

Bank of America, National Association

Hong Kong Branch

Disclosure Statement

December 31, 2017

BANK OF AMERICA, NATIONAL ASSOCIATION
HONG KONG BRANCH
December 31, 2017

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT INFORMATION	Dec 31, 2017	Dec 31, 2016
	HK\$'000	HK\$'000
Interest income	1,989,609	1,303,252
Interest expense	(860,905)	(451,124)
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Net interest income	1,128,704	852,128
Other operating income/ (loss)		
Losses arising from trading in foreign currencies	(80,286)	(632,779)
Gain arising from non- trading in foreign currencies	55,686	-
Gains on securities held for trading purposes	26,841	718,246
Gains arising from trading in interest rate derivatives	3,578	23,755
Losses arising from trading in other derivatives	(20,632)	(7,345)
Fees and commissions		
- Income	1,220,508	1,184,284
- Expense	(6,914)	(3,046)
Income from non-trading investments	-	-
Other income	3,035	6,583
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	1,201,816	1,289,698
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Total revenue	2,330,520	2,141,826
Operating expenses		
Staff expenses	(666,647)	(709,692)
Rental expenses	(122,910)	(122,256)
Other operating expenses		
- Depreciation expenses	(832)	(1,457)
- Group servicing fee	(516,058)	(430,306)
- Telecom expenses	(7,331)	(6,071)
- Equipment expenses	(1,179)	(4,104)
- Legal and Professional fee	(21,901)	(40,199)
- Travel expenses	(18,214)	(21,496)
- Subscription fee	(6,605)	(5,087)
- Other miscellaneous expenses	(439,801)	(364,318)
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	(1,801,478)	(1,704,986)
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Operating profit before provisions	529,042	436,840
Impairment allowance charged	(246,885)	(174,624)
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Profit before taxation	282,157	262,216
Tax expense	(44,360)	(37,619)
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Profit after taxation	237,797	224,597
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II. BALANCE SHEET DATA

	Dec 31, 2017	Jun 30, 2017
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with banks	4,788,626	3,824,417
Due from Exchange Fund	2,915,898	4,508,041
Placements with banks and financial institutions maturing		
- Within one month	3,284,535	3,436,504
- Between one and twelve months	26,578,094	17,501,834
- Over one year	963,131	962,028
Amount due from overseas offices of the institution	27,876,045	16,983,964
Trade bills, net of impairment allowance	277,034	268,842
Certificate of Deposit	720,066	1,875,990
Trading securities, at fair value		
- Other securities	15,605,889	10,222,579
Advances to customers and other receivables, net of impairment allowance	54,719,022	40,743,142
Property, plant & equipment	20,749	22,846
Other assets	2,363,699	10,722,949
	<hr/>	<hr/>
TOTAL ASSETS	140,112,788	111,073,136
	=====	=====
LIABILITIES		
Deposits and balances from banks	5,648,023	2,319,104
Current, savings and other deposit accounts of customers		
- demand deposits and current accounts	22,317,593	20,981,131
- saving deposits	8,008,647	4,115,207
- time, call and notice deposits	15,373,875	20,489,931
Amount due to overseas offices of the institution	80,408,096	56,361,404
Provision for commitments and contingent liabilities	6,395	9,448
Other accounts & accruals	8,350,159	6,796,911
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TOTAL LIABILITIES	140,112,788	111,073,136
	=====	=====

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III. ADDITIONAL BALANCE SHEET INFORMATION

	Dec 31, 2017	Jun 30, 2017
	HK\$'000	HK\$'000
(i) Trade Bills, net of impairment allowance		
Trade Bills	355,772	347,411
Impairment allowance		
- Collective assessment	(2,798)	(2,716)
- Individual assessment	(75,940)	(75,853)
	<u>277,034</u>	<u>268,842</u>
	=====	=====
(ii) Advances to customers and other receivables, net of impairment allowance		
Advances to customers	55,532,893	41,683,205
Impairment allowance		
- Collective assessment	(551,032)	(419,591)
- Individual assessment	(635,236)	(770,743)
	<u>54,346,625</u>	<u>40,492,871</u>
Accrued interests	372,397	250,271
	<u>54,719,022</u>	<u>40,743,142</u>
	=====	=====
(iii) Commitments and contingent liabilities, net of impairment allowance		
Commitments and contingent liabilities	16,563,735	45,660,457
Impairment allowance		
- Collective assessment	(6,313)	(9,448)
- Individual assessment	(82)	-
	<u>16,557,340</u>	<u>45,651,009</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)

	Dec 31, 2017	Jun 30, 2017
	HK\$'000	HK\$'000
(iv) Analysis of overdue and rescheduled advances		
Overdue advances to customers		
- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	619,260	619,030
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	619,260	619,030
	=====	=====
Individually assessed allowance made in respect of overdue advances to customers		
- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	537,542	537,406
	<hr/>	<hr/>
	537,542	537,406
	=====	=====
Overdue advances to customers as a percentage of total advances to customers		
- Six months or less but more than three months	-	-
- One year or less but more than six months	-	-
- More than one year	1.12%	1.49%
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	1.12%	1.49%
	=====	=====

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

	Dec 31, 2017	Jun 30, 2017
	HK\$'000	HK\$'000
(v) Impaired advances to customers and allowance		
- Impaired advances to customers	1,010,033	1,085,720
	=====	=====
- Individually assessed allowance	635,236	770,743
	=====	=====
- Impaired advances to customers as a percentage advances to customers	1.82%	2.60%
	=====	=====

As at Dec 31, 2017 and Jun 30, 2017, 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	75,940	75,853
	-----	-----
	75,940	75,853
	=====	=====

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	75,940	75,853
	-----	-----
	75,940	75,853
	=====	=====

- Overdue trade bills as a percentage of total trade bills	21.35%	21.83%
	=====	=====

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

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IV. OFF-BALANCE SHEET EXPOSURES

	Dec 31, 2017	Jun 30, 2017
	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	4,950,595	8,594,890
- Transaction-related contingencies	145,006	146,581
- Trade-related contingencies	4,306,443	5,742,903
- Other commitments	16,310,769	47,165,346
- Forward forward deposit placed	45,000	-
	<u>25,757,813</u>	<u>61,647,720</u>
	=====	=====
The notional amount of derivatives contracts are as follow:		
- Exchange rate contracts	162,608,202	198,101,601
- Interest rate contracts	67,488,975	63,121,522
	<u>230,097,177</u>	<u>261,223,123</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	1,451,137	2,655,646
- Interest rate contracts	1,117,253	939,354
	<u>2,568,390</u>	<u>3,595,000</u>
	=====	=====
Fair value liabilities		
- Exchange rate contracts	1,521,293	2,723,552
- Interest rate contracts	1,114,837	942,675
	<u>2,636,130</u>	<u>3,666,227</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:

	Dec 31, 2017		Jun 30, 2017	
	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	1,020,833	-	1,898,214	-
- Financial Concerns	5,535,262	-	2,625,869	-
- Stockbrokers	-	-	-	-
- Wholesale & Retail Trade	78,171	-	78,236	-
- Manufacturing	7,032,104	-	3,736,079	191,235
- Transport & Transport Equipment	1,879,251	351,650	738,413	585,413
- Electricity & Gas	3,778,577	-	2,110,592	-
- Recreational activities	116,698	-	72,658	-
- Information Technology	4,076,564	-	959,811	-
- All others	6,353,637	390,723	5,269,179	390,275
	<u>29,871,097</u>	<u>742,373</u>	<u>17,489,051</u>	<u>1,166,923</u>
Individuals	25,092	-	25,396	-
Trade Finance	9,124,428	-	9,651,689	-
Advances for use outside Hong Kong	16,512,276	-	14,517,069	-
	<u>55,532,893</u>	<u>742,373</u>	<u>41,683,205</u>	<u>1,166,923</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:

	Dec 31, 2017	Jun 30, 2017
	HK\$'000	HK\$'000
By countries or geographical areas:		
- Hong Kong	37,160,282	26,543,280
- Macau	6,221,334	6,636,698
- India	3,452,861	1,135,965
- China	2,583,565	2,990,232
- United States	1,629,719	1,222,365
- Netherlands	1,443,671	414,608
- Singapore	863,106	329,392
- Mauritius	729,512	-
- Luxembourg	525,963	441,518
- South Korea	484,820	464,317
- Switzerland	288,567	388,459
- Cayman Islands	82,750	1,069,896
- Malaysia	34,078	31,598
- Others	19,117	79
- Thailand	8,156	7,497
- Japan	4,110	-
- Australia	1,262	1,869
- United Kingdom	20	5,432
	<u>55,532,893</u>	<u>41,683,205</u>
	=====	=====

Advances to customers by countries or geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area that is different from that of the counterparty.

(iii) Analysis of overdue advances to customers by countries or geographical areas:

- Hong Kong	496,121	495,553
- Cayman Islands	82,729	82,634
- China	40,410	40,843
	<u>619,260</u>	<u>619,030</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:

	Dec 31, 2017	Jun 30, 2017
	HK\$'000	HK\$'000
- Hong Kong	496,172	962,243
- United States	390,722	-
- Cayman Islands	82,729	82,634
- China	40,410	40,843
	<u>1,010,033</u>	<u>1,085,720</u>
	=====	=====

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

- Hong Kong	75,940	75,853
	<u>75,940</u>	<u>75,853</u>
	=====	=====

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

- Hong Kong	75,940	75,853
	<u>75,940</u>	<u>75,853</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 Dec 31, 2017					
- Developed countries	28,125	-	-	3,913	32,038
<i>of which :</i>					
- Australia	10	-	-	-	10
- France	-	-	-	42	42
- Luxembourg	-	-	-	526	526
- Netherlands	-	-	-	1,444	1,444
- United Kingdom	-	-	-	-	-
- United States	28,115	-	-	1,612	29,727
- Switzerland	-	-	-	289	289
- Offshore centres	727	-	3,863	46,977	51,568
<i>of which :</i>					
- Cayman Islands	-	-	-	83	83
- Hong Kong SAR	727	-	614	42,313	43,655
- Singapore	-	-	534	333	867
- Macau SAR	-	-	2,715	3,518	6,233
- Mauritius	-	-	-	730	730
- Developing Africa and Middle East	-	-	-	14	14
<i>of which :</i>					
- Brazil	-	-	-	14	14
- Developing Asia-Pacific	35,959	-	47	15,332	51,338
<i>of which :</i>					
- China	29,037	-	47	11,345	40,429
- India	4,332	-	-	3,457	7,789
- Indonesia	423	-	-	-	423
- South Korea	2,034	-	-	489	2,522
- Malaysia	-	-	-	34	34
- Philippines	133	-	-	-	133
- Thailand	-	-	-	8	8
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	64,812	-	3,911	66,235	134,958
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VI. INTERNATIONAL CLAIMS (Continued)

	Banks	Official Sector	<u>Non-bank private sector</u>		Total
			Non-bank financial institutions	Non- financial private sector	
			HK\$ Million		
As at Jun 30, 2017					
- Developed countries	17,125	-	968	2,539	20,632
of which :					
- Australia	-	-	-	4	4
- France	-	-	-	42	42
- Luxembourg	-	-	-	442	442
- Netherlands	-	-	-	419	419
- United Kingdom	1	-	968	-	969
- United States	17,124	-	-	1,243	18,367
- Switzerland	-	-	-	389	389
- Offshore centres	179	-	4,570	28,155	32,904
of which :					
- Cayman Islands	-	-	-	1,072	1,072
- Hong Kong SAR	179	-	1,655	23,018	24,852
- Singapore	-	-	-	333	333
- Macau SAR	-	-	2,915	3,732	6,647
- Developing Africa and Middle East	-	-	-	-	-
- Developing Asia-Pacific	35,602	3,394	-	4,717	43,713
of which :					
- China	31,182	1,150	-	3,074	35,406
- India	2,019	-	-	1,136	3,155
- Indonesia	1,268	-	-	-	1,268
- South Korea	1,133	2,244	-	468	3,845
- Malaysia	-	-	-	32	32
- Thailand	-	-	-	7	7
	<u>52,906</u>	<u>3,394</u>	<u>5,538</u>	<u>35,411</u>	<u>97,249</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>	<u>JPY</u>	<u>SGD</u>	<u>Total</u>
	HK\$ Million					
As at Dec 31, 2017						
Spot assets	102,206	6,361	204	690	825	110,286
Spot liabilities	(114,384)	(3,570)	(201)	(688)	(821)	(119,664)
Forward purchases	68,701	14,720	46,322	8,359	200	138,302
Forward sales	(57,216)	(17,521)	(46,321)	(8,359)	(200)	(129,617)
Net option position	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (short)/long position	(693)	(10)	4	2	4	(693)
	<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>USD</u>	<u>CNY</u>	<u>AUD</u>	<u>JPY</u>	<u>SGD</u>	<u>Total</u>
	HK\$ Million					
As at Jun 30, 2017						
Spot assets	67,300	15,693	928	1,989	828	86,738
Spot liabilities	(92,223)	(1,718)	(64)	(1,019)	(13)	(95,037)
Forward purchases	94,137	36,207	25,966	5,595	174	162,079
Forward sales	(75,329)	(48,044)	(25,966)	(5,595)	(174)	(155,108)
Net option position	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (short)/long position	(6,115)	2,138	864	970	815	(1,328)
	<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>

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VIII. LIQUIDITY INFORMATION

(i) Liquidity ratio

	Dec 31, 2017	Dec 31, 2016
The average liquidity maintenance ratio for the financial period	56.39%	52.98%
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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 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, 2017				
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1	29,062,423	2,208,334	31,270,756
Local governments, local government-owned entities and their subsidiaries and JVs	2	2,536,952	-	2,536,952
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	1,416,561	-	1,416,561
Other entities of central government not reported in item 1 above	4	41,907	-	41,907
Other entities of local government not reported in item 2 above	5	11,842	-	11,842
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	1,817,546	2,934,135	4,751,681
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	3,846,904	703,301	4,550,205
Total	8	<u>38,734,135</u>	<u>5,845,770</u>	<u>44,579,904</u>
Total assets after provision	9	<u>140,106,393</u>		
On-balance sheet exposures as percentage of total assets	10	27.65%		

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

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 2017 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 its overall risk management policies.

In order to provide an appropriate balance of risk and reward, incentive compensation plans are developed in accordance with the Company’s 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 (“MCC”), and
- (iv) governance by line of business management and independent control functions aligned to the line of business and regional governance.

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 the direct reports of the Chief Executive Officer (the “CEO”) and approving and recommending the compensation of the CEO to the Board for its further approval. 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 (most recently in July 2017) the Bank of America Compensation Governance Policy (“CGP”) to govern incentive compensation decisions and define the framework for design oversight of incentive compensation programs across the Company. The CGP 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. For performance year 2017, in addition to reviewing the individual incentive compensation awards for executive officers and other senior executives who report directly to the CEO, the Committee also reviewed the outcomes of the Company’s robust control function feedback process, conduct reviews and individual incentive compensation awards for certain highly compensated employees and material risk takers. As part of its governance routine, the Committee met with the Chief Risk Officer (“CRO”) and business lines to discuss their feedback on the pay-for-performance process, including their experience managing risk and conduct matters. In addition, the Company’s CRO also certifies all incentive plans across the Company as part of the MCC’s governance process.

As a result of these processes and reviews, and in combination with the risk management and clawback features of the Company’s compensation programs, Bank of America believes that its compensation policies and practices appropriately balance risks and rewards in a way that does not encourage excessive or imprudent risk-taking or create risks that are reasonably likely to have a material adverse effect on the Company. Moreover, oversight by the Committee, MCC, independent control functions, and line of business management help the Company maintain a compensation program that is intended to mitigate the potential for conflicts of interests.

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SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

X. OTHER INFORMATION (CONTINUED)

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

As authorized under its charter, the Committee has engaged Fariant 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, and also reviews management's incentive plan certifications with the Committee.

During performance year 2017, the Committee held ten (10) 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 ongoing 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.

In addition, the Company does not remunerate or assess employees' performance in a way that encourages employees to act in a manner that conflicts with the duties owed to the Company's clients. Each employee's performance is assessed on quantitative and qualitative objectives as well as specific behaviors, and performance is factored into each employee's incentive compensation award. Depending on the employee, quantitative performance objectives may be focused on Company-wide, line of business, or product results. Qualitative performance objectives 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 factors such as business performance) and a Behavior rating (based on factors such as conduct, broader contributions to the Company, leadership, 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.

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 2017, 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 [Company's] 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 2017 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 30%-50% of total variable compensation.

By combining deferred awards with the Company's malus and clawback provisions, 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 2016 and ten (10) meetings in 2017. The 2016 remuneration of the Committee members is disclosed in the 2017 Proxy statement available on Bank of America's Investor Relations website. 2017 remuneration of the Committee members will similarly be disclosed in the 2018 Proxy statement, to be available on or about 12 March 2018.

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 2017, 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

	2016 (\$ 000's)	2017 (\$ 000's)
Vested during the financial year (USD)	1,025	2,221
Unvested as of Dec 31 (USD)	4,345	4,940

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

Key Personnel

	2016 (\$ 000's)	2017 (\$ 000's)
Equity and equity-based instruments as of Dec 31 (USD)	4,345	4,940
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

	2016 (\$ 000's)	2017 (\$ 000's)
Awarded during the financial year (USD)	1,405	1,547
Paid Out during the financial year (USD)	1,025	2,221
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)

2016:

	Key Personnel (6 Beneficiaries)	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)
Fixed remuneration		
-Cash based (USD)	1,724	0
-Equity and equity-based instruments (USD)	0	0
Variable remuneration		
-Cash based (USD)	1,886	0
- Equity and equity-based instruments (USD)	0	1,466

2017:

	Key Personnel (4 Beneficiaries)	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)
Fixed remuneration		
-Cash based (USD)	1,718	0
-Equity and equity-based instruments (USD)	0	0
Variable remuneration		
-Cash based (USD)	1,937	0
- Equity and equity-based instruments (USD)	0	1,504

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

	2016 (\$ 000's)	2017 (\$ 000's)
Total amount as of Dec 31 (USD)	4,345	4,940

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

Key Personnel

	2016 (\$ 000's)	2017 (\$ 000's)
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

	2016 (\$ 000's)	2017 (\$ 000's)
Total amount during the financial year USD)	0	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

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SECTION B – CONSOLIDATED INFORMATION (BANK OF AMERICA CORPORATION)

I. CAPITAL AND CAPITAL ADEQUACY

	Dec 31, 2017	Jun 30, 2017
	US\$ Million	US\$ Million
- Common Equity Tier 1 Capital ratio (Standardized Approach)	11.90%	12.30%
- Common Equity Tier 1 Capital ratio (Advanced Approach)	11.80%	11.60%
- Tier 1 Capital Ratio (Standardized Approach)	13.40%	14.00%
- Tier 1 Capital Ratio (Advanced Approach)	13.20%	13.20%
- Total Capital Ratio (Standardized Approach)	15.90%	16.70%
- Total Capital ratio (Advanced Approach)	15.10%	15.10%
	US\$ Million	US\$ Million
- The aggregate amount of shareholders' funds	267,146	270,987
- Risk-weighted assets (Standardized Approach)	1,433,517	1,389,274
- Risk-weighted assets (Advanced Approach)	1,449,222	1,477,285
	=====	=====

The capital adequacy ratio is calculated in accordance with the Basel Capital Accord. In addition, the Bank has incorporated a measure for market risk in their regulatory capital calculations in accordance with the regulatory capital guidelines jointly issued by the Federal Reserve Bank, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Besides, the Regulatory capital ratios reflect the transition provisions of Basel 3.

II. OTHER FINANCIAL INFORMATION

	Dec 31, 2017	Jun 30, 2017
	US\$ Million	US\$ Million
- Total assets	2,281,234	2,254,529
- Total liabilities	2,014,088	1,983,542
- Total advances (net of allowances)	926,356	905,791
- Total customer deposits	1,309,545	1,262,980
	=====	=====
	Dec 31, 2017	Dec 31, 2016
	US\$ Million	US\$ Million
- Pre-tax profit	29,213	25,153
	=====	=====