



Bank of America, National Association

Hong Kong Branch

Disclosure Statement

June 30, 2020

BANK OF AMERICA, NATIONAL ASSOCIATION
HONG KONG BRANCH
Jun 30, 2020

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION

	30-Jun-20	30-Jun-19
	HK\$'000	HK\$'000
Interest income	1,247,427	1,778,401
Interest expense	(693,347)	(1,174,564)
Net interest income	<u>554,080</u>	<u>603,837</u>
Other operating income/ (loss)		
Gains arising from trading in foreign currencies	41,645	13,134
Gains arising from non-trading activities in foreign currencies	6,510	36,075
Gains on securities held for trading purposes	79,447	144,429
Losses arising from trading in interest rate derivatives	(90,530)	(116,873)
Losses arising from trading in other derivatives	(27,485)	(30,265)
Fees and commissions		
- Income	599,941	582,153
- Expense	(664)	(2,222)
Other income	(6,281)	740
	<u>602,583</u>	<u>627,171</u>
Total revenue	1,156,663	1,231,008
Operating expenses		
Staff expenses	(370,282)	(367,839)
Rental expenses	(78,397)	(63,050)
Other operating expenses		
- Depreciation expenses	(118)	(238)
- Group servicing fee	(242,457)	(423,750)
- Telecom expenses	(3,764)	(3,573)
- Equipment expenses	(4,069)	(1,765)
- Legal and Professional fee	(9,933)	(15,522)
- Travel expenses	(2,409)	(9,008)
- Subscription fee	(2,645)	(3,686)
- Other miscellaneous expenses	(119,867)	(133,205)
	<u>(833,941)</u>	<u>(1,021,636)</u>
Operating profit before provisions	322,722	209,372
Impairment allowance charged	41,116	(67,393)
Loss on sale of fixed assets	(798)	-
Profit before taxation	<u>363,040</u>	<u>141,979</u>
Tax expense	(80,875)	(22,919)
Profit after taxation	<u>282,165</u>	<u>119,060</u>
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II. BALANCE SHEET DATA

	30-Jun-20	31-Dec-19
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	3,225,581	5,914,870
Due from Exchange Fund	2,110,864	1,218,366
Placements with banks and financial institutions maturing		
- Within one month	3,749,080	6,092,442
- Between one and twelve months	10,167,948	12,115,595
- Over one year	464,311	467,668
Amount due from overseas offices of the institution	16,432,669	29,399,314
Trade bills, net of impairment allowance	53,120	24,884
Trading securities, at fair value		
- Other securities	17,059,181	17,407,488
Advances to customers and other receivables, net of impairment allowance	52,566,628	60,809,680
Property, plant & equipment	11,125	12,840
Other assets	2,126,361	1,899,096
	<hr/>	<hr/>
TOTAL ASSETS	107,966,868	135,362,243
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Deposits and balances from banks	506,094	1,916,592
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	23,119,458	36,250,062
- saving deposits	2,999,722	2,739,684
- time, call and notice deposits	6,792,002	6,877,392
Amount due to overseas offices of the institution	69,017,027	82,187,536
Provision for commitments and contingent liabilities	117,701	97,082
Other accounts & accruals	5,414,864	5,293,895
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TOTAL LIABILITIES	107,966,868	135,362,243
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III. ADDITIONAL BALANCE SHEET INFORMATION

	30-Jun-20	31-Dec-19
	HK\$'000	HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	128,974	100,809
Impairment allowance		
- Collective assessment	(537)	(251)
- Individual assessment	(75,317)	(75,674)
	<u>53,120</u>	<u>24,884</u>
	=====	=====
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	53,341,259	61,687,100
Impairment allowance		
- Collective assessment	(562,232)	(624,240)
- Individual assessment	(396,590)	(398,480)
	<u>52,382,437</u>	<u>60,664,380</u>
	=====	=====
Accrued interests	184,191	145,300
	<u>52,566,628</u>	<u>60,809,680</u>
	=====	=====
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	9,993,932	11,141,885
Impairment allowance		
- Collective assessment	(24,138)	(9,332)
- Individual assessment	(93,563)	(87,750)
	<u>9,876,231</u>	<u>11,044,803</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)

	30-Jun-20	31-Dec-19
	HK\$'000	HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
- More than one year	396,562	398,445
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	396,562	398,445
	=====	=====
Individually assessed allowance made in respect of overdue advances to customers		
- More than one year	396,562	398,445
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	396,562	398,445
	=====	=====
Overdue advances to customers as a percentage of total advances to customers		
- More than one year	0.74%	0.65%
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	0.74%	0.65%
	=====	=====
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	396,672	398,586
	=====	=====
- Individually assessed allowance	396,590	398,480
	=====	=====
- Impaired advances to customers as a percentage of total advances to customers	0.74%	0.65%
	=====	=====

As at Jun 30, 2020 and Dec 31, 2019, there was no collateral held in respect of impaired advances to customers. There was no impaired advance to banks & other financial institutions.

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	30-Jun-20	31-Dec-19
	HKS'000	HKS'000
(vi) Analysis of other assets which have been overdue		
Overdue trade bills		
- More than one year	75,317	75,674
	<hr/>	<hr/>
	75,317	75,674
	=====	=====
Individually assessed allowance made in respect of		
- More than one year	75,317	75,674
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	75,317	75,674
	=====	=====
- Overdue trade bills as a percentage of total trade bills	58.40%	75.07%
	=====	=====
(vii) As at Jun 30, 2020 and Dec 31, 2019, the Branch had no repossessed assets.		

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IV. OFF-BALANCE SHEET EXPOSURES

	30-Jun-20	31-Dec-19
	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	3,702,157	4,584,230
- Transaction-related contingencies	120,182	158,936
- Trade-related contingencies	2,801,653	3,145,779
- Other commitments	17,965,070	20,476,631
	<u>24,589,062</u>	<u>28,365,576</u>
	=====	=====

The notional amount of derivatives contracts are as follow:

- Exchange rate contracts	134,145,033	118,583,963
- Interest rate contracts	48,307,624	45,118,755
	<u>182,452,657</u>	<u>163,702,718</u>
	=====	=====

The contract amount of these instruments indicates the volume of transactions outstanding as at the balance sheet date, 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	1,240,179	890,935
- Interest rate contracts	1,671,529	1,265,301
	<u>2,911,708</u>	<u>2,156,236</u>
	=====	=====
Fair value liabilities		
- Exchange rate contracts	1,231,511	941,046
- Interest rate contracts	1,772,446	1,311,421
	<u>3,003,957</u>	<u>2,252,467</u>
	=====	=====

The contractual amount and fair value above do not take into account the effect of bilateral netting arrangements. Exchange rate-related 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:

	30-Jun-20		31-Dec-19	
	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	2,932,610	-	2,691,639	-
- Wholesale & Retail Trade	467,668	-	729,129	-
- Manufacturing	6,413,763	-	9,735,196	112,914
- Transport & Transport Equipment	2,305,567	-	5,452,334	-
- Electricity & Gas	1,077,571	-	1,828,607	-
- Recreational activities	69,753	-	62,297	-
- Information Technology	1,174,338	-	1,329,775	-
- All others	4,313,887	-	5,114,341	-
	<u>19,255,157</u>	<u>-</u>	<u>27,443,318</u>	<u>112,914</u>
Individuals	2,843	-	28,808	-
Trade Finance	7,390,458	-	9,352,109	-
Advances for use outside Hong Kong	26,692,801	-	24,862,865	-
	<u>53,341,259</u>	<u>-</u>	<u>61,687,101</u>	<u>112,914</u>
	=====	=====	=====	=====

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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-20	31-Dec-19
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	29,045,393	39,612,521
- India	12,068,549	10,706,512
- United States	3,805,966	1,810,574
- Macau	1,830,289	1,636,136
- China	1,716,053	2,642,180
- United Kingdom	971,046	618,663
- Mauritius	967,720	971,578
- Cayman Islands	951,910	1,043,101
- South Korea	605,268	694,092
- Netherlands	474,722	-
- Switzerland	388,282	294,694
- Malawi	310,014	311,486
- Luxembourg	123,468	474,044
- Mexico	63,655	42,906
- France	13,717	15,741
- Malaysia	3,112	17,820
- Sri Lanka	1,988	-
- Ireland	107	74
- New Zealand	-	78,864
- Japan	-	367,744
- Singapore	-	344,984
- Others	-	3,386
	<u>53,341,259</u>	<u>61,687,100</u>
	=====	=====

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

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

- Hong Kong	275,926	277,236
- Cayman Islands	82,050	82,439
- China	38,586	38,770
	<u>396,562</u>	<u>398,445</u>
	=====	=====

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V. SEGMENTAL INFORMATION (Continued)

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

	30-Jun-20 HK\$'000	31-Dec-19 HK\$'000
- Hong Kong	276,035	277,377
- Cayman Islands	82,050	82,439
- China	38,587	38,770
	<hr/>	<hr/>
	396,672	398,586
	=====	=====

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

- Hong Kong	75,317	75,674
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	75,317	75,674
	=====	=====

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

- Hong Kong	75,317	75,674
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	75,317	75,674
	=====	=====

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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 30 Jun, 2020			HK\$ Million		
Developed countries	16,499	-	1	3,137	19,637
of which: - United States	16,476	-	-	1,165	17,641
Offshore centres	1,550	-	5,486	24,021	31,057
of which: - Hong Kong SAR	1,550	-	5,486	20,155	27,191
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
	33,183	709	6,070	47,615	87,577
	33,183	709	6,070	47,615	87,577
As at 31 Dec, 2019					
Developed countries	29,482	-	7	3,086	32,575
of which: - United States	29,451	-	-	1,799	31,250
Offshore centers	-	-	5,664	31,996	37,660
of which: - Hong Kong SAR	-	-	5,664	28,083	33,747
Developing Asia-Pacific	24,639	135	587	19,926	45,287
of which: - China	15,853	-	-	9,074	24,927
- India	4,171	-	587	10,135	14,893
	54,121	135	6,258	55,008	115,522
	54,121	135	6,258	55,008	115,522

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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.

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> HK\$ Million	<u>Total</u>
As at 30 Jun, 2020			
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	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net (short)/long position	(270)	36	(234)
	<u> </u>	<u> </u>	<u> </u>
Net structural position	-	-	-
	<u> </u>	<u> </u>	<u> </u>
	<u>USD</u>	<u>OTH</u> HK\$ Million	<u>Total</u>
As at 31 Dec, 2019			
Spot assets	101,744	14,574	116,318
Spot liabilities	(107,145)	(13,549)	(120,694)
Forward purchases	47,000	61,861	108,861
Forward sales	(42,051)	(62,861)	(104,912)
Net option position	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net (short)/long position	(452)	25	(427)
	<u> </u>	<u> </u>	<u> </u>
Net structural position	-	-	-
	<u> </u>	<u> </u>	<u> </u>

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	<u>Quarter ended</u> Jun 30, 2020	<u>Quarter ended</u> Jun 30, 2019
The average liquidity maintenance ratio for the financial period (“Average LMR”)	58.23%	54.58%
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The average LMR are calculated as the simple average of each month’s average corresponding ratio for the period. In accordance with the Banking (Disclosure) (Amendment) Rules 2018.

(ii) Liquidity risk management process

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

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

(iii) Source of Funding

	As at 30 Jun, 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	76,955,359	71.35%	89,245,508	65.98%
- Funding raised from banks	288,354	0.27%	1,551,003	1.15%
- Deposit from customers	25,081,034	23.26%	38,697,558	28.61%

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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 Jun'20			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	16,924,151	361,657	17,285,808
Local governments, local government-owned entities and their subsidiaries and JVs	2,374,265	-	2,374,265
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,190,128	1,315,743	9,505,871
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	2,718,134	953,770	3,671,904
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	904,491	-	904,491
Total	<u>31,111,169</u>	<u>2,631,170</u>	<u>33,742,339</u>
Total assets after provision	<u>107,849,167</u>		
On-balance sheet exposures as percentage of total assets	<u>28.85%</u>		

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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 Dec'19			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	23,650,370	785,384	24,435,754
Local governments, local government-owned entities and their subsidiaries and JVs	2,355,184	-	2,355,184
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,206,858	1,931,505	10,138,363
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	3,001,032	2,826,964	5,827,996
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	912,578	-	912,578
Total	38,126,022	5,543,853	43,669,875
	=====	=====	=====
Total assets after provision	135,265,161		
On-balance sheet exposures as percentage of total assets	28.19%		
	=====		

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

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SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	30-Jun-20	31-Dec-19
	US\$ Million	US\$ Million
- Common Equity Tier 1 Capital ratio (Standardized Approach)	11.60%	11.20%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	11.40%	11.50%
- Tier 1 Capital Ratio (Standardized Approach)	13.20%	12.60%
- Tier 1 Capital Ratio (Advanced Approach)	12.90%	13.00%
- Total Capital Ratio (Standardized Approach)	15.80%	14.80%
- Total Capital ratio (Advanced Approach)	14.80%	14.70%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' funds	265,637	264,810
- Risk-weighted assets (Standardized Approach)	1,475,047	1,495,027
- Risk-weighted assets (Advanced Approach)	1,503,074	1,446,895
	=====	=====

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-20	31-Dec-19
	US\$ Million	US\$ Million
- Total assets	2,741,688	2,434,079
- Total liabilities	2,476,051	2,169,269
- Total advances (net of allowances)	979,555	974,010
- Total customer deposits	1,718,666	1,434,803
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- Pre-tax profit	8,330	32,754
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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.