

Bank of America, National Association
Hong Kong Branch
Disclosure Statement
June 30, 2023

Bank of America, N.A, Hong Kong Branch

Pillar 3 Disclosure

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION

	30-Jun-23	30-Jun-22
	HK\$'000	HK\$'000
Interest income	2,886,311	568,393
Interest expense	(1,954,468)	(164,743)
Net interest income	<u>931,843</u>	<u>403,650</u>
Other operating income		
(Losses)/Gains arising from trading in foreign currencies	(75,205)	41,525
Losses on securities held for trading purposes	(13,798)	(4,269)
Gains arising from trading in interest rate derivatives	6,023	802
(Losses)/Gains arising from trading in other derivatives	(27,056)	34,482
Fees and commissions		
Income	649,259	621,182
Expense	(397)	(559)
Other Income	596	—
	<u>539,422</u>	<u>693,163</u>
Total revenue	1,471,265	1,096,813
Operating expenses		
Staff expenses	(360,107)	(373,015)
Rental expenses	(73,811)	(74,255)
Other operating expenses		
Depreciation expenses	(652)	(843)
Group servicing fee	(263,306)	(244,314)
Telecom expenses	(4,437)	(4,453)
Equipment expenses	(4,589)	(3,305)
Legal and Professional fee	(3,444)	(7,439)
Travel expenses	(3,040)	(471)
Subscription fee	(2,934)	(2,804)
Other miscellaneous expenses	(97,881)	(111,509)
	<u>(814,201)</u>	<u>(822,409)</u>
Operating profit before provisions	657,064	274,404
Impairment allowance (charged)/credit	(5,691)	332,851
Profit before taxation	<u>651,373</u>	<u>607,255</u>
Tax expense	(118,285)	(126,934)
Profit after taxation	<u><u>533,088</u></u>	<u><u>480,321</u></u>

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

II. BALANCE SHEET DATA

	30-Jun-23	31-Dec-22
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	4,072,626	7,749,792
Due from Exchange Fund	1,694,387	3,451,238
Placements with banks and financial institutions maturing		
- Within one month	3,104,263	6,337,629
- Between one and twelve months	7,631,022	5,082,283
Amount due from overseas offices of the institution	32,438,122	28,159,551
Trade bills, net of impairment allowance	45,343	62,140
Trading securities, at fair value		
- Other securities	8,651,597	9,075,225
Advances to customers and other receivables, net of impairment allowance	47,219,104	47,780,762
Property, plant & equipment	5,574	7,226
Other assets	1,294,124	1,037,884
	<u>106,156,162</u>	<u>108,743,730</u>
TOTAL ASSETS	<u>106,156,162</u>	<u>108,743,730</u>
LIABILITIES		
Deposits and balances from banks	567,261	486,434
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	23,659,503	23,393,410
- saving deposits	2,167,744	1,682,925
- time, call and notice deposits	9,542,768	9,791,035
Amount due to overseas offices of the institution	67,057,467	70,198,977
Provision for commitments and contingent liabilities	179,202	25,425
Other accounts & accruals	2,982,217	3,165,524
	<u>106,156,162</u>	<u>108,743,730</u>
TOTAL LIABILITIES	<u>106,156,162</u>	<u>108,743,730</u>

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION

	30-Jun-23 HK\$'000	31-Dec-22 HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	121,946	138,546
Impairment allowance		
Collective assessment	(458)	(628)
Individual assessment	(76,145)	(75,778)
	<u>45,343</u>	<u>62,140</u>
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	48,277,861	48,792,555
Impairment allowance		
Collective assessment	(476,432)	(472,139)
Individual assessment	(744,630)	(894,889)
	<u>47,056,799</u>	<u>47,425,527</u>
Accrued interests	<u>162,305</u>	<u>355,235</u>
	<u>47,219,104</u>	<u>47,780,762</u>
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	11,495,540	12,239,317
Impairment allowance		
Collective assessment	(5,814)	(340)
Individual assessment	(173,388)	(25,085)
	<u>11,316,338</u>	<u>12,213,892</u>

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

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	30-Jun-23 HK\$'000	31-Dec-22 HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
More than one year	400,843	398,914
	<u>400,843</u>	<u>398,914</u>
Individually assessed allowance made in respect of overdue advances to customers		
More than one year	476,988	474,693
	<u>476,988</u>	<u>474,693</u>
Overdue advances to customers as a percentage of total advances to customers		
More than one year	0.83 %	0.82 %
	<u>0.83 %</u>	<u>0.82 %</u>

As at Jun 30, 2023 and Dec 31, 2022, 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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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	30-Jun-23 HK\$'000	31-Dec-22 HK\$'000
(v) Impaired advances to customers and allowance		
Impaired advances to customers	<u>1,775,988</u>	<u>2,382,811</u>
Individually assessed allowance	<u>744,630</u>	<u>894,889</u>
Impaired advances to customers as a percentage of total advances to customers	<u>3.68 %</u>	<u>4.88 %</u>
(vi) Analysis of other assets which have been overdue		
Overdue trade bills		
More than one year	<u>76,145</u>	<u>75,778</u>
	<u>76,145</u>	<u>75,778</u>
Individually assessed allowance made in respect of		
More than one year	<u>76,145</u>	<u>75,778</u>
	<u>76,145</u>	<u>75,778</u>
Overdue trade bills as a percentage of total trade bills	<u>62.44 %</u>	<u>54.70 %</u>
(vii) As at Jun 20, 2023 and Dec 31, 2022, 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-23 HK\$'000	31-Dec-22 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	607,197	391,128
- Transaction-related contingencies	280,996	200,360
- Trade-related contingencies	2,770,154	2,249,698
- Other commitments	20,974,390	27,183,792
	<u>24,632,737</u>	<u>30,024,978</u>
The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	143,703,504	171,612,976
- Interest rate contracts	19,834,281	19,437,281
	<u>163,537,785</u>	<u>191,050,257</u>
 (ii) The fair value of the above derivatives contracts are as follow:		
Fair value assets		
- Exchange rate contracts	901,822	753,961
- Interest rate contracts	319,642	337,793
	<u>1,221,464</u>	<u>1,091,754</u>
Fair value liabilities		
- Exchange rate contracts	934,287	1,261,272
- Interest rate contracts	256,052	275,284
	<u>1,190,339</u>	<u>1,536,556</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:

	30-Jun-23		31-Dec-22	
	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	2,587,062	—	2,944,957	—
- Wholesale & Retail Trade	366,911	—	246,786	—
- Manufacturing	6,633,144	—	8,009,975	—
- Transport & Transport equipment	2,312,044	—	2,305,635	—
- Electricity & Gas	500,000	—	500,000	—
- Recreational activities	47,013	—	46,787	—
- Information Technology	260,550	—	264,525	—
- All others	3,865,107	—	5,638,716	—
	<u>17,071,831</u>	<u>—</u>	<u>20,457,381</u>	<u>—</u>
Individuals	29,920	—	19,250	—
Trade Finance	5,847,726	—	4,671,362	—
Advances for use outside Hong Kong	<u>25,328,384</u>	<u>—</u>	<u>23,644,562</u>	<u>—</u>
	<u><u>48,277,861</u></u>	<u><u>—</u></u>	<u><u>48,792,555</u></u>	<u><u>—</u></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-23	31-Dec-22
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	22,999,713	24,678,454
- India	10,991,770	8,237,723
- Mauritius	2,871,003	257,329
- United States	2,344,719	1,519,977
- Netherlands	1,686,412	27,477
- China	1,633,152	2,261,299
- United Kingdom	1,545,705	1,537,940
- Switzerland	815,783	415,344
- Nigeria	783,555	99
- Macau	702,000	2,047,032
- Luxembourg	486,681	702,000
- Virgin Island	406,000	779,785
- Kenya	391,778	389,893
- Malawi	258,573	40,976
- Cayman Islands	203,946	668,767
- Bermuda	63,016	—
- Mexico	26,755	39,560
- Singapore	24,416	7,664
- Malaysia	21,217	2,458,995
- South Korea	15,607	10,650
- Thailand	5,008	2,095,975
- Japan	684	453
- Ireland	362	316
- Guernsey	5	—
- Sri Lanka	—	614,847
	<u>48,277,860</u>	<u>48,792,555</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	278,959	277,616
- China	38,932	38,745
- Cayman Islands	82,952	82,553
	<u>400,843</u>	<u>398,914</u>

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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:

	30-Jun-23	31-Dec-22
	HK\$'000	HK\$'000
- Hong Kong	1,654,104	2,261,513
- Cayman Islands	82,952	82,553
- China	38,932	38,745
	<u>1,775,988</u>	<u>2,382,811</u>

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

- Hong Kong	<u>76,145</u>	<u>75,778</u>
	<u>76,145</u>	<u>75,778</u>

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

- Hong Kong	<u>76,145</u>	<u>75,778</u>
	<u>76,145</u>	<u>75,778</u>

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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	
HK\$ Million					
As at 30 Jun, 2023					
- Developed countries	32,461	—	—	4,530	36,991
of which: - United States	32,452	—	—	2,910	35,362
- Offshore centers	17	—	1,313	16,106	17,436
of which: - Hong Kong SAR	17	—	1,313	13,522	14,852
- Developing Asia-Pacific	14,860	—	969	20,494	36,323
of which: - China	4,019	—	—	7,746	11,765
- India	3,330	—	589	12,741	16,660
- South Korea	6,590	—	379	—	6,969
- Indonesia	921	—	—	—	921
	47,338	—	2,282	41,130	90,750
HK\$ Million					
As at 31 Dec, 2022					
Developed countries	28,196	—	1	3,789	31,986
of which: - United States	28,184	—	—	2,333	30,517
Offshore centers	584	—	1,305	18,342	20,232
of which: - Hong Kong SAR	—	—	1,305	16,339	17,644
Developing Asia-Pacific	18,031	—	568	19,133	37,732
of which: - China	7,729	—	—	8,933	16,662
- India	3,393	—	196	10,182	13,771
- South Korea	6,909	—	372	—	7,282
	46,811	—	1,875	41,264	89,950

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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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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 30 Jun, 2023		HK\$ Million	
Spot assets	80,268	7,316	87,584
Spot liabilities	(75,287)	(10,901)	(86,188)
Forward purchases	61,073	70,518	131,591
Forward sales	(66,160)	(66,869)	(133,029)
Net option position	—	—	—
Net (short)/long position	<u>(106)</u>	<u>64</u>	<u>(42)</u>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>
	<u>USD</u>	<u>OTH</u>	<u>Total</u>
As at 31 Dec, 2022		HK\$ Million	
Spot assets	78,616	10,929	89,545
Spot liabilities	(77,401)	(10,837)	(88,238)
Forward purchases	73,110	88,874	161,984
Forward sales	(74,512)	(88,879)	(163,391)
Net option position	—	—	—
Net (short)/long position	<u>(187)</u>	<u>87</u>	<u>(100)</u>
Net structural position	<u>—</u>	<u>—</u>	<u>—</u>

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	<u>Quarter ended</u> 30-Jun-23	<u>Quarter ended</u> 30-Jun-22
The average liquidity maintenance ratio for the financial period (“Average LMR”)	62.62 %	51.88 %
Average Core Funding ratio (“CFR”) for 3 months period	220.36 %	247.25 %

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 30 Jun, 2023		As at 31 Dec, 2022	
	Total amount HK\$'000	As % of total liabilities	Total amount HK\$'000	As % of total liabilities
Significant funding instruments				
- Funding raised from connected parties	78,164,576	73.76 %	80,575,418	74.11 %
- Funding raised from banks	461,962	0.44 %	405,077	0.37 %
- Deposit from customers	24,238,629	22.87 %	23,381,406	21.51 %

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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, 2023	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	5,108,489	127,328	5,235,817
Local governments, local government-owned entities and their subsidiaries and JVs	2	270,321	—	270,321
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	11,772,152	2,991,684	14,763,836
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	965,021	1,758,251	2,723,272
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	121,002	195,888	316,890
Total	8	18,236,985	5,073,151	23,310,136
Total assets after provision	9	105,976,960		
On-balance sheet exposures as percentage of total assets	10	17.21%		

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IX. MAINLAND ACTIVITIES (CONTINUED)

As at 31 Dec, 2022	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	5,327,244	126,715	5,453,959
Local governments, local government-owned entities and their subsidiaries and JVs	2	250,956	—	250,956
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	12,674,846	3,426,154	16,101,000
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	1,059,772	1,385,245	2,445,016
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	119,439	194,946	314,384
Total	8	19,432,256	5,133,059	24,565,315
Total assets after provision	9	108,718,305		
On-balance sheet exposures as percentage of total assets	10	17.87%		

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SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	30-Jun-23	31-Dec-22
	US\$ Million	US\$ Million
- Common Equity Tier 1 Capital ratio (Standardized Approach)	11.60%	11.20%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	13.20%	12.80%
- Tier 1 Capital Ratio (Standardized Approach)	13.30%	13.00%
- Tier 1 Capital Ratio (Advanced Approach)	15.20%	14.80%
- Total Capital Ratio (Standardized Approach)	15.10%	14.90%
- Total Capital ratio (Advanced Approach)	16.70%	16.40%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' equity	283,319	273,197
- Risk-weighted assets (Standardized Approach)	1,638,481	1,603,744
- Risk-weighted assets (Advanced Approach)	<u>1,435,692</u>	<u>1,410,104</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.

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Pillar III Disclosure

II. OTHER FINANCIAL INFORMATION

	30-Jun-23	31-Dec-22
	US\$ Million	US\$ Million
- Total assets	3,122,633	3,050,706
- Total liabilities	2,839,314	2,777,509
- Total advances (net of allowances)	1,038,274	1,033,065
- Total customer deposits	1,877,209	1,930,341
	30-Jun-23	30-Jun-22
	US\$ Million	US\$ Million
- Pre-tax profit	19,179	15,324

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.