



Bank of America, National Association

Hong Kong Branch

Interim Disclosure Statement

June 30, 2019

BANK OF AMERICA, NATIONAL ASSOCIATION
HONG KONG BRANCH
Jun 30, 2019

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION

	30-Jun-19	30-Jun-18
	HK\$'000	HK\$'000
Interest income	1,778,401	1,567,687
Interest expense	(1,174,564)	(863,992)
Net interest income	<u>603,837</u>	<u>703,695</u>
Other operating income		
Gains arising from trading in foreign currencies	13,134	21,672
Gains arising from non-trading activities in foreign currencies	36,075	49,063
Gains on securities held for trading purposes	144,429	18,585
Losses arising from trading in interest rate derivatives	(116,873)	(7,467)
Losses arising from trading in other derivatives	(30,265)	(24,433)
Fees and commissions		
- Income	582,153	540,838
- Expense	(2,222)	(963)
Other income	740	2,938
	<u>627,171</u>	<u>600,233</u>
Total revenue	<u>1,231,008</u>	<u>1,303,928</u>
Operating expenses		
Staff expenses	(367,839)	(381,625)
Rental expenses	(63,050)	(63,243)
Other operating expenses		
- Depreciation expenses	(238)	(334)
- Group servicing fee	(423,750)	(253,124)
- Telecom expenses	(3,573)	(3,679)
- Equipment expenses	(1,765)	(327)
- Legal and Professional fee	(15,522)	(11,252)
- Travel expenses	(9,008)	(8,864)
- Subscription fee	(3,686)	(4,607)
- Other miscellaneous expenses	(133,205)	(163,509)
	<u>(1,021,636)</u>	<u>(890,564)</u>
Operating profit before provisions	209,372	413,364
Impairment allowance charged	(67,393)	(28,327)
Profit before taxation	<u>141,979</u>	<u>385,037</u>
Tax expense	(22,919)	(62,085)
Profit after taxation	<u><u>119,060</u></u>	<u><u>322,952</u></u>

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II. BALANCE SHEET DATA

	30-Jun-19	31-Dec-18
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	4,505,600	4,147,360
Due from Exchange Fund	2,032,471	1,344,569
Placements with banks and financial institutions maturing		
- Within one month	2,521,579	2,811,617
- Between one and twelve months	16,506,072	12,349,735
- Over one year	645,274	1,141,376
Amount due from overseas offices of the institution	16,708,767	23,093,812
Trade bills, net of impairment allowance	806,537	1,223,846
Trading securities, at fair value		
- Other securities	19,694,670	20,712,624
Advances to customers and other receivables, net of impairment allowance	59,195,255	53,965,426
Property, plant & equipment	14,780	16,726
Other assets	1,768,640	2,116,993
	<hr/>	<hr/>
TOTAL ASSETS	124,399,645	122,924,084
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Deposits and balances from banks	3,403,685	4,774,918
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	18,609,630	24,731,203
- saving deposits	2,872,081	3,477,401
- time, call and notice deposits	10,437,097	10,143,844
Amount due to overseas offices of the institution	83,745,800	74,465,926
Provision for commitments and contingent liabilities	7,983	4,025
Other accounts & accruals	5,323,369	5,326,765
	<hr/>	<hr/>
TOTAL LIABILITIES	124,399,645	122,924,082
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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION

	30-Jun-19 HK\$'000	31-Dec-18 HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	890,563	1,312,309
Impairment allowance		
- Collective assessment	(8,147)	(12,362)
- Individual assessment	(75,879)	(76,101)
	<u>806,537</u>	<u>1,223,846</u>
	=====	=====
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	60,031,825	54,860,900
Impairment allowance		
- Collective assessment	(611,185)	(542,887)
- Individual assessment	(617,402)	(619,845)
	<u>58,803,238</u>	<u>53,698,168</u>
Accrued interests	392,017	267,258
	<u>59,195,255</u>	<u>53,965,426</u>
	=====	=====
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	9,306,917	7,337,937
Impairment allowance		
- Collective assessment	(7,983)	(2,230)
- Individual assessment	-	(1,795)
	<u>9,298,934</u>	<u>7,333,912</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-19 HK\$'000	31-Dec-18 HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
- More than one year	617,402	619,845
	<hr/>	<hr/>
	617,402	619,845
	=====	=====
Individually assessed allowance made in respect of overdue advances to customers		
- More than one year	617,402	218,376
	<hr/>	<hr/>
	617,402	218,376
	=====	=====
Overdue advances to customers as a percentage of total advances to customers		
- More than one year	1.03%	1.13%
	<hr/>	<hr/>
	1.03%	1.13%
	=====	=====

As at Jun 30, 2019 and Dec 31, 2018, 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-19	31-Dec-18
	HKS'000	HKS'000
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	617,402	619,845
	=====	=====
- Individually assessed allowance	617,402	619,845
	=====	=====
- Impaired advances to customers as a percentage of total advances to customers	1.03%	1.13%
	=====	=====

As at Jun 30, 2019 and Dec 31, 2018, 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 trade bills		
- More than one year	75,879	76,101
	-----	-----
	75,879	76,101
	=====	=====
Individually assessed allowance made in respect of		
- More than one year	75,879	76,101
	-----	-----
	75,879	76,101
	=====	=====
- Overdue trade bills as a percentage of total trade bills	8.52%	5.80%
	=====	=====

(vii) As at Jun 30, 2019 and Dec 31, 2018, the Branch had no repossessed assets.

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IV. OFF-BALANCE SHEET EXPOSURES

	30-Jun-19	31-Dec-18
	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	3,128,980	2,033,983
- Transaction-related contingencies	166,975	188,689
- Trade-related contingencies	4,008,946	3,402,253
- Other commitments	15,003,280	17,300,014
	<u>22,308,181</u>	<u>22,924,939</u>
	=====	=====

The notional amount of derivatives contracts are as follow:

- Exchange rate contracts	166,041,147	161,721,880
- Interest rate contracts	45,093,043	51,923,365
	<u>211,134,190</u>	<u>213,645,245</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	962,901	1,219,196
- Interest rate contracts	1,404,495	1,313,788
	<u>2,367,396</u>	<u>2,532,984</u>
	=====	=====
Fair value liabilities		
- Exchange rate contracts	793,190	1,176,606
- Interest rate contracts	1,424,123	1,244,851
	<u>2,217,313</u>	<u>2,421,457</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-19		31-Dec-18	
	Outstanding balance	Balance covered by collateral	Outstanding balance	Balance covered by collateral
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By industry categories:				
Advances for use in Hong Kong				
Industrial, Commercial and Financial				
- Property Development	500,000	-	737,500	-
- Financial Concerns	2,704,809	-	2,699,004	-
- Wholesale & Retail Trade	717,961	-	537,769	-
- Manufacturing	8,509,607	113,218	7,246,898	191,861
- Transport & Transport Equipment	5,461,237	-	3,670,601	-
- Electricity & Gas	2,701,115	-	3,320,919	-
- Recreational activities	243,486	-	170,081	-
- Information Technology	5,548,863	-	4,912,215	-
- All others	6,727,251	390,408	5,397,831	391,553
	<u>33,114,329</u>	<u>503,626</u>	<u>28,692,818</u>	<u>583,414</u>
Individuals	36,052	-	33,760	-
Trade Finance	9,970,326	-	10,383,200	-
Advances for use outside Hong Kong	16,911,120	-	15,751,122	-
	<u>60,031,827</u>	<u>503,626</u>	<u>54,860,900</u>	<u>583,414</u>
	=====	=====	=====	=====

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V. SEGMENTAL INFORMATION (Continued)

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

	30-Jun-19	31-Dec-18
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	38,046,603	33,046,000
- India	9,584,432	7,584,474
- China	2,822,073	2,836,909
- Macau	2,466,101	3,940,849
- United States	1,633,330	2,606,572
- Mauritius	989,139	1,097,808
- South Korea	824,238	654,558
- Singapore	791,696	1,039,316
- Netherlands	780,815	783,105
- United Kingdom	770,156	1,633
- Luxembourg	493,305	603,199
- Malawi	312,326	313,242
- Switzerland	255,049	213,788
- Mexico	83,316	8,067
- Cayman Islands	82,662	82,904
- Malaysia	59,505	34,784
- France	14,988	-
- Japan	9,053	9,256
- Canada	5,338	-
- Thailand	4,974	4,349
- Sri Lanka	2,673	-
- Others	55	88
	<u>60,031,827</u>	<u>54,860,900</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	495,721	497,175
- Cayman Islands	82,662	82,904
- China	39,019	39,766
	<u>617,402</u>	<u>619,845</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-19 HK\$'000	31-Dec-18 HK\$'000
- Hong Kong	495,721	497,175
- Cayman Islands	82,662	82,904
- China	39,019	39,766
	<hr/>	<hr/>
	617,402	619,845
	=====	=====

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

- Hong Kong	75,879	76,101
	<hr/>	<hr/>
	75,879	76,101
	=====	=====

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

- Hong Kong	75,879	76,101
	<hr/>	<hr/>
	75,879	76,101
	=====	=====

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VI. INTERNATIONAL CLAIMS

	Banks	Official Sector	<u>Non-bank private sector</u>		Total
			Non-bank financial institutions	Non- financial private sector	
As at 30 Jun, 2019			HK\$ Million		
- Developed countries	17,415	-	-	3,972	21,387
of which :					
- Australia	1	-	-	-	1
- Canada	-	-	-	5	5
- France	-	-	-	15	15
- Japan	341	-	-	9	350
- Luxembourg	-	-	-	409	409
- Netherlands	-	-	-	788	788
- New Zealand	-	-	-	-	-
- UK	19	-	-	857	876
- United States	17,054	-	-	1,634	18,688
- Switzerland	-	-	-	255	255
- Offshore centers	-	-	5,922	27,590	33,512
of which :					
-Cayman Islands	-	-	-	83	83
-HK SAR	-	-	5,387	23,788	29,175
-Macau SAR	-	-	-	2,470	2,470
-Mauritius	-	-	-	989	989
-Singapore	-	-	535	260	795
-West Indies UK	-	-	-	-	-
- Developing Africa and Middle East	1	-	-	313	314
of which :					
- Malawi	-	-	-	313	313
- South Africa	1	-	-	-	1
- Developing Asia- Pacific	24,215	2,895	194	19,581	46,885
of which :					
- China	15,435	195	-	9,254	24,884
-Chinese Taipei	665	-	-	-	665
- India	5,139	-	194	9,429	14,763
- Indonesia	786	-	-	-	786
- Malaysia	-	-	-	60	60
- Philippines	-	-	-	-	-
- South Korea	2,190	2,700	-	830	5,720
- Thailand	-	-	-	5	5
- Sri Lanka	-	-	-	3	3
- Developing Latin America and Caribbean	-	-	-	83	83
of which:					
- Mexico	-	-	-	83	83
	<u>41,631</u>	<u>2,895</u>	<u>6,116</u>	<u>51,539</u>	<u>102,181</u>
	=====	=====	=====	=====	=====

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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 31 Dec, 2018	HK\$ Million				
- Developed countries	23,133	-	521	3,690	27,344
of which :					
- Australia	1	-	-	0	1
- Canada	-	-	-	-	-
- France	-	-	-	-	-
- Japan	-	-	-	-	-
- Luxembourg	-	-	0	603	603
- Netherlands	-	-	0	783	783
- New Zealand	-	-	-	-	-
-UK	2	-	1	0	4
-United States	23,130	-	519	2,090	25,739
-Switzerland	-	-	-	214	214
- Offshore centers	-	-	1,381	35,108	36,489
of which :					
-Cayman Islands	-	-	-	83	83
-HK SAR	-	-	847	29,464	30,311
- Macau SAR	-	-	-	3,952	3,952
- Mauritius	-	-	-	1,098	1,098
- Singapore	-	-	535	510	1,045
-West Indies UK	-	-	-	-	-
- Developing Africa and Middle East	-	-	-	314	314
of which :					
- Malawi	-	-	-	314	314
- South Africa	-	-	-	-	0
- Developing Asia- Pacific	21,914	2,807	-	17,331	42,051
of which :					
- China	14,244	-	-	9,020	23,264
-Chinese Taipei	666	-	-	-	666
- India	4,653	-	-	7,615	12,268
- Indonesia	-	-	-	-	-
- Malaysia	-	-	-	35	35
- Philippines	-	-	-	-	-
- South Korea	2,351	2,807	-	657	5,815
- Thailand	-	-	-	4	4
- Sri Lanka	-	-	-	-	-
- Developing Latin America and Caribbean	-	-	-	8	8
of which:					
- Mexico	-	-	-	8	8
	45,047	2,807	1,902	56,451	106,207
	45,047	2,807	1,902	56,451	106,207

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS (Continued)

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

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

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VII. CURRENCY RISK

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

	<u>USD</u>	<u>OTH</u>	<u>Total</u>
		HK\$ Million	
As at 30 Jun, 2019			
Spot assets	83,738	17,858	101,596
Spot liabilities	(97,175)	(12,109)	(109,284)
Forward purchases	74,890	86,720	161,610
Forward sales	(61,916)	(92,462)	(154,378)
Net option position	-	-	-
	-----	-----	-----
Net (short)/long position	(463)	7	(456)
	=====	=====	=====
Net structural position	0	-	0
	=====	=====	=====
	<u>USD</u>	<u>OTH</u>	<u>Total</u>
		HK\$ Million	
As at 31 Dec, 2018			
Spot assets	87,834	17,424	105,258
Spot liabilities	(97,546)	(11,495)	(109,041)
Forward purchases	73,175	79,244	152,419
Forward sales	(64,166)	(85,164)	(149,330)
Net option position	-	-	-
	-----	-----	-----
Net (short)/long position	(703)	9	(694)
	=====	=====	=====
Net structural position	-	-	-
	=====	=====	=====

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	<u>Quarter ended</u> Jun 30, 2019	<u>Quarter ended</u> Mar 31, 2019
The average liquidity maintenance ratio for the financial period (“Average LMR”)	54.58%	53.65%
	=====	=====

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.

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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.

As at 30 Jun, 2019	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	26,593,273	3,219,258	29,812,531
Local governments, local government-owned entities and their subsidiaries and JVs	2	1,759,750	1,015,989	2,775,739
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	6,874,797	799,225	7,674,022
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	2,542,520	3,025,166	5,567,686
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	719,195	664,301	1,383,496
Total	8	38,489,535	8,723,939	47,213,474
Total assets after provision	9	124,391,662		
On-balance sheet exposures as percentage of total assets	10	30.94%		

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IX. MAINLAND ACTIVITIES (CONTINUED)

As at 31 Dec, 2018	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	24,998,664	5,263,742	30,262,407
Local governments, local government-owned entities and their subsidiaries and JVs	2	1,975,552	783,105	2,758,657
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	6,729,179	704,794	7,433,973
Other entities of central government not reported in item 1 above	4	18,016	-	18,016
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	2,304,740	2,093,003	4,397,744
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	219,861	172,283	392,145
Total	8	36,246,013	9,016,928	45,262,941
Total assets after provision	9	122,920,057		
On-balance sheet exposures as percentage of total assets	10	29.49%		

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

I. CAPITAL AND CAPITAL ADEQUACY

	30-Jun-19	31-Dec-18
	US\$ Million	US\$ Million
- Common Equity Tier 1 Capital ratio (Standardized Approach)	11.70%	11.60%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	12.00%	11.90%
- Tier 1 Capital Ratio (Standardized Approach)	13.30%	13.20%
- Tier 1 Capital Ratio (Advanced Approach)	13.70%	13.40%
- Total Capital Ratio (Standardized Approach)	15.60%	15.40%
- Total Capital ratio (Advanced Approach)	15.40%	15.10%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' funds	271,408	265,325
- Risk-weighted assets (Standardized Approach)	1,466,458	1,436,905
- Risk-weighted assets (Advanced Approach)	1,431,201	1,408,264
	=====	=====

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-19	31-Dec-18
	US\$ Million	US\$ Million
- Total assets	2,395,892	2,354,507
- Total liabilities	2,124,484	2,089,182
- Total advances (net of allowances)	954,273	937,294
- Total customer deposits	1,375,093	1,381,476
	=====	=====
	30-Jun-19	31-Dec-18
	US\$ Million	US\$ Million
- Pre-tax profit	17,726	34,584
	=====	=====

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.bofam.com/en-us/content/apac-hongkong.html>, for public inspection.