

Bank of America, National Association

Hong Kong Branch

Interim Disclosure Statement

June 30, 2016

BANK OF AMERICA, NATIONAL ASSOCIATION
HONG KONG BRANCH
June 30, 2016

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION

	Jun 30, 2016	Jun 30, 2015
	HK\$'000	HK\$'000
Interest income	540,014	724,707
Interest expense	(207,898)	(176,461)
Net interest income	332,116	548,246
Other operating income/(loss)		
Gains/(losses) arising from trading in foreign currencies	69,239	(3,391)
(Losses)/gains on securities held for trading	(1,584)	6,447
Gains arising from trading in interest rate derivatives	106	5,135
Losses arising from trading in other derivative	(4,538)	(6,950)
Fees and commissions		
- Income	497,427	520,982
- Expense	(276)	(697)
Income from non-trading investments	-	14,517
Other income	2,180	3,647
	562,554	539,690
Total revenue	894,670	1,087,936
Operating expenses		
Staff expenses	(409,703)	(382,081)
Rental expenses	(55,552)	(49,745)
Other operating expenses		
- Depreciation expenses	(823)	(1,046)
- Group servicing fee	(228,846)	(210,749)
- Telecom expenses	(2,378)	(2,289)
- Equipment expenses	(2,031)	(1,922)
- Legal and Professional fee	(13,471)	(6,860)
- Travel expenses	(11,914)	(13,394)
- Subscription fee	(2,618)	(2,528)
- Other miscellaneous expenses	(177,900)	(125,707)
	(905,236)	(796,321)
Operating (loss)/profit before provisions	(10,566)	291,615
Impairment allowance charged	(150,950)	(176,587)
(Loss)/profit before taxation	(161,516)	115,028
Tax income/(expense)	21,035	(21,420)
(Loss)/profit after taxation	(140,481)	93,608
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II. BALANCE SHEET DATA

	Jun 30, 2016	Dec 31, 2015
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	3,131,091	3,241,940
Due from Exchange Fund	7,682,193	6,352,547
Placements with banks and financial institutions maturing		
- Within one month	3,855,939	3,878,678
- Between one and twelve months	11,159,495	12,458,355
- Over one year	1,059,701	1,493,000
Amount due from overseas offices of the institution	15,041,498	19,153,015
Trade bills, net of impairment allowance	173,462	612,563
Certificate of Deposit	3,594,434	1,804,320
Trading securities, at fair value		
- Other securities	9,282,390	2,895,925
Advances to customers and other receivables, net of impairment allowance	35,904,725	41,402,491
Property, plant & equipment	25,149	27,727
Other assets	4,334,630	3,871,556
	<hr/>	<hr/>
TOTAL ASSETS	95,244,707	97,192,117
	=====	=====
LIABILITIES		
Deposits and balances from banks	2,468,710	2,459,288
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	17,994,703	14,977,539
- saving deposits	4,380,544	6,790,527
- time, call and notice deposits	16,999,299	15,726,582
Amount due to overseas offices of the institution	47,623,464	51,970,547
Provision for commitments and contingent liabilities	38,056	22,307
Other accounts & accruals	5,739,931	5,245,327
	<hr/>	<hr/>
TOTAL LIABILITIES	95,244,707	97,192,117
	=====	=====

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III. ADDITIONAL BALANCE SHEET INFORMATION

	Jun 30, 2016	Dec 31, 2015
	HK\$'000	HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	250,611	694,065
Impairment allowance		
- Collective assessment	(1,752)	(6,188)
- Individual assessment	(75,397)	(75,314)
	<u>173,462</u>	<u>612,563</u>
	=====	=====
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	36,864,666	42,191,469
Impairment allowance		
- Collective assessment	(371,502)	(445,752)
- Individual assessment	(758,446)	(543,375)
	<u>35,734,718</u>	<u>41,202,342</u>
Accrued interests	170,007	200,149
	<u>35,904,725</u>	<u>41,402,491</u>
	=====	=====
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	14,047,687	11,778,421
Impairment allowance		
- Collective assessment	(11,816)	(9,420)
- Individual assessment	(26,240)	(12,887)
	<u>14,009,631</u>	<u>11,756,114</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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III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)

	Jun 30, 2016	Dec 31, 2015
	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	422,414	-
- More than one year	202,251	202,474
	<hr/>	<hr/>
	624,665	202,474
	=====	=====
 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	287,190	-
- More than one year	202,251	202,474
	<hr/>	<hr/>
	489,441	202,474
	=====	=====
 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	1.15%	-
- More than one year	0.55%	0.48%
	<hr/>	<hr/>
	1.70%	0.48%
	=====	=====

As at Jun 30, 2016 and Dec 31, 2015, 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, 2016	Dec 31, 2015
	HK\$'000	HK\$'000
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	1,484,323	624,419
	=====	=====
- Individually assessed allowance	758,446	543,375
	=====	=====
- Impaired advances to customers as a percentage advances to customers	4.03%	1.48%
	=====	=====

As at Jun 30, 2016 and Dec 31, 2015, 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	75,397	75,314
	-----	-----
	75,397	75,314
	=====	=====

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	75,397	75,314
	-----	-----
	75,397	75,314
	=====	=====

- Overdue trade bills as a percentage of total trade bills	30.09%	10.85%
	=====	=====

(vii) As at Jun 30, 2016 and Dec 31, 2015, the Branch had no repossessed assets.

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IV. OFF-BALANCE SHEET EXPOSURES

	Jun 30, 2016	Dec 31, 2015
	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	1,178,679	1,186,413
- Transaction-related contingencies	145,256	151,105
- Trade-related contingencies	9,558,566	7,481,990
- Other commitments	17,663,675	20,721,048
- Forward forward deposit placed	450,000	-
	<u>28,996,176</u>	<u>29,540,556</u>
	=====	=====
 The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	163,838,492	178,680,808
- Interest rate contracts	78,875,702	53,781,039
	<u>242,714,194</u>	<u>232,461,847</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	4,811,406	3,978,120
- Interest rate contracts	336,194	238,687
	<u>5,147,600</u>	<u>4,216,807</u>
	=====	=====
Fair value liabilities		
- Exchange rate contracts	4,349,637	3,620,004
- Interest rate contracts	338,919	238,618
	<u>4,688,556</u>	<u>3,858,622</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, 2016		Dec 31, 2015	
	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	1,701,784	-	1,916,072	-
- Financial Concerns	2,155,729	-	1,338,707	-
- Stockbrokers	-	-	50,000	-
- Wholesale & Retail Trade	644,700	233,518	630,732	238,698
- Manufacturing	2,462,343	-	2,122,421	-
- Transport & Transport Equipment	257,760	-	-	-
- Electricity & Gas	1,578,918	-	2,007,873	-
- Information Technology	896,568	-	379,495	-
- All others	3,889,266	387,933	4,425,876	387,503
	<u>13,587,068</u>	<u>621,451</u>	<u>12,871,176</u>	<u>626,201</u>
Individuals	16,919	-	6,689	-
Trade Finance	8,044,171	232,760	11,163,222	232,502
Advances for use outside Hong Kong	15,216,508	-	18,150,382	-
	<u>36,864,666</u>	<u>854,211</u>	<u>42,191,469</u>	<u>858,703</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, 2016	Dec 31, 2015
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	19,692,168	25,094,792
- China	3,670,354	5,169,413
- Cayman Islands	1,887,005	2,433,498
- USA	7,745,252	2,670,992
- Macau	-	5,786,909
- South Korea	559,870	432,370
- Singapore	1,995,596	-
- England	19,704	-
- Luxembourg	26	21,603
- Germany	-	170,000
- India	614,182	310,002
- Residual Asia and Pacific	525,567	-
- South Africa	146,470	-
- Netherlands	112	50,121
- Australia	6,443	-
- Japan	-	50,000
- Others	1,917	1,769
	<u>36,864,666</u>	<u>42,191,469</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	41,274	41,675
- Hong Kong	492,579	492,032
- Cayman Islands	90,812	90,712
	<u>624,665</u>	<u>624,419</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, 2016	Dec 31, 2015
	HK\$'000	HK\$'000
- China	41,274	41,675
- Hong Kong	1,346,030	492,032
- Cayman Islands	97,019	90,712
	<u>1,484,323</u>	<u>624,419</u>
	=====	=====

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

- China	-	-
- Hong Kong	75,397	75,314
	<u>75,397</u>	<u>75,314</u>
	=====	=====

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

- China	-	-
- Hong Kong	75,397	75,314
	<u>75,397</u>	<u>75,314</u>
	=====	=====

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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, 2016					
- Developed countries	17,506	-	2,297	5,538	25,341
of which :					
- Australia	1	-	-	16	17
- France	-	-	-	43	43
- Japan	689	-	-	-	689
- Netherlands	384	-	-	-	384
- United Kingdom	46	-	7	13	66
- United States	16,386	-	2,290	5,464	24,140
- Switzerland	-	-	-	2	2
- Offshore centres	-	-	2,380	18,634	21,014
of which :					
- Cayman Islands	-	-	1,795	97	1,892
- Hong Kong SAR	-	-	585	16,533	17,118
- Singapore	-	-	-	2,004	2,004
- Developing Africa and Middle East	1,142	-	-	147	1,289
of which :					
- United Arab Emirates	1,142	-	-	-	1,142
- South Africa	-	-	-	147	147
- Developing Asia-Pacific	20,925	6,294	1,385	4,095	32,699
of which :					
- China	15,852	6,294	1,385	2,393	25,924
- India	2,208	-	-	611	2,819
- Indonesia	962	-	-	-	962
- South Korea	1,903	-	-	564	2,467
- Residual Asia and Pacific	-	-	-	527	527
	<u>39,573</u>	<u>6,294</u>	<u>6,062</u>	<u>28,414</u>	<u>80,343</u>
	=====	=====	=====	=====	=====

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VI. INTERNATIONAL CLAIMS (Continued)

	Banks	Official Sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
As at Dec 31, 2015					
HK\$ Million					
- Developed countries	22,024	-	838	2,527	25,389
of which :					
- Australia	11	-	126	11	148
- Canada	-	-	-	2,117	2,117
- France	516	-	-	-	516
- Japan	291	-	-	-	291
- Luxembourg	15	-	-	21	36
- Netherlands	14	-	-	50	64
- United Kingdom	10	-	850	-	860
- United States	21,143	-	(138)	328	21,333
- Switzerland	24	-	-	-	24
- Offshore centres	2,824	17	8,905	22,244	33,990
of which :					
- Cayman Islands	-	-	1,006	1,435	2,441
- Hong Kong SAR	1,827	17	5,978	16,330	24,152
- Macau SAR	-	-	1,921	3,621	5,542
- Singapore	997	-	-	858	1,855
- Developing Africa and Middle East	1,700	-	1	24	1,725
of which :					
- United Arab Emirates	1,676	-	-	-	1,676
- Qatar	24	-	1	-	25
- Brazil	-	-	-	24	24
- Developing Asia-Pacific	18,574	500	1,359	3,872	24,305
of which :					
- China	15,068	500	1,359	3,044	19,971
- India	1,495	-	-	357	1,852
- Indonesia	895	-	-	-	895
- Malaysia	-	-	-	15	15
- South Korea	1,085	-	-	446	1,531
- Thailand	-	-	-	10	10
- Vietnam	31	-	-	-	31

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

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, 2015 (Continued)					
- Developing Europe	-	-	75	-	75
<i>of which : - Hungary</i>	-	-	75	-	75
- Developing Latin America and Caribbean	-	-	-	2	2
<i>of which : - Mexico</i>	-	-	-	2	2
	<u>45,122</u>	<u>517</u>	<u>11,178</u>	<u>28,669</u>	<u>85,486</u>
	=====	=====	=====	=====	=====

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 recognised 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>EUR</u>	<u>SGD</u>	<u>Total</u>
				HK\$ Million			
As at Jun 30, 2016							
Spot assets	58,530	17,470	3	67	1,588	1,355	79,013
Spot liabilities	(77,350)	(2,285)	(259)	(256)	(1,714)	(14)	(81,878)
Forward purchases	81,215	17,391	29,440	11,805	8,180	287	148,318
Forward sales	(66,242)	(30,839)	(29,440)	(11,805)	(8,184)	(287)	(146,797)
Net option position	-	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====	=====
Net (short)/long position	(3,847)	1,737	(256)	(189)	(130)	1,341	(1,344)
	=====	=====	=====	=====	=====	=====	=====
Net structural position	-	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====	=====
	<u>USD</u>	<u>CNY</u>	<u>AUD</u>		<u>SGD</u>		<u>Total</u>
				HK\$ Million			
As at Dec 31, 2015							
Spot assets	68,772	10,400	2		589		79,763
Spot liabilities	(83,604)	(1,189)	(94)		(28)		(84,915)
Forward purchases	74,700	4,399	55,717		167		134,983
Forward sales	(64,754)	(10,741)	(55,307)		(167)		(130,969)
Net option position	-	-	-		-		-
	=====	=====	=====		=====		=====
Net (short)/long position	(4,886)	2,869	318		561		(1,138)
	=====	=====	=====		=====		=====
Net structural position	-	-	-		-		-
	=====	=====	=====		=====		=====

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	For the six months ended	
	Jun 30, 2016	Jun 30, 2015
The average liquidity maintenance ratio for the financial period	51.03%	59.63%
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(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 EXPOSURES

The analysis of non-bank Mainland exposures 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 for Mainland activities.

	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
As at Jun 30, 2016				
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	19,665,475	840,277	20,505,752
Local governments, local government-owned entities and their subsidiaries and JVs	2	52,610	-	52,610
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	2,319,431	-	2,319,431
Other entities of central government not reported in item 1 above	4	904,038	-	904,038
Other entities of local government not reported in item 2 above	5	105,908	-	105,908
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	2,063,333	6,042,480	8,105,813
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	1,568,446	465,519	2,033,965
Total	8	<u>26,679,241</u>	<u>7,348,276</u>	<u>34,027,517</u>
Total assets after provision	9	<u>95,066,168</u>		
On-balance sheet exposures as percentage of total assets	10	28.06%		

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IX. MAINLAND EXPOSURES (CONTINUED)

	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
As at Dec 31, 2015				
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	17,745,846	664,169	18,410,015
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	645,580	-	645,580
Other entities of central government not reported in item 1 above	4	1,008,246	-	1,008,246
Other entities of local government not reported in item 2 above	5	1,163,141	-	1,163,141
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	1,866,112	4,312,019	6,178,131
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	1,006,771	-	1,006,771
Total	8	23,435,696	4,976,188	28,411,884
Total assets after provision	9	97,169,379		
On-balance sheet exposures as percentage of total assets	10	24.12%		

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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June 30, 2016

SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	Jun 30, 2016	Dec 31, 2015
	US\$ Million	US\$ Million
- Total Capital ratio	16.20%	15.70%
- The aggregate amount of shareholders' funds	267,069 =====	256,205 =====

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.

II. OTHER FINANCIAL INFORMATION

	Jun 30, 2016	Dec 31, 2015
	US\$ Million	US\$ Million
- Total assets	2,186,609	2,144,316
- Total liabilities	1,919,540	1,888,111
- Total advances (net of allowances)	891,316	890,767
- Total customer deposits	1,216,091 =====	1,197,259 =====
	Jun 30, 2016	Jun 30, 2015
	US\$ Million	US\$ Million
- Pre-tax profit	9,628 =====	12,261 =====