

**Bank of America, National Association**

**Hong Kong Branch**

**Disclosure Statement**

December 31, 2015

**BANK OF AMERICA, NATIONAL ASSOCIATION**  
**HONG KONG BRANCH**  
**December 31, 2015**

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

<b>I. INCOME STATEMENT INFORMATION</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	1,532,876	1,827,296
Interest expense	(365,099)	(402,176)
	<hr/>	<hr/>
Net interest income	1,167,777	1,425,120
Other operating income/ (loss)		
(Loss)/ gains arising from trading in foreign currencies	(33,341)	62,756
Gains on securities held for trading purposes	17,021	93,730
Gains arising from trading in interest rate derivatives	2,094	-
Loss arising from trading in other derivatives	(19,894)	(49,941)
Fees and commissions		
- Income	1,127,002	1,001,547
- Expense	(1,339)	(1,619)
Income from non-trading investments	15,831	(15,939)
Other income	14,572	3,466
	<hr/>	<hr/>
	1,121,946	1,094,000
	<hr/>	<hr/>
Total revenue	2,289,723	2,519,120
Operating expenses		
Staff expenses	(721,991)	(760,008)
Rental expenses	(102,123)	(118,628)
Other operating expenses		
- Depreciation expenses	(2,049)	(3,078)
- Group servicing fee	(444,577)	(390,285)
- Telecom expenses	(6,661)	(8,607)
- Equipment expenses	(4,568)	(4,157)
- Legal and Professional fee	(18,016)	(23,541)
- Travel expenses	(28,326)	(27,426)
- Subscription fee	(5,033)	(4,471)
- Other miscellaneous expenses	(306,186)	(318,392)
	<hr/>	<hr/>
	(1,639,530)	(1,658,593)
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Operating profit before provisions	650,193	860,527
Impairment allowance charged	(256,879)	(82,859)
	<hr/>	<hr/>
Operating profit	393,314	777,668
Loss from disposal of property, plant and equipment	-	(2,394)
	<hr/>	<hr/>
Profit before taxation	393,314	775,274
Tax expense	(73,314)	(148,950)
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Profit after taxation	320,000	626,324
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**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**II. BALANCE SHEET DATA**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
Cash and balances with banks	3,241,940	1,910,831
Due from Exchange Fund	6,352,547	6,218,651
Placements with banks and financial institutions maturing		
- Within one month	3,878,678	8,097,424
- Between one and twelve months	12,458,355	15,327,988
- Over one year	1,493,000	1,526,570
Amount due from overseas offices of the institution	19,153,015	8,055,409
Trade bills, net of impairment allowance	612,563	2,290,944
Certificate of Deposit	1,804,320	4,056,381
Trading securities, at fair value		
- Other securities	2,895,925	10,391,023
Advances to customers and other receivables, net of impairment allowance	41,402,491	54,587,962
Property, plant & equipment	27,727	29,969
Other assets	3,871,556	1,512,366
<b>TOTAL ASSETS</b>	<b>97,192,117</b>	<b>114,005,518</b>
	=====	=====
<b>LIABILITIES</b>		
Deposits and balances from banks	2,459,288	3,308,438
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	14,977,539	15,357,565
- saving deposits	6,790,527	3,391,522
- time, call and notice deposits	15,726,582	13,343,416
Amount due to overseas offices of the institution	51,970,547	73,233,967
Provision for commitments and contingent liabilities	22,307	80,270
Other accounts & accruals	5,245,327	5,290,340
<b>TOTAL LIABILITIES</b>	<b>97,192,117</b>	<b>114,005,518</b>
	=====	=====

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**III. ADDITIONAL BALANCE SHEET INFORMATION**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(i) Trade Bills, net of impairment allowance		
Trade Bills	694,065	2,389,168
Impairment allowance		
- Collective assessment	(6,188)	(22,889)
- Individual assessment	(75,314)	(75,335)
	<u>612,563</u>	<u>2,290,944</u>
	=====	=====
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	42,191,469	55,105,442
Impairment allowance		
- Collective assessment	(445,752)	(576,905)
- Individual assessment	(543,375)	(257,782)
	<u>41,202,342</u>	<u>54,270,755</u>
	=====	=====
Accrued interests	200,149	317,207
	<u>41,402,491</u>	<u>54,587,962</u>
	=====	=====
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	11,778,421	17,161,424
Impairment allowance		
- Collective assessment	(9,420)	(23,630)
- Individual assessment	(12,887)	(56,640)
	<u>11,756,114</u>	<u>17,081,154</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)**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(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	202,474	221,887
	<hr/>	<hr/>
	202,474	221,887
	=====	=====
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	202,474	221,887
	<hr/>	<hr/>
	202,474	221,887
	=====	=====
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	0.48%	0.40%
	<hr/>	<hr/>
	0.48%	0.40%
	=====	=====

As at Dec 31, 2015 and Jun 30, 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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**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**III. ADDITIONAL BALANCE SHEET INFORMATION (Continued)**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	624,419	293,692
	=====	=====
- Individually assessed allowance	543,375	257,782
	=====	=====
- Impaired advances to customers as a percentage advances to customers	1.48%	0.53%
	=====	=====

As at Dec 31, 2015 and Jun 30, 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	75,314	75,335
	-----	-----
	75,314	75,335
	=====	=====

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	75,314	75,335
	-----	-----
	75,314	75,335
	=====	=====

- Overdue trade bills as a percentage of total trade bills	10.85%	3.15%
	=====	=====

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

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**IV. OFF-BALANCE SHEET EXPOSURES**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(i) The notional amounts of each of the following class of off-balance sheet exposures outstanding:		
Contingent liabilities and commitments		
- Direct credit substitutes	1,186,413	671,681
- Transaction-related contingencies	151,105	188,670
- Trade-related contingencies	7,481,990	9,591,612
- Other commitments	20,721,048	21,953,624
- Forward forward deposit placed	-	5,556,321
	<u>29,540,556</u>	<u>37,961,908</u>
	=====	=====
 The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	178,680,808	145,329,785
- Interest rate contracts	53,781,039	150,135,097
	<u>232,461,847</u>	<u>295,464,882</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	3,978,120	949,810
- Interest rate contracts	238,687	253,272
	<u>4,216,807</u>	<u>1,203,082</u>
	=====	=====
Fair value liabilities		
- Exchange rate contracts	3,620,004	893,517
- Interest rate contracts	238,618	253,762
	<u>3,858,622</u>	<u>1,147,279</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:

	<b>Dec 31, 2015</b>		<b>Jun 30, 2015</b>	
	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	1,916,072	-	9,816,071	-
- Property Investment	-	-	-	-
- Financial Concerns	1,338,707	-	4,112,124	-
- Stockbrokers	50,000	-	-	-
- Wholesale & Retail Trade	630,732	238,698	1,412,036	304,274
- Manufacturing	2,122,421	-	3,777,997	775,225
- Transport & Transport Equipment	-	-	426,322	-
- Electricity & Gas	2,007,873	-	1,039,070	-
- Recreational activities	-	-	258,408	-
- Information Technology	379,495	-	372,652	-
- All others	4,425,876	387,503	6,148,063	-
	<u>12,871,176</u>	<u>626,201</u>	<u>27,362,743</u>	<u>1,079,499</u>
Individuals	6,689	-	3,707	-
Trade Finance	11,163,222	232,502	12,505,859	232,568
Advances for use outside Hong Kong	18,150,382	-	15,233,133	-
	<u>42,191,469</u>	<u>858,703</u>	<u>55,105,442</u>	<u>1,312,067</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:

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
By countries or geographical areas:		
- Hong Kong	25,094,792	37,582,746
- China	5,169,413	6,334,775
- Cayman Islands	2,433,498	2,638,408
- USA	2,670,992	2,419,184
- Macau	5,786,909	5,021,405
- South Korea	432,370	275,328
- Singapore	-	142,837
- England	-	3,596
- Luxembourg	21,603	9,151
- Germany	170,000	67,000
- India	310,002	611,004
- Netherlands	50,121	-
- Japan	50,000	-
- Others	1,769	8
	<u>42,191,469</u>	<u>55,105,442</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	41,675	41,870
- Hong Kong	492,032	160,845
- Cayman Islands	90,712	90,977
	<u>624,419</u>	<u>293,692</u>
	=====	=====

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

- China	41,675	41,870
- Hong Kong	410,988	160,845
- Cayman Islands	90,712	55,067
	<u>543,375</u>	<u>257,782</u>
	=====	=====

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**V. SEGMENTAL INFORMATION (Continued)**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(v) Analysis of overdue trade bills by countries or geographical areas:		
- China	-	-
- Hong Kong	75,314	75,335
	<u>75,314</u>	<u>75,335</u>
	=====	=====
(vi) Analysis of impaired trade bills by countries or geographical areas:		
- China	-	-
- Hong Kong	75,314	75,335
	<u>75,314</u>	<u>75,335</u>
	=====	=====

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**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**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 Dec 31, 2015					
- 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
	45,122	517	11,178	28,669	85,486
	45,122	517	11,178	28,669	85,486

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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 Jun 30, 2015					
- Developed countries	9,688	-	559	4,559	14,806
of which :					
- Australia	492	-	-	94	586
- Canada	-	-	-	2,043	2,043
- Luxembourg	-	-	-	9	9
- Netherlands	18	-	-	-	18
- New Zealand	12	-	-	-	12
- United Kingdom	33	-	559	-	592
- United States	9,120	-	-	2,413	11,533
- Switzerland	13	-	-	-	13
- Offshore centres	3,429	209	8,594	31,880	44,112
of which :					
- Cayman Islands	-	-	1,028	1,612	2,640
- Hong Kong SAR	2,974	209	5,644	27,208	36,035
- Macau SAR	-	-	1,922	2,565	4,487
- Singapore	455	-	-	490	945
- West Indies UK	-	-	-	5	5
- Developing Africa and Middle East	2,995	-	-	-	2,995
of which :					
- United Arab Emirates	2,818	-	-	-	2,818
- Qatar	177	-	-	-	177
- Developing Asia-Pacific	30,434	3,741	351	5,162	39,688
of which :					
- China	22,127	2,774	351	4,621	29,873
- Chinese Taipei	486	-	-	-	486
- India	4,813	-	-	264	5,077
- Indonesia	895	-	-	-	895
- Malaysia	69	-	-	-	69
- Philippines	159	-	-	-	159
- South Korea	1,854	967	-	277	3,098
- Vietnam	31	-	-	-	31
	<u>46,546</u>	<u>3,950</u>	<u>9,504</u>	<u>41,601</u>	<u>101,601</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 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> HK\$ Million	<u>SGD</u>	<u>Total</u>
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	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net (short)/long position	(4,886)	2,869	318	561	(1,138)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net structural position	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	<u>USD</u>	<u>CNY</u>	<u>AUD</u> HK\$ Million	<u>JPY</u>	<u>EUR</u>	<u>Total</u>
As at Jun 30, 2015						
Spot assets	67,655	17,028	2	106	1,627	86,418
Spot liabilities	(94,579)	(2,794)	(387)	(86)	(1,625)	(99,471)
Forward purchases	61,790	8,164	29,032	7,978	12,215	119,179
Forward sales	(35,610)	(22,483)	(28,861)	(7,978)	(12,744)	(107,676)
Net option position	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net (short)/long position	(744)	(85)	(214)	20	(527)	(1,550)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net structural position	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**VIII. LIQUIDITY INFORMATION**

**(i) Liquidity ratio**

	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
The average liquidity maintenance ratio for the financial period	55.23%	N/A
The average liquidity ratio for the financial period	N/A	78.41%
	=====	=====

The Banking (Liquidity) Rules (“BLR”), effective on Jan 1, 2015, signified the implementation of Liquidity Maintenance Ratio (“LMR”) for category 2 Institution under Basel III liquidity standards in Hong Kong. The average LMR reported for the financial period ended Dec 31, 2015, under Basel III was therefore not directly comparable with the average liquidity ratio reported for the financial period ended Dec 31, 2014, which was calculated in accordance with the Forth Schedule of the Hong Kong Banking Ordinance.

**(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.

	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	<u>23,435,696</u>	<u>4,976,188</u>	<u>28,411,884</u>
Total assets after provision	9	<u>97,169,379</u>		
On-balance sheet exposures as percentage of total assets	10	24.12%		

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**IX. MAINLAND ACTIVITIES (CONTINUED)**

	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
As at Jun 30, 2015				
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	21,949,279	459,849	22,409,128
Local governments, local government-owned entities and their subsidiaries and JVs	2	954,458	-	954,458
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	996,763	-	996,763
Other entities of central government not reported in item 1 above	4	1,111,927	564,746	1,676,673
Other entities of local government not reported in item 2 above	5	351,146	-	351,146
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	2,402,922	-	2,402,922
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	1,739,406	-	1,739,406
Total	8	29,505,901	1,024,595	30,530,496
Total assets after provision	9	113,902,813		
On-balance sheet exposures as percentage of total assets	10	25.90%		

**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.

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

(ii) **Remuneration system**

*Introduction*

The following information sets forth the remuneration disclosures required under Section 3 of the Guideline on a Sound Remuneration System (CG-5) issued by the Hong Kong Monetary Authority (“HKMA”) in March 2015 (the “Guideline”), to reflect the Pillar 3 requirements for remuneration disclosure published by the Basel Committee on Banking Supervision, July 2011. The information relates to the incentive compensation programs operated in respect of performance year 2015 by Bank of America Corporation (“Bank of America” or “the Company”). Annex A of the Guideline outlines the qualitative remuneration disclosure requirements under paragraphs (a) to (f) as exhibited in the following information. The quantitative remuneration disclosures required under paragraphs (g) to (m) of Annex A in respect of Bank of America operations in Hong Kong appear after this section.

The disclosures relate to employees located in Hong Kong providing service to the Bank of America, N.A. Hong Kong Branch, with specific regard to senior management and Key Personnel as defined in Section 2 of the Guideline.

The Company applies prudent risk management practices to its incentive compensation programs across the enterprise and is committed to a compensation governance structure that effectively contributes to our company’s overall risk management policies.

In order to provide an appropriate balance of risk and reward, incentive compensation plans will be developed in accordance with the Global Compensation Principles:

Principle 1. Compensation should be comprised of an appropriate mix of salary, benefits and incentives paid over time that properly aligns employee and stockholder interests.

Principle 2. Criteria for payment of incentive compensation should take into account Company-wide, business unit and individual factors.

Principle 3. Compensation should be determined on the basis of a combination of financial and non-financial factors that reflect both the current period and a longer period.

Principle 4. Compensation programs should incorporate appropriate governance processes and procedures.

These principles work in conjunction with broader compensation practices, including the Company’s overall commitment to pay for performance, remuneration policies and risk management processes set forth in the Company’s Risk Framework and Risk Appetite.

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

**(ii) Remuneration system (continued)**

*Governance and the decision-making process for determining the remuneration policy*

The Company applies its compensation policy on a global basis and has four primary levels for the governance of incentive compensation plans:

- (i) the Board of Directors (the “Board”),
- (ii) the Board of Directors Compensation and Benefits Committee (the “Committee”), which is wholly made up of independent directors and functions as the Company’s global Remuneration Committee,
- (iii) the Management Compensation Committee, and
- (iv) Governance by Line of Business Management and Independent Control Functions aligned to the Line of Business.

The Committee oversees the establishment, maintenance and administration of the Company’s compensation programs and employee benefit plans, including approving and recommending the compensation of its Chief Executive Officer (the “CEO”) to the Board for its approval and approving the compensation of the CEO’s direct reports. Under supervision of the Committee, oversight, review and responsibility for remuneration decision-making is allocated to the appropriate level of the Company’s structure so that the most relevant level of management makes remuneration decisions with documented input from the Company’s Independent Control Functions.

The Committee has adopted and annually reviews the Bank of America Compensation Governance Policy to govern incentive compensation decisions and define the framework for design oversight of incentive compensation programs across the Company. The Compensation Governance Policy is designed to be consistent with global regulatory initiatives so that the Company’s incentive compensation plans do not encourage excessive risk-taking. It specifically addresses the:

- Definition and process for identifying “risk-taking” employees;
- Process and policies for incentive compensation plan design and governance to appropriately balance risks with compensation outcomes, including:
  - goals of incentive plan design,
  - funding incentive compensation pools,
  - determining individual incentive compensation awards, and
  - use of discretion as part of those processes;
- Policies on incentive compensation plan effectiveness through testing and monitoring to confirm the plans appropriately balance risks with compensation outcomes in a manner that does not (i) encourage employees to expose Bank of America to excessive or imprudent risk or (ii) reward or incentivize impermissible proprietary trading; and
- Policies that provide for the independence of the Independent Control Functions, and their appropriate input to each level of compensation governance.

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

**(ii) Remuneration system (continued)**

*Governance and the decision-making process for determining the remuneration policy (continued)*

As authorized under its charter, the Committee has engaged Farient Advisors, LLC as its independent compensation consultant. The independent compensation consultant meets regularly with the Committee outside the presence of management and alone with the Committee chair.

*Independent Control Functions*

The independent management and remuneration structures for the Independent Control Functions have been in place for many years at the Company and are deeply engrained in its culture. This independent structure and historic culture (i) encourages Independent Control Function employees to speak freely without fear of impact on remuneration, (ii) creates an atmosphere of independent thinking and shared expertise across lines of business (iii) encourages a healthy tension and (iv) is clearly articulated in the governance structure provided for in the Compensation Governance Policy. The Company's Independent Control Functions review and provide input into each line of business strategy, process and performance objectives with respect to their alignment to the overall goals and objectives of the Company. The Company further operates Incentive Compensation Certification and Control Function Feedback processes, so that its Independent Control Functions have appropriate involvement in the design of incentive plans and the assessment of an employee's ability to manage within the Company's risk framework.

The Company believes participation by Independent Control Functions at these various stages of the remuneration process acts as an effective piece of its overall checks and balances approach to remuneration governance.

In addition, it is critical to the effective implementation of the Compensation Governance Policy that the Independent Control Functions operate independently from the lines of business they support. To this end, Independent Control Functions operate as separate lines of business, and remuneration of Independent Control Function employees (including salary levels and incentive awards) are not based on the financial performance of the individual lines of business they support.

*The link between pay and performance*

The cornerstone of Bank of America's compensation philosophy across all lines of business is to pay for performance – Company, line of business and individual performance. Through the Company's Performance Management process, employees understand performance expectations for their role through on-going dialogue with their manager. The Performance Management process is designed and monitored by the Leadership Development function in Human Resources. This process is reviewed periodically so that it meets the needs of managers to assess and communicate performance expectations. Throughout the year, employees receive coaching on their performance and ultimately receive a rating for their full year of performance based upon their achievement of goals for their job.

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

(ii) **Remuneration system (continued)**

*The link between pay and performance (continued)*

Each employee's performance is assessed on financial and non-financial metrics as well as specific behaviors, and performance is factored into each employee's incentive compensation award. Depending on the employee, financial performance metrics may be focused on corporate-wide, line of business, or product results. Non-financial performance metrics may include quality and sustainability of earnings, successful implementation of strategic initiatives, adoption of risk culture/adherence to risk framework, and other core values and operating principles of the Company.

Employees receive two ratings – a Result rating (based on objective metrics such as business performance) and a Behavior rating (based on subjective metrics such as contributions to the Company, leadership, conduct, teamwork, etc.). The scale for both ratings is Exceeds Expectations, Meets Expectations, and Does Not Meet Expectations. Both the Result and Behavior ratings are used in determining employees' compensation. As a result, an employee's compensation can be influenced not only by what the employee achieves, but how the employee achieves it and employees may receive no variable award if performance is not sufficiently strong.

The Company's pay-for-performance program also requires that all employees complete annual mandatory risk and compliance training. Failure to complete the training can impact an individual employee's compensation.

***Risk Management and Incentive Plans***

Risk is inherent in every material business activity that the Company undertakes. The Company's business exposes it to strategic, credit, market, liquidity, compliance, operational and reputational risks. The Company must manage these risks to maximize its long-term results by ensuring the integrity of its assets and the quality of its earnings. To support the Company's corporate goals and objectives, risk appetite, and business and risk strategies, the Company maintains a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Company's Board.

Executive management develops for Board approval the Company's Risk Framework, which defines the accountability of the Company and its employees in managing risk; the Company's Risk Appetite Statement, which defines the parameters under which the Company will take risk; and the Company's strategic and financial operating plans. Management monitors, and the Board oversees directly and through its committees, the Company's financial performance, execution against the strategic and financial operating plans, compliance with the risk appetite metrics and the adequacy of internal controls.

The Company believes that prudent risk management practices are applied to its incentive remuneration programs across the enterprise. The Company continually evaluates the design of its remuneration programs in accordance with the risk framework. The Committee is committed to a compensation governance structure that effectively contributes to the Company's broader risk management policies.

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

(ii) **Remuneration system (continued)**

*Risk Management and Incentive Plans (continued)*

The Company's incentive plans are designed to compensate employees based on their performance ratings for results against their individual performance plan and behaviors, as well as overall Company and line of business performance.

Incentive plan bonus pools are based on profit measures, which inherently recognize certain underlying risk factors and are further adjusted to reflect the use of capital associated with individual lines of business or products and/or the quality and sustainability of earnings over time. The determination of incentive plan bonus pools is also subject to management discretion which operates so proper account is taken of the performance of the overall Company, individual lines of business, products and other factors including the achievement of strategic objectives.

Incentive plan bonus pools may be adjusted to reflect long-term risk arising through line of business and product performance. These pools are tied to the overall performance, inclusive of risk, of Bank of America and/or specific lines of business or products, creating for employees a vested interest in profitable performance across the Company and its businesses.

Long-term risk is also taken into account and managed in connection with the Company's incentive compensation programs through arrangements permitting performance adjustment of deferred variable compensation. Employees in positions where the greatest risk is being taken are subject to higher levels of deferral and potential performance adjustments.

*Employee Pay*

Bank of America compensates its employees using a balanced mix of fixed remuneration, annual cash incentives and long-term incentives (which are delivered in equity, equity-based instruments or cash). In general, the higher an employee's management level or amount of incentive compensation award, the greater the proportion of incentive compensation should be (i) subject to deferral and (ii) delivered in the form of equity-based compensation. The Company believes equity-based awards are the simplest, most direct way to align employee interests with those of its stockholders. A significant portion of incentive awards is provided as a long-term incentive that generally becomes earned and payable over a period of three years after grant and will be cancelled in case of detrimental conduct or (for certain risk-takers) failure of the Company, line of business or business unit (as applicable) to remain profitable during the vesting period. This approach serves two key objectives, which are to focus employees on long-term sustainable results and to subject compensation awards to risk over an appropriate time horizon that can be easily communicated and understood.

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

(ii) **Remuneration system (continued)**

***Key Personnel Identification and Pay***

For performance year 2015, the Company operated an enterprise-wide approach in the identification of material risk takers, which has included determining where Senior Management and Key Personnel (or equivalent designations) are located. Senior Management for the purposes of the Guideline are those employees “who are responsible for oversight of the firm-wide strategy or activities or those of the Company’s material business lines (including, by not limited to, executive directors, the chief executive and other senior executives).” Key Personnel include individual employees “whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Company or their local employing entity.” The Company considers that it applies its remuneration policies (including the determination of Senior Management and Key Personnel) in a way that is appropriate to the size, internal organization and the nature, scope and complexity of its activities in all the countries in which it operates.

Variable pay for Key Personnel for performance year 2015 consisted of a mixture of upfront payments and long-term deferred payments. Deferred awards will be cancelled in the case of detrimental conduct or failure of the Company, line of business or business unit, as applicable, to remain profitable during the vesting period. If risks taken as part of approved business strategies do not result in sustainable profits, or if the employee fails to behave according to Company standards, the value of the long-term equity award may be impacted. The deferral rates for Key Personnel ranged from approximately 20%-50% of total variable compensation.

By combining long-term awards with performance-based and detrimental conduct clawbacks, the Company considers that it places a strong focus on sustainable long-term results and appropriate behaviors.

***Quantitative Disclosures and Tables***

The Committee held nine (9) meetings in 2014 and seven (7) meetings in 2015. The 2014 remuneration of the Committee members is disclosed in the 2015 Proxy statement available on Bank of America’s Investor Relations website. 2015 remuneration of the Committee members will similarly be disclosed in the 2016 Proxy statement, to be available 17 March 2016.

Bank of America, N.A. Hong Kong Branch is one of the banking businesses operated in Hong Kong by Bank of America. For performance year 2015, the Bank of America, N.A. Hong Kong Branch employed approximately 500 employees.



**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

(ii) **Remuneration system (continued)**

*Quantitative Disclosures and Tables (continued)*

The following disclosure tables contain the information required under paragraphs (h) to (m) of Annex A of the Guideline in respect of Bank of America, N.A. Hong Kong Branch related to employees identified as Key Personnel. There were no employees of the Bank of America, N.A. Hong Kong Branch identified as Senior Management. Senior employees, including risk control functions, at Bank of America, N.A. Hong Kong Branch have functional reporting lines to more senior Bank of America employees in other countries who are covered by local and/or regional regulations and who are reported as Senior Management and/or Key Personnel equivalents in their respective countries.

- h. Total amount of outstanding deferred remuneration, split into vested and unvested

**Key Personnel**

	<b>2014</b> <b>(\$ 000's)</b>	<b>2015</b> <b>(\$ 000's)</b>
Vested during the financial year (USD)	2,713	3,370
Unvested as of Dec 31 (USD)	6,515	6,884

- i. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms

**Key Personnel**

	<b>2014</b> <b>(\$ 000's)</b>	<b>2015</b> <b>(\$ 000's)</b>
Equity and equity-based instruments as of Dec 31 (USD)	6,515	6,884
Long Term Cash as of Dec 31 (USD)	0	0

- j. Total amount of deferred remuneration awarded, paid out and reduced through performance adjustments during the financial year

**Key Personnel**

	<b>2014</b> <b>(\$ 000's)</b>	<b>2015</b> <b>(\$ 000's)</b>
Awarded during the financial year (USD)	2,687	3,306
Paid Out during the financial year (USD)	2,713	3,370
Reduced through Performance Adjustments during the financial year (USD)	0	0

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

(ii) **Remuneration system (continued)**

*Quantitative Disclosures and Tables (continued)*

- k. Breakdown of amount of remuneration awards for the financial year to show:
- fixed and variable (with number of beneficiaries in each category)
  - deferred and non-deferred
  - different forms used (cash, equity, and equity-based instruments, other forms)

**2014:**

	<b>Key Personnel</b> (4 Beneficiaries)	
<b>Total value of remuneration awards for the current financial year</b>	<b>Non-deferred</b> (\$ 000's)	<b>Deferred</b> (\$ 000's)
<b>Fixed remuneration</b>		
-Cash based (USD)	1,482	0
-Equity and equity-based instruments (USD)	0	0
<b>Variable remuneration</b>		
-Cash based (USD)	1,676	0
-Equity and equity-based instruments (USD)	0	1,450

**2015:**

	<b>Key Personnel</b> (6 Beneficiaries)	
<b>Total value of remuneration awards for the current financial year</b>	<b>Non-deferred</b> (\$ 000's)	<b>Deferred</b> (\$ 000's)
<b>Fixed remuneration</b>		
-Cash based (USD)	2,571	0
-Equity and equity-based instruments (USD)	0	0
<b>Variable remuneration</b>		
-Cash based (USD)	3,173	0
- Equity and equity-based instruments (USD)	0	2,844

**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

(ii) **Remuneration system (continued)**

*Quantitative Disclosures and Tables (continued)*

1. Quantitative information about employees' exposure to implicit and explicit adjustments of deferred remuneration and retained remuneration:

- Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments:

**Key Personnel**

	<b>2014</b> (\$ 000's)	<b>2015</b> (\$ 000's)
Total amount as of Dec 31 (USD)	6,515	6,884

- Total amount of reductions during the financial year due to ex post explicit adjustments

**Key Personnel**

	<b>2014</b>	<b>2015</b>
Total amount during the financial year (USD)	0	0

- Total amount of reductions during the financial year due to ex post implicit adjustments

**Key Personnel**

	<b>2014</b> (\$ 000's)	<b>2015</b> (\$ 000's)
Total amount during the financial year (USD)	0	225

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**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**X. OTHER INFORMATION (CONTINUED)**

**(ii) Remuneration system (continued)**

*Quantitative Disclosures and Tables (continued)*

- m. -Number and total amount of guaranteed bonuses awarded during the financial year and number of beneficiaries of such payments

None

- Number and total amount of sign-on awards made during the financial year and number of beneficiaries of such payments

None

- Number and total amount of severance payments made during the financial year, and number of beneficiaries of such payments

None

- Number and total amount of severance payments awarded during the financial year, and number of beneficiaries of such payments, and highest such award to a single person

None

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**SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)**

**I. CAPITAL AND CAPITAL ADEQUACY**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>US\$ Million</b>	<b>US\$ Million</b>
- Total Capital ratio	15.70%	15.50%
- The aggregate amount of shareholders' funds	256,205 =====	251,659 =====

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**

	<b>Dec 31, 2015</b>	<b>Jun 30, 2015</b>
	<b>US\$ Million</b>	<b>US\$ Million</b>
- Total assets	2,144,316	2,149,034
- Total liabilities	1,888,111	1,897,375
- Total advances (net of allowances)	890,767	873,381
- Total customer deposits	1,197,259 =====	1,149,560 =====
	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
	<b>US\$ Million</b>	<b>US\$ Million</b>
- Pre-tax profit	22,154 =====	6,855 =====