

Bank of America, National Association

Hong Kong Branch

Interim Disclosure Statement

June 30, 2017

BANK OF AMERICA, NATIONAL ASSOCIATION
HONG KONG BRANCH
Jun 30, 2017

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION	Jun 30, 2017	Jun 30, 2016
	HK\$'000	HK\$'000
Interest income	818,880	540,014
Interest expense	(334,972)	(207,898)
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Net interest income	483,908	332,116
Other operating income/ (loss)		
(Losses)/ gains arising from trading in foreign currencies	(85,510)	69,239
Gains arising from non-trading activities in foreign currencies	20,676	-
Gains/ (losses) on securities held for trading purposes	68,475	(1,584)
(Losses)/ gains arising from trading in interest rate derivatives	(1,955)	106
Losses arising from trading in other derivatives	(9,251)	(4,538)
Fees and commissions		
- Income	455,804	497,427
- Expense	(987)	(276)
Income from non-trading investments	-	-
Other income	700	2,180
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	447,952	562,554
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Total revenue	931,860	894,670
Operating expenses		
Staff expenses	(370,762)	(409,703)
Rental expenses	(61,338)	(55,552)
Other operating expenses		
- Depreciation expenses	(455)	(823)
- Group servicing fee	(181,675)	(228,846)
- Telecom expenses	(3,123)	(2,378)
- Equipment expenses	(941)	(2,031)
- Legal and Professional fee	(8,619)	(13,471)
- Travel expenses	(8,324)	(11,914)
- Subscription fee	(3,480)	(2,618)
- Other miscellaneous expenses	(147,515)	(177,900)
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	(786,232)	(905,236)
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Operating profit/ (loss) before provisions	145,628	(10,566)
Impairment allowance charged	(4,697)	(150,950)
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Profit/ (loss) before taxation	140,931	(161,516)
Tax expense/ income	(24,091)	21,035
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Profit/ (loss) after taxation	116,840	(140,481)
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II. BALANCE SHEET DATA

	Jun 30, 2017	Dec 31, 2016
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	3,824,417	2,433,924
Due from Exchange Fund	4,508,041	6,380,742
Placements with banks and financial institutions maturing		
- Within one month	3,436,504	4,766,739
- Between one and twelve months	17,501,834	13,365,807
- Over one year	962,028	436,196
Amount due from overseas offices of the institution	16,983,964	18,338,887
Trade bills, net of impairment allowance	268,842	103,972
Certificate of Deposit	1,875,990	4,074,027
Trading securities, at fair value		
- Other securities	10,222,579	2,904,002
Advances to customers and other receivables, net of impairment allowance	40,743,142	37,940,655
Property, plant & equipment	22,846	22,797
Other assets	10,722,949	3,833,349
	<hr/>	<hr/>
TOTAL ASSETS	111,073,136	94,601,097
	=====	=====
LIABILITIES		
Deposits and balances from banks	2,319,104	2,347,934
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	20,981,131	18,055,040
- saving deposits	4,115,207	3,557,794
- time, call and notice deposits	20,489,931	12,584,407
Amount due to overseas offices of the institution	56,361,404	51,307,284
Provision for commitments and contingent liabilities	9,448	37,727
Other accounts & accruals	6,796,911	6,710,911
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TOTAL LIABILITIES	111,073,136	94,601,097
	=====	=====

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III. ADDITIONAL BALANCE SHEET INFORMATION

	Jun 30, 2017	Dec 31, 2016
	HK\$'000	HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	347,411	180,380
Impairment allowance		
- Collective assessment	(2,716)	(1,050)
- Individual assessment	(75,853)	(75,358)
	<u>268,842</u>	<u>103,972</u>
	=====	=====
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	41,683,205	38,931,279
Impairment allowance		
- Collective assessment	(419,591)	(385,253)
- Individual assessment	(770,743)	(768,978)
	<u>40,492,871</u>	<u>37,777,048</u>
Accrued interests	250,271	163,607
	<u>40,743,142</u>	<u>37,940,655</u>
	=====	=====
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	45,660,457	10,237,640
Impairment allowance		
- Collective assessment	(9,448)	(10,729)
- Individual assessment	-	(26,998)
	<u>45,651,009</u>	<u>10,199,913</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)

	Jun 30, 2017	Dec 31, 2016
	HK\$'000	HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	619,030	624,087
	<hr/>	<hr/>
	619,030	624,087
	=====	=====
Individually assessed allowance made in respect of overdue advances to customers		
- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	537,406	542,995
	<hr/>	<hr/>
	537,406	542,995
	=====	=====
Overdue advances to customers as a percentage of total advances to customers		
- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	1.49%	1.60%
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	1.49%	1.60%
	=====	=====

As at Jun 30, 2017 and Dec 31, 2016, there were no overdue and rescheduled advances to banks. The branch had no rescheduled advances and there was no collateral held in respect of those overdue advances to customers.

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III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	Jun 30, 2017	Dec 31, 2016
	HK\$'000	HK\$'000
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	1,085,720	1,528,017
	=====	=====
- Individually assessed allowance	770,743	768,978
	=====	=====
- Impaired advances to customers as a percentage advances to customers	2.60%	3.92%
	=====	=====

As at Jun 30, 2017 and Dec 31, 2016, 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

- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	75,853	75,358
	-----	-----
	75,853	75,358
	=====	=====

Individually assessed allowance made in respect of

- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	75,853	75,358
	-----	-----
	75,853	75,358
	=====	=====

- Overdue trade bills as a percentage of total trade bills	21.83%	41.78%
	=====	=====

(vii) As at Jun 30, 2017 and Dec 31, 2016, the Branch had no repossessed assets.

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IV. OFF-BALANCE SHEET EXPOSURES

	Jun 30, 2017	Dec 31, 2016
	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	8,594,890	1,170,455
- Transaction-related contingencies	146,581	188,392
- Trade-related contingencies	5,742,903	5,772,894
- Other commitments	47,165,346	15,338,271
- Forward forward deposit placed	-	-
	<u>61,647,720</u>	<u>22,470,012</u>
	=====	=====
The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	198,101,601	195,925,429
- Interest rate contracts	63,121,522	67,069,775
	<u>261,223,123</u>	<u>262,995,204</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	2,655,646	3,864,486
- Interest rate contracts	939,354	901,036
	<u>3,595,000</u>	<u>4,765,522</u>
	=====	=====
Fair value liabilities		
- Exchange rate contracts	2,723,552	3,472,616
- Interest rate contracts	942,675	902,398
	<u>3,666,227</u>	<u>4,375,014</u>
	=====	=====

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

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V. SEGMENTAL INFORMATION

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

	Jun 30, 2017		Dec 31, 2016	
	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	1,898,214	-	2,326,786	-
- Financial Concerns	2,625,869	-	1,774,301	-
- Stockbrokers	-	-	-	-
- Wholesale & Retail Trade	78,236	-	429,668	-
- Manufacturing	3,736,079	191,235	2,403,680	-
- Transport & Transport Equipment	738,413	585,413	357,638	232,638
- Electricity & Gas	2,110,592	-	1,677,592	-
- Recreational activities	72,658	-	-	-
- Information Technology	959,811	-	1,035,179	-
- All others	5,269,179	390,275	4,043,564	387,730
	<u>17,489,051</u>	<u>1,166,923</u>	<u>14,048,408</u>	<u>620,368</u>
Individuals	25,396	-	16,426	-
Trade Finance	9,651,689	-	9,762,130	-
Advances for use outside Hong Kong	14,517,069	-	15,104,315	-
	<u>41,683,205</u>	<u>1,166,923</u>	<u>38,931,279</u>	<u>620,368</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:

	Jun 30, 2017	Dec 31, 2016
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	26,543,280	25,033,876
- Macau	6,636,698	6,256,240
- China	2,990,232	1,374,692
- United States	1,222,365	1,795,702
- India	1,135,965	722,164
- Cayman Islands	1,069,896	1,766,603
- South Korea	464,317	387,730
- Luxembourg	441,518	491,555
- Netherlands	414,608	429,505
- Switzerland	388,459	179,040
- Singapore	329,392	327,244
- Malaysia	31,598	-
- Thailand	7,497	-
- United Kingdom	5,432	6,840
- Australia	1,869	4,179
- Others	79	17
- South Africa	-	146,394
- Residual Asia and Pacific	-	9,498
	<u>41,683,205</u>	<u>38,931,279</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	495,553	492,322
- Cayman Islands	82,634	90,765
- China	40,843	41,000
	<u>619,030</u>	<u>624,087</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:

	Jun 30, 2017	Dec 31, 2016
	HK\$'000	HK\$'000
- China	40,843	41,000
- Hong Kong	962,243	1,390,048
- Cayman Islands	82,634	96,969
	<u>1,085,720</u>	<u>1,528,017</u>
	=====	=====

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

- Hong Kong	75,853	75,358
	=====	=====

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

- Hong Kong	75,853	75,358
	=====	=====

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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	
	HK\$ Million				
As at Jun 30, 2017					
- Developed countries	17,125	-	968	2,539	20,632
<i>of which :</i>					
- Australia	-	-	-	4	4
- France	-	-	-	42	42
- Luxembourg	-	-	-	442	442
- Netherlands	-	-	-	419	419
- United Kingdom	1	-	968	-	969
- United States	17,124	-	-	1,243	18,367
- Switzerland	-	-	-	389	389
- Offshore centres	179	-	4,570	28,155	32,904
<i>of which :</i>					
- Cayman Islands	-	-	-	1,072	1,072
- Hong Kong SAR	179	-	1,655	23,018	24,852
- Singapore	-	-	-	333	333
- Macau SAR	-	-	2,915	3,732	6,647
- Developing Africa and Middle East	-	-	-	-	-
<i>of which :</i>					
- South Africa	-	-	-	-	-
- Developing Asia-Pacific	35,602	3,394	-	4,717	43,713
<i>of which :</i>					
- China	31,182	1,150	-	3,074	35,406
- India	2,019	-	-	1,136	3,155
- Chinese Taipei	-	-	-	-	-
- Indonesia	1,268	-	-	-	1,268
- South Korea	1,133	2,244	-	468	3,845
- Malaysia	-	-	-	32	32
- Residual Asia and Pacific	-	-	-	-	-
- Thailand	-	-	-	7	7
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	52,906	3,394	5,538	35,411	97,249
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VI. INTERNATIONAL CLAIMS (Continued)

	Banks	Official Sector	<u>Non-bank private sector</u>		Total
			Non-bank financial institutions	Non- financial private sector	
	HK\$ Million				
As at Dec 31, 2016					
- Developed countries	19,744	-	-	3,937	23,681
of which :					
- Australia	23	-	-	989	1,012
- France	-	-	-	42	42
- Luxembourg	-	-	-	498	498
- Netherlands	-	-	-	432	432
- United Kingdom	2	-	-	-	2
- United States	19,719	-	-	1,797	21,516
- Switzerland	-	-	-	179	179
- Offshore centres	-	-	3,325	26,101	29,425
of which :					
- Cayman Islands	-	-	-	1,769	1,769
- Hong Kong SAR	-	-	625	20,434	21,059
- Singapore	-	-	-	331	331
- Macau SAR	-	-	2,699	3,567	6,266
- Developing Africa and Middle East	-	-	-	149	149
of which :					
- South Africa	-	-	-	149	149
- Developing Asia-Pacific	24,303	1	147	2,432	26,883
of which :					
- China	17,581	-	147	1,309	19,037
- India	1,623	-	-	722	2,345
- Chinese Taipei	25	-	-	-	25
- Indonesia	1,118	-	-	-	1,118
- South Korea	3,320	1	-	391	3,712
- Malaysia	2	-	-	-	2
- Residual Asia and Pacific	634	-	-	10	644
	<u>44,047</u>	<u>1</u>	<u>3,471</u>	<u>32,619</u>	<u>80,138</u>
	=====	=====	=====	=====	=====

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VI. INTERNATIONAL CLAIMS (Continued)

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

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

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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>CNY</u>	<u>AUD</u>	<u>JPY</u>	<u>NZD</u>	<u>SGD</u>	<u>Total</u>
	HK\$ Million						
As at Jun 30, 2017							
Spot assets	67,300	15,693	928	1,989	1	828	86,739
Spot liabilities	(92,223)	(1,718)	(64)	(1,019)	-	(13)	(95,037)
Forward purchases	94,137	36,207	25,966	5,595	3,193	174	165,272
Forward sales	(75,329)	(48,044)	(25,966)	(5,595)	(3,035)	(174)	(158,143)
Net option position	-	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====	=====
Net (short)/long position	(6,115)	2,138	864	970	159	815	(1,169)
	=====	=====	=====	=====	=====	=====	=====
Net structural position	-	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====	=====

	<u>USD</u>	<u>CNY</u>	<u>AUD</u>	<u>JPY</u>	<u>NZD</u>	<u>SGD</u>	<u>Total</u>
	HK\$ Million						
As at Dec 31, 2016							
Spot assets	62,808	9,684	318	745	1	870	74,426
Spot liabilities	(77,078)	(1,529)	(179)	(58)	-	(33)	(78,877)
Forward purchases	91,935	4,890	53,079	9,241	9,262	81	168,488
Forward sales	(81,949)	(11,307)	(53,079)	(9,241)	(9,128)	(81)	(164,785)
Net option position	-	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====	=====
Net (short)/long position	(4,284)	1,738	139	687	135	837	(748)
	=====	=====	=====	=====	=====	=====	=====
Net structural position	-	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====	=====

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	For the six months ended	
	Jun 30, 2017	Jun 30, 2016
The average liquidity maintenance ratio for the financial period	54.44%	51.03%
	=====	=====

(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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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 Jun 30, 2017	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	17,287,689	300,661	17,588,350
Local governments, local government-owned entities and their subsidiaries and JVs	2	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	930,372	-	930,372
Other entities of central government not reported in item 1 above	4	509,303	-	509,303
Other entities of local government not reported in item 2 above	5	11,839	-	11,839
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	1,950,183	4,357,266	6,307,449
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	1,692,789	312,466	2,005,255
Total	8	<u>22,382,175</u>	<u>4,970,393</u>	<u>27,352,568</u>
Total assets after provision	9	111,063,687		
On-balance sheet exposures as percentage of total assets	10	20.15%		

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IX. MAINLAND ACTIVITIES (CONTINUED)

As at Dec 31, 2016	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	13,764,720	790,711	14,555,431
Local governments, local government-owned entities and their subsidiaries and JVs	2	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	916,134	-	916,134
Other entities of central government not reported in item 1 above	4	747,108	-	747,108
Other entities of local government not reported in item 2 above	5	11,699	-	11,699
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	1,809,181	4,050,304	5,859,485
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	2,004,943	310,184	2,315,127
Total	8	19,253,785 =====	5,151,199 =====	24,404,984 =====
Total assets after provision	9	94,563,370		
On-balance sheet exposures as percentage of total assets	10	20.36% =====		

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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Jun 30, 2017**

SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	Jun 30, 2017	Dec 31, 2016
- Common Equity Tier 1 Capital ratio (Standardized Approach)	12.30%	12.10%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	11.60%	11.00%
- Tier 1 Capital Ratio (Standardized Approach)	14.00%	13.60%
- Tier 1 Capital Ratio (Advanced Approach)	13.20%	12.40%
- Total Capital Ratio (Standardized Approach)	16.70%	16.30%
- Total Capital ratio (Advanced Approach)	15.10%	14.30%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' funds	270,987	266,840
- Risk-weighted assets (Standardized Approach)	1,389,274	1,399,477
- Risk-weighted assets (Advanced Approach)	1,477,285	1,529,903
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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

	Jun 30, 2017	Dec 31, 2016
	US\$ Million	US\$ Million
- Total assets	2,254,529	2,187,702
- Total liabilities	1,983,542	1,920,862
- Total advances (net of allowances)	905,791	895,446
- Total customer deposits	1,262,980	1,260,934
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	Jun 30, 2017	Jun 30, 2016
	US\$ Million	US\$ Million
- Pre-tax profit	14,942	9,628
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