

Bank of America, National Association
Hong Kong Branch
Disclosure Statement
December 31, 2021

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-21	31-Dec-20
	HK\$'000	HK\$'000
Interest income	931,175	1,922,978
Interest expense	(196,469)	(864,390)
Net interest income	<u>734,706</u>	<u>1,058,588</u>
Other operating income		
Gains arising from trading in foreign currencies	37,757	81,327
Gains arising from non-trading activities in foreign currencies	—	6,510
Gains on securities held for trading purposes	12,335	68,923
Losses arising from trading in interest rate derivatives	(21,219)	(88,893)
Gains / (losses) arising from trading in other derivatives	64,506	(80,576)
Fees and commissions		
- Income	1,288,589	1,304,885
- Expense	(2,107)	(1,354)
Other income	—	(14,073)
	<u>1,379,861</u>	<u>1,276,749</u>
Total revenue	2,114,567	2,335,337
Operating expenses		
Staff expenses	(666,189)	(680,284)
Rental expenses	(166,120)	(162,128)
Other operating expenses		
- Depreciation expenses	(289)	(260)
- Group servicing fee	(469,299)	(420,754)
- Telecom expenses	(10,367)	(10,211)
- Equipment expenses	(5,399)	(6,790)
- Legal and Professional fee	(17,419)	(17,476)
- Travel expenses	(154)	(2,808)
- Subscription fee	(5,820)	(5,366)
- Other miscellaneous expenses	(314,799)	(241,033)
	<u>(1,655,855)</u>	<u>(1,547,110)</u>
Operating profit before provisions	458,712	788,227
Impairment allowance credit / (charged)	(928,549)	172,109
Loss on sale of fixed assets	—	(801)
(Loss) / profit before taxation	<u>(469,837)</u>	<u>959,535</u>
Tax expense / (recovery)	92,104	(171,030)
(Loss) / profit after taxation	<u>(377,733)</u>	<u>788,505</u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

II. BALANCE SHEET DATA

	31-Dec-21 HK\$'000	30-Jun-21 HK\$'000
ASSETS		
Cash and balances with banks	5,239,831	1,572,201
Due from Exchange Fund	3,226,705	2,969,649
Placements with banks and financial institutions maturing		
- Within one month	7,251,179	3,245,680
- Between one and twelve months	7,197,624	7,462,922
- Over one year	—	—
Amount due from overseas offices of the institution	24,381,732	16,986,118
Trade bills, net of impairment allowance	1,220,572	290,872
Trading securities, at fair value		
- Other securities	8,396,079	12,668,126
Advances to customers and other receivables, net of impairment allowance	54,466,061	50,828,898
Property, plant & equipment	10,496	7,722
Other assets	1,361,308	1,603,795
	<u>112,751,587</u>	<u>97,635,983</u>
TOTAL ASSETS	<u>112,751,587</u>	<u>97,635,983</u>
LIABILITIES		
Deposits and balances from banks	613,728	502,757
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	30,494,862	23,641,114
- saving deposits	2,050,916	2,230,705
- time, call and notice deposits	9,779,396	6,818,438
Amount due to overseas offices of the institution	66,177,959	60,946,131
Provision for commitments and contingent liabilities	565,693	357,990
Other accounts & accruals	3,069,033	3,138,848
	<u>112,751,587</u>	<u>97,635,983</u>
TOTAL LIABILITIES	<u>112,751,587</u>	<u>97,635,983</u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION

	31-Dec-21 HK\$'000	30-Jun-21 HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	1,308,667	369,269
Impairment allowance		
- Collective assessment	(12,329)	(2,938)
- Individual assessment	(75,766)	(75,459)
	<u>1,220,572</u>	<u>290,872</u>
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	55,732,331	51,978,130
Impairment allowance		
- Collective assessment	(541,799)	(516,080)
- Individual assessment	(759,355)	(673,446)
	<u>54,431,177</u>	<u>50,788,604</u>
Accrued interests	<u>34,884</u>	<u>40,294</u>
	<u>54,466,061</u>	<u>50,828,898</u>
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	14,696,483	13,305,273
Impairment allowance		
- Collective assessment	(6,572)	(23,895)
- Individual assessment	(559,121)	(334,095)
	<u>14,130,790</u>	<u>12,947,283</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.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	31-Dec-21 HK\$'000	30-Jun-21 HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
- More than one year	<u>398,848</u>	<u>397,231</u>
	<u>398,848</u>	<u>397,231</u>
Individually assessed allowance made in respect of overdue advances to customers		
- More than one year	<u>398,848</u>	<u>397,231</u>
	<u>398,848</u>	<u>397,231</u>
Overdue advances to customers as a percentage of total advances to customers		
- More than one year	<u>0.72 %</u>	<u>0.76 %</u>
	<u>0.72 %</u>	<u>0.76 %</u>

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

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	31-Dec-21 HK\$'000	30-Jun-21 HK\$'000
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	<u>1,840,876</u>	<u>1,502,092</u>
- Individually assessed allowance	<u>759,355</u>	<u>673,446</u>
- Impaired advances to customers as a percentage of total advances to customers	<u>3.30 %</u>	<u>2.89 %</u>

As at Dec 31, 2021 and Jun 30, 2021, 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>75,766</u>	<u>75,459</u>
	<u>75,766</u>	<u>75,459</u>

Individually assessed allowance made in respect of

- More than one year	<u>75,766</u>	<u>75,459</u>
	<u>75,766</u>	<u>75,459</u>

Overdue trade bills as a percentage of total trade bills

	<u>5.79 %</u>	<u>20.43 %</u>
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(vii) As at Dec 31, 2021 and Jun 30, 2021, the Branch had no repossessed assets.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IV. OFF-BALANCE SHEET EXPOSURES

	31-Dec-21 HK\$'000	30-Jun-21 HK\$'000
(i) The notional amounts of each of the following class of off-balance sheet exposures outstanding:		
Contingent liabilities and commitments		
- Direct credit substitutes	531,605	1,158,951
- Transaction-related contingencies	156,334	126,037
- Trade-related contingencies	3,957,618	4,011,209
- Sale and repurchase agreements; assets 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	25,216,180	19,960,698
	<u>29,861,737</u>	<u>25,291,159</u>
The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	232,498,235	240,401,745
- Interest rate contracts	24,310,513	27,449,531
	<u>256,808,748</u>	<u>267,851,276</u>
 (ii) The fair value of the above derivatives contracts are as follow:		
Fair value assets		
- Exchange rate contracts	1,976,096	1,431,796
- Interest rate contracts	724,596	529,794
	<u>2,700,692</u>	<u>1,961,589</u>
Fair value liabilities		
- Exchange rate contracts	1,978,190	1,602,349
- Interest rate contracts	731,225	556,450
	<u>2,709,415</u>	<u>2,158,799</u>

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

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION

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

	31-Dec-21		30-Jun-21	
	Outstanding balance HK\$'000	Balance covered by Collateral HK\$'000	Outstanding balance HK\$'000	Balance covered by collateral HK\$'000
By industry categories:				
Advances for use in Hong Kong				
Industrial, Commercial and Financial				
- Property Development	735,000	—	735,458	—
- Financial Concerns	3,031,250	—	1,881,981	—
- Wholesale & Retail Trade	335,358	—	457,815	—
- Manufacturing	11,021,356	—	6,304,793	—
- Transport and Transport Equipment	2,381,736	—	2,096,537	—
- Electricity & Gas	1,135,373	—	1,477,770	—
- Recreational activities	46,779	—	46,590	—
- Information Technology	732,525	—	1,312,180	—
- All others	4,337,581	—	4,710,311	—
	<u>23,756,958</u>	<u>—</u>	<u>19,023,435</u>	<u>—</u>
Individuals	11,894	—	7,248	—
Trade Finance	9,571,876	—	7,860,147	—
Advances for use outside Hong Kong	<u>22,391,603</u>	<u>—</u>	<u>25,087,300</u>	<u>—</u>
	<u><u>55,732,331</u></u>	<u><u>—</u></u>	<u><u>51,978,130</u></u>	<u><u>—</u></u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION (Continued)

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

	31-Dec-21	30-Jun-21
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	29,126,953	30,419,759
- India	9,512,158	10,016,975
- United States	4,065,218	2,418,595
- Virgin Islands	2,627,340	48,743
- China	2,186,996	2,898,915
- United Kingdom	1,569,364	1,680,231
- Ireland	1,175,751	61
- Mauritius	1,092,940	1,081,450
- Switzerland	1,039,250	436,598
- Netherlands	787,496	209,967
- Cayman Islands	675,816	1,111,088
- Macau	602,550	841,479
- Luxembourg	493,333	7,351
- Kenya	389,828	—
- Malawi	311,862	310,598
- Mexico	31,507	10,738
- Malaysia	21,152	6,950
- Sri Lanka	9,366	4,072
- Thailand	6,903	—
- South Korea	6,104	474,369
- Japan	382	28
- Singapore	61	1
- Guersney	1	—
- France	—	93
- Australia	—	69
	<u>55,732,331</u>	<u>51,978,130</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	38,738	38,581
- Hong Kong	277,571	276,445
- Cayman Islands	82,539	82,204
	<u>398,848</u>	<u>397,230</u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. SEGMENTAL INFORMATION (Continued)

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

	31-Dec-21 HK\$'000	30-Jun-21 HK\$'000
- China	38,738	38,581
- Hong Kong	1,719,599	1,381,306
- Cayman Islands	82,539	82,204
	<u>1,840,876</u>	<u>1,502,091</u>

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

- Hong Kong	<u>75,766</u>	<u>75,459</u>
	<u>75,766</u>	<u>75,459</u>

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

- Hong Kong	<u>75,766</u>	<u>75,459</u>
	<u>75,766</u>	<u>75,459</u>

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS

	Banks	Official Sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
As at 31 Dec, 2021					
			HK\$ Million		
- Developed countries	24,884	—	—	6,610	31,494
of which: - United States	24,847	—	—	4,236	29,083
- Offshore centers	1,312	—	2,874	26,205	30,391
of which: -Hong Kong SAR	1,312	—	2,874	24,791	28,977
- Developing Asia-Pacific	18,583	—	586	14,177	33,346
of which: - China	10,330	—	—	4,843	15,173
- India	1,620	—	586	9,316	11,522
- South Korea	6,219	—	—	—	6,219
	44,779	—	3,460	46,992	95,231

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS (Continued)

	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Total
As at 30 Jun, 2021	HK\$ Million				
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 SAR	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

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

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

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VII. CURRENCY RISK

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

	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 31 Dec, 2021		HK\$ Million	
Spot assets	84,342	8,844	93,186
Spot liabilities	(81,499)	(11,591)	(93,090)
Forward purchases	86,640	135,587	222,227
Forward sales	(90,156)	(132,802)	(222,958)
Net option position	—	—	—
	<hr/>		<hr/>
Net (short)/long position	<u>(673)</u>	<u>38</u>	<u>(635)</u>
	<hr/>		<hr/>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
	<hr/>		<hr/>
	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 30 Jun, 2021		HK\$ Million	
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	—	—	—
	<hr/>		<hr/>
Net (short)/long position	<u>(651)</u>	<u>(16)</u>	<u>(667)</u>
	<hr/>		<hr/>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
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Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	<u>Quarter ended</u> 31-Dec-21	<u>Quarter ended</u> 31-Dec-20
The average liquidity maintenance ratio for the financial period (“Average LMR”)	53.91 %	55.97 %
Average Core Funding ratio (“CFR”) for 3 months period	228.75 %	216.16 %

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, 2021		As at 31 Dec, 2020	
	Total amount HK\$'000	As % of total liabilities	Total amount HK\$'000	As % of total liabilities
Significant funding instruments				
- Funding raised from connected parties	76,763,604	68.66 %	63,543,844	68.13 %
- Funding raised from banks	446,648	0.40 %	237,340	0.25 %
- Deposit from customers	31,932,253	28.56 %	25,226,624	27.05 %

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IX. MAINLAND ACTIVITIES

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

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

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IX. MAINLAND ACTIVITIES (CONTINUED)

As at 30 Jun, 2021	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	10,323,734	214,631	10,538,365
Local governments, local government-owned entities and their subsidiaries and JVs	2	781,930	—	781,930
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	9,087,061	3,688,813	12,775,874
Other entities of central government not reported in item 1 above	4	—	—	—
Other entities of local government not reported in item 2 above	5	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	1,927,313	2,944,406	4,871,719
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	569,442	349,423	918,865
Total	8	22,689,480	7,197,273	29,886,753
Total assets after provision	9	96,855,369		
On-balance sheet exposures as percentage of total assets	10	23.43%		

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

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 2021 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 compensation 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.

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)

These principles work in conjunction with broader compensation practices, including the Company's overall commitment to pay for performance, and 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'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,
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 the 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 the Bank of America Compensation Governance Policy ("CGP"), which is designed to be consistent with global regulatory initiatives so that the Company's incentive remuneration plans do not encourage excessive risk taking. As described in the CGP, line of business incentive remuneration plans are also periodically reviewed and evaluated by line of business management, independent control functions aligned to the line of business and the MCC in light of any risk posed by the programs and so that they do not encourage excessive risk taking. In addition, the Committee reviews senior executive officer remuneration programs so that they 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 2021, 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 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 interest.

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 2021, the Committee held eight (8) 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 and performance assessment routines are designed to reflect this. 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, adherence to the Company's Code of Conduct 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, which incorporate environmental and social considerations. 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 responsibility 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, including local governance (remuneration) committees, as applicable, 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 continually evaluates the design of its remuneration programs in accordance with the Risk Framework. Also, Risk conducts an annual review of the Company's remuneration programs and processes.

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 Company. 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 Company 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 all current and long-term risks, considering the Bank's Risk Framework, arising through line of business and product performance.

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)

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 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. Deferred incentives 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.

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)

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 38%-77% 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 2020 and seven (7) in 2021. The 2020 remuneration of the Committee members is disclosed in the 2021 Proxy statement available on Bank of America’s Investor Relations website. 2021 remuneration of the Committee members will similarly be disclosed in the 2022 Proxy Statement, anticipated to be available in March 2022.

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 2021, the Bank of America, N.A. Hong Kong Branch employed approximately 460 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

Pillar III Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

(ii) Remuneration system (continued)

Quantitative Disclosures and Tables (continued)

16ZT. Remuneration awarded during financial year - annual disclosures

(USD 000's)			2021	2020
Remuneration amount and quantitative information			Key personnel	Key personnel
1	Fixed remuneration	Number of employees	5	5
2		Total fixed remuneration	1,928	1,876
3		- Of which: cash-based	1,928	1,876
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	3,969	2,448
11		- Of which: cash-based	1,107	1,417
12		Of which: deferred	—	—
13		- Of which: shares or other share-linked instruments	2,862	1,031
14		Of which: deferred	2,862	1,031
15		- Of which: other forms	—	—
16		Of which: deferred	—	—
17	Total remuneration		5,897	4,324

16ZU. Special payments - annual disclosures

(USD 000's)		Guaranteed bonuses		Sign-on awards		(e)	(f)
Special payments		# of EE	Total \$	# of EE	Total \$	Severance payments	
						# of EE	Total \$
2021	Key personnel	—	—	—	—	—	—
2020	Key personnel	—	—	—	—	1	240

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
	2021 Key personnel					
1	- Cash	—	—	—	—	—
2	- Shares	4,332	4,332	—	—	1,508
3	- Cash-linked instruments	—	—	—	—	—
4	- Other	—	—	—	—	—
	2020 Key personnel					
5	- Cash	—	—	—	—	—
6	- Shares	2,732	2,732	—	253	1,743
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 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 tailored to BANA Hong Kong’s unique liquidity risk profile. The BANA Hong Kong LRP is used to articulate differences from the BAC LRP and should be reviewed in conjunction with the BAC LRP to provide comprehensive background and context.

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.

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”) of BANA, 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.

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

SECTION B – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

SUPPLEMENTARY INFORMATION (Liquidity Risk Management) (Continued)

BANA Hong Kong performs 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.

For liquidity risk mitigation, BANA Hong Kong has below key components:

- 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 Risk APAC and approved by ALCO, requiring BANA Hong Kong to maintain sufficient excess liquidity resources and to comply with regulatory requirements; and
- The Hong Kong Financial Contingency and Recovery Plan (“HK FCRP”), 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 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.

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

Pillar III Disclosure

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 2021 is show as follow:

(HK \$ million)	Repayabl e on Demand	Within 1 month	>1 month up to 3 months	>3 months up to 1	>1 year up to 5 years	over 5 years	undated or overdue
Placement with banks and other financial	32,185	7,533	1,986	5,218	-	-	-
Advances to customers, acceptances and	2,023	15,260	7,152	6,690	25,477	-	475
Debt securities, prescribed instruments	8,396	-	-	-	-	-	-
Other assets	18.98	2,036	1,111	3,006	502,703	195	303
Total on-balance sheet assets	42,623	24,829	10,249	14,914	528,180	195	778
Total off-balance sheet claims	-	-	-	-	-	-	-
Deposit with banks and other financial	5,540	3,938	14,693	12,397	30,245	-	-
Deposit from customers	37,068	4,570	700	9	-	-	-
Other liabilities and capital	72	2,570	1,253	3,178	503,104	195	1,646
Total on-balance sheet liabilities	42,680	11,077	16,646	15,584	533,349	195	1,646
Total off-balance sheet obligations	220	591	1,700	4,162	18,246	4,645	299
Contractual maturity mismatch	(277)	13,161	(8,096)	(4,832)	(23,414)	(4,645)	
Cumulative contractual maturity mismatch	(277)	12,884	4,787	(45)	(23,459)	(28,104)	

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-21	30-Jun-21
	US\$ Million	US\$ Million
- Common Equity Tier 1 Capital ratio (Standardized Approach)	10.60%	11.50%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	12.30%	13.00%
- Tier 1 Capital Ratio (Standardized Approach)	12.20%	13.00%
- Tier 1 Capital Ratio (Advanced Approach)	14.10%	14.70%
- Total Capital Ratio (Standardized Approach)	14.10%	15.10%
- Total Capital ratio (Advanced Approach)	15.80%	16.50%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' funds	270,066	277,119
- Risk-weighted assets (Standardized Approach)	1,616,880	1,552,869
- Risk-weighted assets (Advanced Approach)	<u>1,398,299</u>	<u>1,380,382</u>

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

Bank of America, N.A, Hong Kong Branch

Pillar III Disclosure

II. OTHER FINANCIAL INFORMATION

	31-Dec-21	30-Jun-21
	US\$ Million	US\$ Million
- Total assets	3,169,948	3,029,894
- Total liabilities	2,899,282	2,752,775
- Total advances (net of allowances)	966,737	904,833
- Total customer deposits	2,064,446	1,909,142
	31-Dec-21	30-Jun-21
	US\$ Million	US\$ Million
- Pre-tax profit	33,976	17,208

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.