2020, there was no collateral held in respect of impaired advance to customers. The branch had no impaired advance to banks and other financial institutions.

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	30-Jun-21	31-Dec-20
	HK\$'000	HK\$'000
(vi) Analysis of other assets which have been overdue		
Overdue trade bills		
- More than one year	<u>75,459</u>	<u>75,325</u>
Individually assessed allowance made in respect of		
- More than one year	<u>75,459</u>	<u>75,325</u>
Overdue trade bills as a percentage of total trade bills	<u>20.43 %</u>	<u>23.68 %</u>

(vii) As at Jun 30, 2021 and Dec 31, 2020, the Branch had no repossessed assets.

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IV. OFF-BALANCE SHEET EXPOSURES

	30-Jun-21	31-Dec-20
	HK\$'000	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	1,158,951	2,497,090
- Transaction-related contingencies	126,037	126,498
- Trade-related contingencies	4,011,209	3,151,147
- Sale and repurchase agreements, asset sales or other transactions with recourse; forward asset purchases; amount owing on partly paid shares and securities; and forward deposits place	34,264	-
- Other commitments	19,960,698	15,021,322
	<u>25,291,159</u>	<u>20,796,057</u>

The notional amount of derivatives contracts are as follow:

- Exchange rate contracts	240,401,745	80,319,691
- Interest rate contracts	27,449,531	30,280,966
	<u>267,851,276</u>	<u>110,600,657</u>

The contract amount of these instruments indicates the volume of transactions outstanding as at the balance sheet, they do not represent the value at risk.

(ii) The fair value of the above derivatives contracts are as follow:

Fair value assets

- Exchange rate contracts	1,431,796	1,146,540
- Interest rate contracts	529,794	1,271,984
	<u>1,961,589</u>	<u>2,418,524</u>

Fair value liabilities

- Exchange rate contracts	1,602,349	1,171,643
- Interest rate contracts	556,450	1,301,656
	<u>2,158,799</u>	<u>2,473,300</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.

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION

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

	30-Jun-21		31-Dec-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	735,458	—	500,000	—
- Financial Concerns	1,881,981	—	1,883,955	—
- Wholesale & Retail Trade	457,815	—	1,232,442	—
- Manufacturing	6,304,793	—	6,401,504	—
- Transport & Transport Equipment	2,096,537	—	2,096,537	—
- Electricity & Gas	1,477,770	—	984,390	—
- Recreational activities	46,590	—	46,507	—
- Information Technology	1,312,180	—	1,137,304	—
- All others	4,710,311	—	5,326,705	—
	<u>19,023,435</u>	<u>—</u>	<u>19,643,273</u>	<u>—</u>
Individuals	7,248	—	3,411	—
Trade Finance	7,860,147	—	7,702,291	—
Advances for use outside Hong Kong	<u>25,087,300</u>	<u>—</u>	<u>22,560,777</u>	<u>—</u>
	<u><u>51,978,130</u></u>	<u><u>—</u></u>	<u><u>49,909,752</u></u>	<u><u>—</u></u>

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION (Continued)

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

	30-Jun-21	31-Dec-20
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	30,419,759	28,602,158
- India	10,016,975	9,766,870
- China	2,898,915	3,150,378
- United States	2,418,595	1,948,539
- United Kingdom	1,680,231	1,517,997
- Cayman Islands	1,111,088	2,174,194
- Mauritius	1,081,450	—
- Macau	841,479	1,083,926
- South Korea	474,369	497,557
- Switzerland	436,598	264,322
- Malawi	310,598	310,048
- Netherlands	209,967	69,774
- Virgin Island	48,743	—
- Mexico	10,738	42,298
- Luxembourg	7,351	464,844
- Malaysia	6,950	6,631
- Sri Lanka	4,072	6,355
- France	93	2,797
- Australia	69	—
- Ireland	61	115
- Japan	28	547
- Singapore	1	398
- Guernsey	0	4
- Taiwan	—	1
	<u>51,978,130</u>	<u>49,909,752</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.

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION (Continued)

	30-Jun-21	31-Dec-20
	HK\$'000	HK\$'000
(iii) Analysis of overdue advances to customers by countries or geographical areas:		
- Hong Kong	276,445	275,956
- Cayman Islands	82,205	82,059
- China	38,581	38,591
	<u>397,231</u>	<u>396,606</u>
(iv) Analysis of impaired advances to customers, which are individually assessed by countries or geographical areas:		
	30-Jun-21	31-Dec-20
	HK\$'000	HK\$'000
- Hong Kong	1,381,306	308,182
- Cayman Islands	82,205	82,059
- China	38,581	38,591
	<u>1,502,092</u>	<u>428,832</u>
(v) Analysis of overdue trade bills by countries or geographical areas:		
- Hong Kong	<u>75,459</u>	<u>75,325</u>
(vi) Analysis of impaired trade bills by countries or geographical areas:		
- Hong Kong	<u>75,459</u>	<u>75,325</u>

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS

HK\$ Million		Banks	Official Sector	Non-bank private sector		Total
				Non-bank financial institutions	Non- financial private	
As at 30 Jun, 2021						
-	Developed countries	17,177	—	23	5,010	22,210
	of which: - United States	17,169	—	—	2,715	19,884
-	Offshore centers	1,805	—	2,647	25,049	29,501
	of which: - Hong Kong	1,805	—	2,647	21,772	26,224
-	Developing Africa and Middle East	—	—	—	311	311
-	Developing Asia-Pacific	11,264	—	584	16,764	28,612
	of which: - China	5,373	—	—	6,621	11,994
	- India	1,165	—	584	9,657	11,406
-	Developing Latin America and Caribbean	—	—	—	11	11
		30,246	—	3,254	47,145	80,645
As at 31 Dec, 2020						
-	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	1,045	—	4,107	21,102	26,254
-	Developing Africa and Middle East	—	—	—	310	310
-	Developing Asia-Pacific	13,135	3,041	583	12,863	29,622
	of which: - China	6,940	3,041	—	3,158	13,139
	- India	1,164	—	583	9,196	10,942
-	Developing Latin America and Caribbean	—	—	—	42	42
		26,900	3,041	4,690	42,071	76,702

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.

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.

HK\$ Million	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 30 Jun, 2021			
Spot assets	69,379	11,078	80,457
Spot liabilities	(73,548)	(7,473)	(81,021)
Forward purchases	113,012	123,812	236,824
Forward sales	(109,494)	(127,433)	(236,927)
Net option position	—	—	—
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Net short position	<u>(651)</u>	<u>(16)</u>	<u>(667)</u>
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Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
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As at 31 Dec, 2020			
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	—	—	—
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Net short position	<u>(305)</u>	<u>(109)</u>	<u>(414)</u>
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Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	<u>Quarter ended</u> 30-Jun-21	<u>Quarter ended</u> 30-Jun-20
Average liquidity maintenance ratio (“LMR”) for 3 months period	51.66 %	58.23 %
Average Core Funding ratio (“CFR”) for 3 months period	224.98 %	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

	30-Jun-21		31-Dec-20	
	Total amount	As % of total	Total amount	As % of total
	HK\$'000	liabilities	HK\$'000	liabilities
Significant funding instruments				
- Funding raised from connected parties	69,051,451	71.29 %	63,543,844	68.13 %
- Funding raised from banks	359,239	0.37 %	237,340	0.25 %
- Deposit from customers	24,753,589	25.56 %	25,226,624	27.05 %

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IX. MAINLAND ACTIVITIES

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

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
As at 30 Jun, 2021			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	10,323,734	214,631	10,538,365
Local governments, local government-owned entities and their subsidiaries and JVs	781,930	—	781,930
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	9,087,061	3,688,813	12,775,874
Other entities of central government not reported in item 1 above	—	—	—
Other entities of local government not reported in item 2 above	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,927,313	2,944,406	4,871,719
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	569,442	349,423	918,865
Total	22,689,480	7,197,273	29,886,753
Total assets after provision	96,855,369		
On-balance sheet exposures as percentage of total assets	23.43%		

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IX. MAINLAND ACTIVITIES (CONTINUED)

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
As at 31 Dec, 2020			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	12,573,862	—	12,573,862
Local governments, local government-owned entities and their subsidiaries and JVs	776,454	—	776,454
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,615,963	630,464	8,246,427
Other entities of central government not reported in item 1 above	—	—	—
Other entities of local government not reported in item 2 above	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	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	1,427,147	155,024	1,582,171
Total	25,338,097	2,232,296	27,570,394
Total assets after provision	93,274,823		
On-balance sheet exposures as percentage of total assets	27.16%		

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.

SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	30-Jun-21	31-Dec-20
- Common equity tier 1 capital ratio (Standardized Approach)	11.50%	11.90%
- Common equity tier 1 capital ratio (Advanced Approaches)	13.00%	12.90%
- Tier 1 capital ratio (Standardized Approach)	13.00%	13.50%
- Tier 1 capital ratio (Advanced Approaches)	14.70%	14.60%
- Total capital ratio (Standardized Approach)	15.10%	16.10%
- Total capital ratio (Advanced Approaches)	16.50%	16.60%
	30-Jun-21	31-Dec-20
	US\$ Million	US\$ Million
- Total shareholders' equity	277,119	272,924
- Risk-weighted assets (Standardized Approach)	1,552,869	1,480,439
- Risk-weighted assets (Advanced Approaches)	1,380,382	1,371,548

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.

II. OTHER FINANCIAL INFORMATION

	30-Jun-21	31-Dec-20
	US\$ Million	US\$ Million
- Total assets	3,029,894	2,819,627
- Total liabilities	2,752,775	2,546,703
- Total loans and leases, net of allowance	904,833	909,059
- Total deposits	1,909,142	1,795,480
	30-Jun-21	30-Jun-20
	US\$ Million	US\$ Million
- Income before income taxes	17,208	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.