

**Bank of America, National Association**

**Hong Kong Branch**

**Disclosure Statement**

December 31, 2016

**BANK OF AMERICA, NATIONAL ASSOCIATION**  
**HONG KONG BRANCH**  
**December 31, 2016**

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

<b>I. INCOME STATEMENT INFORMATION</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	1,303,252	1,532,876
Interest expense	(451,124)	(365,099)
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Net interest income	852,128	1,167,777
Other operating income/ (loss)		
Losses arising from trading in foreign currencies	(632,779)	(33,341)
Gains on securities held for trading purposes	718,246	17,021
Gains arising from trading in interest rate derivatives	23,755	2,094
Losses arising from trading in other derivatives	(7,345)	(19,894)
Fees and commissions		
- Income	1,184,284	1,127,002
- Expense	(3,046)	(1,339)
Income from non-trading investments	-	15,831
Other income	6,583	14,572
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	1,289,698	1,121,946
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Total revenue	2,141,826	2,289,723
Operating expenses		
Staff expenses	(709,692)	(721,991)
Rental expenses	(122,256)	(102,123)
Other operating expenses		
- Depreciation expenses	(1,457)	(2,049)
- Group servicing fee	(430,306)	(444,577)
- Telecom expenses	(6,071)	(6,661)
- Equipment expenses	(4,104)	(4,568)
- Legal and Professional fee	(40,199)	(18,016)
- Travel expenses	(21,496)	(28,326)
- Subscription fee	(5,087)	(5,033)
- Other miscellaneous expenses	(364,318)	(306,186)
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	(1,704,986)	(1,639,530)
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Operating profit before provisions	436,840	650,193
Impairment allowance charged	(174,624)	(256,879)
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Profit before taxation	262,216	393,314
Tax expense	(37,619)	(73,314)
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Profit after taxation	224,597	320,000
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**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

**II. BALANCE SHEET DATA**

	<b>Dec 31, 2016</b>	<b>Jun 30, 2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
Cash and balances with banks	2,433,924	3,131,091
Due from Exchange Fund	6,380,742	7,682,193
Placements with banks and financial institutions maturing		
- Within one month	4,766,739	3,855,939
- Between one and twelve months	13,365,807	11,159,495
- Over one year	436,196	1,059,701
Amount due from overseas offices of the institution	18,338,887	15,041,498
Trade bills, net of impairment allowance	103,972	173,462
Certificate of Deposit	4,074,027	3,594,434
Trading securities, at fair value		
- Other securities	2,904,002	9,282,390
Advances to customers and other receivables, net of impairment allowance	37,940,655	35,904,725
Property, plant & equipment	22,797	25,149
Other assets	3,833,349	4,334,630
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>94,601,097</b>	<b>95,244,707</b>
	=====	=====
<b>LIABILITIES</b>		
Deposits and balances from banks	2,347,934	2,468,710
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	18,055,040	17,994,703
- saving deposits	3,557,794	4,380,544
- time, call and notice deposits	12,584,407	16,999,299
Amount due to overseas offices of the institution	51,307,284	47,623,464
Provision for commitments and contingent liabilities	37,727	38,056
Other accounts & accruals	6,710,911	5,739,931
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<b>TOTAL LIABILITIES</b>	<b>94,601,097</b>	<b>95,244,707</b>
	=====	=====

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

**III. ADDITIONAL BALANCE SHEET INFORMATION**

	<b>Dec 31, 2016</b>	<b>Jun 30, 2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(i) Trade Bills, net of impairment allowance		
Trade Bills	180,380	250,611
Impairment allowance		
- Collective assessment	(1,050)	(1,752)
- Individual assessment	(75,358)	(75,397)
	<u>103,972</u>	<u>173,462</u>
	=====	=====
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	38,931,279	36,864,666
Impairment allowance		
- Collective assessment	(385,253)	(371,502)
- Individual assessment	(768,978)	(758,446)
	<u>37,777,048</u>	<u>35,734,718</u>
Accrued interests	163,607	170,007
	<u>37,940,655</u>	<u>35,904,725</u>
	=====	=====
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	10,237,640	14,047,687
Impairment allowance		
- Collective assessment	(10,729)	(11,816)
- Individual assessment	(26,998)	(26,240)
	<u>10,199,913</u>	<u>14,009,631</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, 2016</b>	<b>Jun 30, 2016</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	-	422,414
- More than one year	624,087	202,251
	<hr/>	<hr/>
	624,087	624,665
	=====	=====
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	542,995	202,251
	<hr/>	<hr/>
	542,995	489,441
	=====	=====
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	1.60%	0.55%
	<hr/>	<hr/>
	1.60%	1.70%
	=====	=====

As at Dec 31, 2016 and Jun 30, 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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**SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)**

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

	<b>Dec 31, 2016</b>	<b>Jun 30, 2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	1,528,017	1,484,323
	=====	=====
- Individually assessed allowance	768,978	758,446
	=====	=====
- Impaired advances to customers as a percentage advances to customers	3.92%	4.03%
	=====	=====

As at Dec 31, 2016 and Jun 30, 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	75,358	75,397
	-----	-----
	75,358	75,397
	=====	=====

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	75,358	75,397
	-----	-----
	75,358	75,397
	=====	=====

- Overdue trade bills as a percentage of total trade bills	41.78%	30.09%
	=====	=====

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

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

**IV. OFF-BALANCE SHEET EXPOSURES**

	<b>Dec 31, 2016</b>	<b>Jun 30, 2016</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	1,170,455	1,178,679
- Transaction-related contingencies	188,392	145,256
- Trade-related contingencies	5,772,894	9,558,566
- Other commitments	15,338,271	17,663,675
- Forward forward deposit placed	-	450,000
	<u>22,470,012</u>	<u>28,996,176</u>
	=====	=====
The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	195,925,429	163,838,492
- Interest rate contracts	67,069,775	78,875,702
	<u>262,995,204</u>	<u>242,714,194</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	3,864,486	4,811,406
- Interest rate contracts	901,036	336,194
	<u>4,765,522</u>	<u>5,147,600</u>
	=====	=====
Fair value liabilities		
- Exchange rate contracts	3,472,616	4,349,637
- Interest rate contracts	902,398	338,919
	<u>4,375,014</u>	<u>4,688,556</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:

	<b>Dec 31, 2016</b>		<b>Jun 30, 2016</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	2,326,786	-	1,701,784	-
- Financial Concerns	1,774,301	-	2,155,729	-
- Stockbrokers	-	-	-	-
- Wholesale & Retail Trade	429,668	-	644,700	-
- Manufacturing	2,403,680	-	2,462,343	-
- Transport & Transport Equipment	357,638	232,638	257,760	233,518
- Electricity & Gas	1,677,592	-	1,578,918	-
- Information Technology	1,035,179	-	896,568	-
- All others	4,043,564	387,730	3,889,266	387,933
	<u>14,048,408</u>	<u>620,368</u>	<u>13,587,068</u>	<u>621,451</u>
Individuals	16,426	-	16,919	-
Trade Finance	9,762,130	-	8,044,171	232,760
Advances for use outside Hong Kong	15,104,315	-	15,216,508	-
	<u>38,931,279</u>	<u>620,368</u>	<u>36,864,666</u>	<u>854,211</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, 2016</b>	<b>Jun 30, 2016</b>
	<b>HKS'000</b>	<b>HKS'000</b>
By countries or geographical areas:		
- Hong Kong	25,033,876	19,692,168
- China	1,374,692	3,670,354
- Cayman Islands	1,766,603	1,887,005
- USA	1,795,702	7,745,252
- Macau	6,256,240	-
- South Korea	387,730	559,870
- Singapore	327,244	1,995,596
- England	6,840	19,704
- Luxembourg	491,555	26
- India	722,164	614,182
- Residual Asia and Pacific	9,498	525,567
- South Africa	146,394	146,470
- Netherlands	429,505	112
- Switzerland	179,040	1,871
- Australia	4,179	6,443
- Others	17	46
	<u>38,931,279</u>	<u>36,864,666</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	41,000	41,274
- Hong Kong	492,322	492,579
- Cayman Islands	90,765	90,812
	<u>624,087</u>	<u>624,665</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:

	<b>Dec 31, 2016</b>	<b>Jun 30, 2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
- China	41,000	41,274
- Hong Kong	1,390,048	1,346,030
- Cayman Islands	96,969	97,019
	<u>1,528,017</u>	<u>1,484,323</u>
	=====	=====

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

- Hong Kong	75,358	75,397
	<u>75,358</u>	<u>75,397</u>
	=====	=====

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

- Hong Kong	75,358	75,397
	<u>75,358</u>	<u>75,397</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, 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
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	44,047	1	3,471	32,619	80,138
	=====	=====	=====	=====	=====

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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, 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
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	39,573	6,294	6,062	28,414	80,343
	=====	=====	=====	=====	=====

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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>	<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	-	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net (short)/long position	(4,284)	1,738	139	687	135	837	(748)
	<u>          </u>	<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>	<u>          </u>

	<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	-	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net (short)/long position	(3,847)	1,737	(256)	(189)	(130)	1,341	(1,344)
	<u>          </u>	<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>	<u>          </u>

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

**VIII. LIQUIDITY INFORMATION**

**(i) Liquidity ratio**

	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
The average liquidity maintenance ratio for the financial period	52.98%	55.23%
	=====	=====

**(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.

	Items in HKMA Return	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total  HK\$'000
As at Dec 31, 2016				
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	<u>19,253,785</u>	<u>5,151,199</u>	<u>24,404,984</u>
Total assets after provision	9	<u>94,563,370</u>		
On-balance sheet exposures as percentage of total assets	10	20.36%		



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

**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, 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	95,066,168		
On-balance sheet exposures as percentage of total assets	10	28.06%		

**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 2016 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 Bank-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.

The Committee receives, from time to time, direct feedback from the Independent Control Functions on compensation programs. The Committee also holds periodic meetings with the Chief Risk Officer to review and evaluate employee compensation programs to assess any risk posed by the programs so that the programs appropriately balance risks and rewards in a manner that does not encourage excessive risk-taking and are otherwise consistent with the Company's Compensation Governance Policy.

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.

During performance year 2016, the Committee held seven (7) meetings. Additional information regarding the Committee is included in the annual Proxy Statement available on Bank of America’s Investor Relations website.

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

**X. OTHER INFORMATION (CONTINUED)**

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

*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.

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 operating principles and other core values 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 the employee 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.

*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.

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

**X. OTHER INFORMATION (CONTINUED)**

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

*Risk Management and Incentive Plans (continued)*

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.

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.

The compensation of the Independent Control Functions is determined independently from the line of business supported. The funding of the incentive pool for these employees is based upon overall Company performance with the actual employee awards determined based upon individual performance against predetermined objectives.

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

**X. OTHER INFORMATION (CONTINUED)**

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

*Employee Pay*

Bank of America compensates its employees using a balanced mix of fixed remuneration, annual cash incentives and deferred 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 deferred 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.

*Key Personnel Identification and Pay*

For performance year 2016, 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 2016 consisted of a mixture of upfront payments and 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 deferred equity award may be impacted. The deferral rates for Key Personnel ranged from approximately 20%-50% of total variable compensation.

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

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

**X. OTHER INFORMATION (CONTINUED)**

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

*Quantitative Disclosures and Tables*

The Committee held seven (7) meetings in 2015 and seven (7) meetings in 2016. The 2015 remuneration of the Committee members is disclosed in the 2016 Proxy statement available on Bank of America's Investor Relations website. 2016 remuneration of the Committee members will similarly be disclosed in the 2017 Proxy statement, to be available 15 March 2017.

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 2016, the Bank of America, N.A. Hong Kong Branch employed approximately 500 employees.

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.

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

**X. OTHER INFORMATION (CONTINUED)**

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

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

**Key Personnel**

	<b>2015</b> <b>(\$ 000's)</b>	<b>2016</b> <b>(\$ 000's)</b>
Vested during the financial year (USD)	3,370	1,025
Unvested as of Dec 31 (USD)	6,884	4,345

- i. Total amount of outstanding deferred remuneration, split into cash, equity and equity-based instruments and other forms

**Key Personnel**

	<b>2015</b> <b>(\$ 000's)</b>	<b>2016</b> <b>(\$ 000's)</b>
Equity and equity-based instruments as of Dec 31 (USD)	6,884	4,345
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>2015</b> <b>(\$ 000's)</b>	<b>2016</b> <b>(\$ 000's)</b>
Awarded during the financial year (USD)	3,306	1,405
Paid Out during the financial year (USD)	3,370	1,025
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)

**2015:**

	<b>Key Personnel</b> (6 Beneficiaries)	
<b>Total value of remuneration awards for the current financial year</b>	<b>Non-deferred</b> <b>(\$ 000's)</b>	<b>Deferred</b> <b>(\$ 000's)</b>
<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

**2016:**

	<b>Key Personnel</b> (4 Beneficiaries)	
<b>Total value of remuneration awards for the current financial year</b>	<b>Non-deferred</b> <b>(\$ 000's)</b>	<b>Deferred</b> <b>(\$ 000's)</b>
<b>Fixed remuneration</b>		
-Cash based (USD)	1,724	0
-Equity and equity-based instruments (USD)	0	0
<b>Variable remuneration</b>		
-Cash based (USD)	1,886	0
- Equity and equity-based instruments (USD)	0	1,466

**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>2015</b> <b>(\$ 000's)</b>	<b>2016</b> <b>(\$ 000's)</b>
Total amount as of Dec 31 (USD)	6,884	4,345

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

**Key Personnel**

	<b>2015</b> <b>(\$ 000's)</b>	<b>2016</b> <b>(\$ 000's)</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>2015</b> <b>(\$ 000's)</b>	<b>2016</b> <b>(\$ 000's)</b>
Total amount during the financial year USD)	225	0

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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

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

**I. CAPITAL AND CAPITAL ADEQUACY**

	<b>Dec 31, 2016</b>	<b>Jun 30, 2016</b>
	<b>US\$ Million</b>	<b>US\$ Million</b>
- Total Capital ratio	16.30%	16.30%
- The aggregate amount of shareholders' funds	266,840 =====	267,069 =====

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, 2016</b>	<b>Jun 30, 2016</b>
	<b>US\$ Million</b>	<b>US\$ Million</b>
- Total assets	2,187,702	2,186,609
- Total liabilities	1,920,862	1,919,540
- Total advances (net of allowances)	895,446	891,316
- Total customer deposits	1,260,934 =====	1,216,091 =====
	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
	<b>US\$ Million</b>	<b>US\$ Million</b>
- Pre-tax profit	25,153 =====	22,154 =====