BANK OF AMERICA

BANC OF AMERICA SECURITIES ASIA LIMITED

Audited Annual Financial Statements

for the year ended 31 December 2023

Banc of America Securities Asia Limited

Audited Annual Financial Statements for the year ended 31 December 2023

The reports and statements set out below comprise the audited annual financial statements presented to the shareholder:

Contents

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2023.

Principal activities

Banc of America Securities Asia Limited (the "Company") is a restricted licence bank regulated by Hong Kong Monetary Authority. It is also a registered institution with the Hong Kong Securities and Futures Commission.

The principal activities of the Company were trading in Fixed Income and Currency products.

The Company migrated its Fixed Income and Currency business to a fellow subsidiary of the Company, during the year ended 31 December 2023. This business was classified as discontinued operation. The Company is preparing the submission of all its application to HKMA for the revocation of the Company's authorization under the Banking Ordinance and cessation to carry on all regulated activities under the Securities and Futures Ordinance during the year ended 31 December 2023. The Company will continue its Treasury activities mainly related to deposit placements with banks.

Results and appropriations

The results of the Company for the year ended 31 December 2023 are set out in the statement of comprehensive income on page 5.

An interim dividend was declared during the year ended 31 December 2023 (2022: nil) as set out in note 21. The directors do not recommend the payment of a final dividend.

Share capital movement issued in the year

Details of the movement in share capital during in the year ended 31 December 2023 are set out in note 19 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Anand, Puneet	
Law, Pak Kin Patrick	
Yee, Danny Ong	
Song, Elaine	Appointed on 19 May 2023
Yacenda, Richard	
Iyer, Krishna	Resigned on 19 May 2023

All the existing directors are expected to continue in office.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company's fellow subsidiaries or holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debenture of the Company or any specified undertaking of the Company or any other associated corporation

Certain directors of the Company are entitled to Employee Stock Compensation. Other than as disclosed in note 10 to the financial statements, at no time during the year was the Company, its fellow subsidiaries, its holding companies or its other associated corporation a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

DIRECTORS' REPORT

Employee stock compensation

Details of share-based payment transactions are set out in note 11 to the financial statements.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted indemnity provisions

The Bylaws of the Company's ultimate parent company, Bank of America Corporation ("BAC"), provide that an individual serving as a director of BAC or one of its affiliates (the "Indemnitee") shall be indemnified against all expense, liability and loss reasonably incurred in connection with any actions or proceedings brought against the Indemnitee by reason of Indemnitee's service as a director. The indemnification is only available if the Indemnitee acted in good faith and in a manner the Indemnity reasonably believed to be in or not opposed to the best interest of BAC and its affiliates, and, with respect to any criminal proceeding, had no reasonable cause to believe that Indemnitee's conduct was unlawful. BAC maintains insurance against the costs associated with defending any claims which may be brought against a director of BAC or one of its affiliates.

Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules which set out the minimum standards for public disclosure which authorised institutions must make in respect of the statement of comprehensive income, state of affairs and capital adequacy. The financial statements for the financial year ended 31 December 2023 comply fully with the applicable disclosure provision of the Banking (Disclosure) Rules.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Law, Pak Kin Patrick, Director

Hong Kong, 25 April 2024

INDEPENDENT AUDITOR'S REPORT

To the Member of Banc of America Securities Asia Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Banc of America Securities Asia Limited (the "Company"), which are set out on pages 5 to 43, comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and the supplementary financial information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

To the Member of Banc of America Securities Asia Limited
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 April 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2023

	Note	2023 US$'000	2022 US$'000
Continuing Operations			
Interest income		763	1,266
Interest expense		(96,410)	(36,304)
Net interest expense	5	(95,647)	(35,038)
Fee and commission expense	6	(2)	(1)
Net operating loss		(95,649)	(35,039)
Operating expenses	8	(8,530)	(1,891)
Staff cost	9	(4,189)	(2,816)
Loss before income taxes		(108,368)	(39,746)
Income taxes	12	17,918	6,921
Loss from continuing operations		(90,450)	(32,825)
Profit from discontinued operation	7	144,329	59,456
Total comprehensive income for the financial year		53,879	26,631
Attributable to			
Equity holder		53,879	26,631

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	2023 US$'000	2022 US$'000
Assets			
Cash and balances with banks	14	78,260	146,550
Financial assets at fair value through profit or loss	15	—	2,930,969
Derivative financial instruments	16	—	285,271
Amount due from parent	22	5,753	1,576
Amount due from fellow subsidiaries	22	4,337	1,744
Deferred tax assets	13	721	254
Other assets		2	1,282
Total assets		89,073	3,367,646
Liabilities			
Deposits and balances from banks	23	493	2,486,765
Derivative financial instruments	16	—	256,897
Amount due to parent	22	2,725	16,359
Amount due to fellow subsidiaries	22	3,150	29,780
Current tax liabilities		5,597	4,470
Other liabilities	18	1,135	1,281
Total liabilities		13,100	2,795,552
Equity			
Share capital	19	15,631	491,442
Retained earnings		60,342	74,185
Other reserves	20	—	6,467
Total equity		75,973	572,094
Total liabilities and equity		89,073	3,367,646

The financial statements on pages 5 to 43 were approved and authorised for issue by the Board of Directors on 25 April 2024 and were signed on its behalf by:

Law, Pak Kin Patrick, Director

Song, Elaine, Director

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2023

	Share capital US$'000	Retained earnings US$'000	Other reserves US$'000	Total US$'000
Beginning balance at 1 January 2022	491,442	47,554	6,467	545,463
Total comprehensive income for the year	—	26,631	—	26,631
Ending balance at 31 December 2022	491,442	74,185	6,467	572,094
Beginning balance at 1 January 2023	491,442	74,185	6,467	572,094
Transfer of share-based payment reserve to retained earnings	—	6,467	(6,467)	—
Reduction in share capital	(475,811)	—	—	(475,811)
Dividend paid	—	(74,189)	—	(74,189)
Total comprehensive income for the year	—	53,879	—	53,879
Ending balance at 31 December 2023	15,631	60,342	—	75,973

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 December 2023

	2023 US$'000	2022 US$'000
Cash flows from operating activities		
Loss before taxation from continuing operations	(108,368)	(39,746)
Profit before taxation from discontinued operation	172,850	74,878
Adjustments for:		
Net interest expense	95,647	35,038
Net interest income on trading	(61,830)	(45,106)
Operating profit before movements in working capital	98,299	25,064
Interest received	90,637	33,051
Interest paid	(108,794)	(32,955)
Income taxes paid	(9,943)	(4,473)
Change in financial assets at fair value through profit or loss	2,905,888	(1,860,305)
Change in derivative financial instruments	28,374	(16,961)
Change in deposit and balance from banks	(2,476,982)	1,819,971
Change in amount due from/to parent	(17,746)	5,123
Change in amount due from/to fellow subsidiaries	(29,157)	26,511
Change in other assets	1,280	(1,187)
Change in other liabilities	(146)	486
Net cash inflow / (outflow) from operating activities	481,710	(5,675)
Cash flows from financing activities		
Capital reduction	(475,811)	—
Dividend paid	(74,189)	—
Net cash outflow from financing activities	(550,000)	—
Net decrease in cash and cash equivalents	(68,290)	(5,675)
Cash and cash equivalents at beginning of year	146,550	152,225
Cash and cash equivalents at the end of year	78,260	146,550

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

1. Corporate information

Banc of America Securities Asia Limited ("the Company") traded Fixed Income and Currency products during the year ended 31 December 2023. The immediate parent company is Bank of America, National Association and the ultimate parent company is Bank of America Corporation ("BAC") which is organized and existing under the laws of the State of Delaware in the United States of America.

The Company is a restricted licence bank incorporated and domiciled in Hong Kong, regulated by Hong Kong Monetary Authority ("HKMA"). It is also a registered institution with the Hong Kong Securities and Futures Commission. The address of its registered office is 52/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company migrated its Fixed Income and Currency business to a fellow subsidiary of the Company, during the year ended 31 December 2023. This business was classified as discontinued operation. The Company is preparing the submission of its application to HKMA for the revocation of the Company's authorization under the Banking Ordinance and cessation to carry on all regulated activities under the Securities and Futures Ordinance during the year ended 31 December 2023. The Company will continue its Treasury activities mainly related to deposit placements with banks.

The financial statements are presented in US dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand, except as otherwise indicated.

2. Summary of material accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622.

The financial statements have been prepared on the historical cost convention, as modified to include certain assets and liabilities at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. There are no estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.1.1 New and amended standards adopted by the Company

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2023 that have had a material impact on the Company.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.1.2 Standards issued but not yet effective

Amendments to HKAS12, Income Taxes: International Tax Reform Pillar Two Model Rules

In December 2021, the Organization for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework, also known as the 'Pillar Two' rules. The standard HKAS 12, Income Taxes introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, which was effective immediately. The Company has adopted the mandatory temporary exception.

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2. **Summary of material accounting policies (continued)**

2.1 Basis of preparation (continued)

2.1.2 Standards issued but not yet effective (continued)

Amendments to HKAS12, Income Taxes: International Tax Reform Pillar Two Model Rules (continued)

In December 2023, the Hong Kong Government has launched a three-month consultation on "Implementation of Global Minimum Tax and Hong Kong Minimum Top-up Tax". The Company is yet to commence assessing the full impact of this.

2.2 Foreign currency translation

The financial statements are presented in US dollars, which is also the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, and generally recognized in the income statement.

Changes in the fair value of monetary items denominated in foreign currency classified as fair value through other comprehensive income are analyzed between exchange gains and losses resulting from changes in the amortized cost of the contract and other changes in the carrying amount of the contract. Exchange gains and losses related to changes in amortized cost are recognized in income statement, other other changes in carrying amount are recognized in other comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are subsequently re-translated into the functional currency using the exchange rates prevailing at the reporting date. Exchange gains and losses on monetary assets and liabilities are recognised in the statement of comprehensive income.

Exchange gains and losses on financial assets and liabilities held at fair value through profit or loss ("FVPL") are recognised in income statement as part of the fair value gain or loss. Exchange gains and losses on non-monetary financial assets measured at fair value through other comprehensive income ("FVOCI") are included in other comprehensive income.

Non-monetary assets and liabilities that are not measured at fair value are not subsequently re-translated for movements in prevailing exchange rates.

2.3 Financial assets and liabilities

2.3.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the assets.

In general, trading instruments (e.g. debt securities, derivatives) are recognized and derecognized on a trade date basis, whereas funding financial instruments (e.g. Money market trades) are recognized and derecognized on a settlement date basis.

For initial recognition of financial assets classified as measured at amortized cost or FVOCI, the Company measures them at fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognized for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

For initial recognition of financial assets or financial liabilities classified as measured at fair value through profit or loss, the Company initially measure them at fair value with any transaction costs expensed in profit or loss.

2. **Summary of material accounting policies (continued)**

2.3 Financial assets and liabilities (continued)

2.3.2 Classification and subsequent measurement

The Company classifies its financial assets as measured at: amortized cost, FVOCI or FVPL.

A financial asset is classified as measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the “SPPI test”).

A debt instrument is classified as measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:
- The above SPPI test is met.

SPPI test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments’ cash flows meet the SPPI test. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, that is to say that interest includes only consideration for the time value of money, credit risks, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

All other financial assets, including derivative assets, are classified as measured at FVPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

2.3.3 Impairment

The Company performs assessment on loss allowance for ECL on its financial assets that are debt instruments, financial guarantees, and commitments that are not measured at FVPL. The Company’s credit exposures under these instruments are typically significantly less than 12 months in duration or otherwise are generally assessed as having no significant increase in credit risk since initial recognition. As a result, ECL is calculated on a 12 month basis. In the event that significant financial difficulty or default of a counterparty indicates that an asset is credit-impaired, the ECL allowance is assessed on a lifetime basis, taking into account ECL that result from all possible default events over the expected life of the financial instrument.

Debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

2. Summary of material accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.4 Financial liabilities - Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortized cost, except for Financial liabilities at fair value through profit or loss: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition.

Subsequent movements in fair value are recorded in the statement of comprehensive income within net income from financial instruments designated at fair value.

2.3.5 Derecognition of financial assets and financial liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a secured borrowing for the cash proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received and any cumulative gain that had been recognised in other comprehensive income ("OCI") is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications to the terms of financial assets and liabilities may result in derecognition if it is deemed that the modification results in an expiry of the contractual rights and obligations of the original instrument.

2.3.6 Offsetting financial instruments

Where the Company has the legal right to net settle and intends to do so (with any of its debtors or creditors) on a net basis, or to realize the asset and settle the liability simultaneously, the balance included within the financial statements is the net balance due to or from the counterparty.

Central clearing counterparties ("CCP") are individually assessed to identify if net settlement criteria are met. Where this is achieved, assets and liabilities facing the CCP are offset.

2.4 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in the statement of financial position.

2.5 Current and deferred income tax

The tax charge for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income (for example, deferred tax liability on pension) or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. **Summary of material accounting policies (continued)**

2.5 Current and deferred income tax (continued)

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and is measured at the average tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised over the Company's planning horizon.

2.6 Share-based payments

BAC grants equity based payment awards to employees of the Company under various incentive schemes.

For most awards, expense is generally recognised ratably over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Company accrues the expense in the year prior to grant. As a result, the estimated value is expensed ratably over the year preceding the grant date. For employees that become retirement eligible during the vesting period, the Company recognises expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

As this is a group share based payment arrangement, all awards are treated by the Company as equity settled share based payment plans and are measured based on the fair value of those awards at grant date.

The fair value determined at the grant date is expensed over the vesting period, based on the Company’s estimate of the number of shares that will eventually vest. The Company has entered into a chargeback agreement with BAC under which it is committed to pay BAC the market value at grant date as well as subsequent movements in fair value of those awards to BAC at the time of delivery to its employees. The share based payment transaction and chargeback agreement creates a total charge to the profit and loss based on the grant date fair value of the awards adjusted for subsequent movements in the fair value of those awards prior to delivery.

The fair value determined at the grant date expensed over the vesting period is recognized under staff cost whereas the subsequent movement in the fair value prior to delivery is recorded in service fee income or service fee expense.

2.7 Other operating income

Other operating income includes service fee income, which consists of charges made to related parties to remunerate the Company for services provided. Service fee income is recognised on an accruals basis when the transactions occur or as the service is provided.

2.8 Interest income and expenses

2.8.1 Amortised cost and effective interest rate

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

2. **Summary of material accounting policies (continued)**

2.8 Interest income and expenses (continued)

2.8.1 Amortised cost and effective interest rate (continued)

When calculating the effective interest rate for financial instruments other that credit-impaired assets, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider expected credit losses. For financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes all amounts received or paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

Calculation of interest income and expense

Interest income and expense for all financial instruments measured at amortized cost or FVOCI are recognised on accrual basis using the effective interest method. The effective interest rate is applied to the gross carrying amount of the financial asset (for non-credit impaired assets) or to the amortised cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.9 Net trading income

Net trading income comprises realised and unrealised gains and losses on trading, and gains and losses on derivatives held for the purpose of hedging foreign currency exposure. Unrealised gains and losses, which represents changes in fair value of financial instruments held for trading, are recognised within net trading income as they arise. Net trading income also includes interest income and expense attributable to trading financial assets and liabilities.

2.10 Comparatives

The presentation or classification of certain items in the financial statements has been changed in current year. As such, the comparative amounts of prior financial year have been reclassified to conform with current year presentation and classification. Specifically, the statement of comprehensive income and the statement of cash flows, fee and commission expense in note 6, operating expenses in note 8, taxation in note 12 have been restated. There is no impact on the statement of financial position as at 31 December 2022.

2.11 Current versus non-current classification

The amount of each asset and liability line item presented as current is also expected to be recovered or settled no more than twelve months after the reporting period.

3. Risk Management

3.1 Legal entity governance

BAC has established a risk governance framework (the “Risk Framework”) which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries (including the Company). The Risk Framework applies to all the employees. It provides an understanding of the Company’s approach to risk management and each employee’s responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Company. The following are the five components of the Company’s risk management approach:

◦ Culture of Managing Risk Well;
◦ Risk Appetite and Risk Limits;
◦ Risk Management Processes;
◦ Risk Data Management, Aggregation and Reporting; and
◦ Risk Governance

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are market, credit, operational, liquidity, reputational, strategic and compliance risks.

Set out below is a summary of the Company's approach to each of the risk types applicable to the Company.

3.1.1 Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Company applies a ‘Value-at-Risk’ (“VaR”) methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Company has in place limits on the VaR that may be accepted. The Company’s VaR is monitored on a daily basis.

The daily market VaR is an estimate, with a confidence level set at 99%, of the potential loss that might arise if the current positions were to be held unchanged for one business day. The measurement is structured so that daily losses exceeding the VaR figure should occur, on average, not more than once every 100 days. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation.

As VaR constitutes an integral part of the Company’s market risk control regime, VaR limits are established for all trading and portfolio operations; actual exposure against limits is reviewed daily by management.

The following table shows the year-end VaR, average, high and low VaR utilisation for trading market risk:

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.1 Market risk (continued)

In US$'000	VaR Utilisation As at 31 December 2023	VaR Utilisation 1 January 2023 to 31 December 2023 Average	 High	 Low
Foreign exchange	(3)	46	145	(3)
Interest rate	—	543	858	—
Credit	—	1	187	—
Overall	(3)	547	864	(3)

In US$'000	VaR Utilisation As at 31 December 2022	VaR Utilisation 1 January 2022 to 31 December 2022 Average	 High	 Low
Foreign exchange	(51)	(32)	(81)	(20)
Interest rate	(733)	(978)	(3,226)	(243)
Credit	—	(129)	(668)	—
Overall	(727)	(969)	(3,244)	(242)

However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.1 Market risk (continued)

(a) Foreign Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The tables below summarise the Company's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Company's assets and liabilities at carrying amounts in US dollars equivalent, categorised by the original currency.

	HKD	USD	CNY	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2023					
Assets					
Cash and balances with banks	570	77,436	1	253	78,260
Amount due from parent	6	5,747	—	—	5,753
Amount due from fellow subsidiaries	—	4,337	—	—	4,337
Other assets	—	2	—	—	2
Total assets	576	87,522	1	253	88,352
Liabilities					
Deposits and balances from banks	—	1	—	492	493
Amount due to parent	52	2,673	—	—	2,725
Amount due to fellow subsidiaries	—	3,150	—	—	3,150
Other liabilities	178	955	—	2	1,135
Total liabilities	230	6,779	—	494	7,503
Net foreign currency position	346	80,743	1	(241)	80,849

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.1 Market risk (continued)

(a) Foreign Currency risk (continued)

	HKD	USD	CNY	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2022					
Assets					
Cash and balances with banks	571	143,702	1,137	1,140	146,550
Financial assets at fair value through profit or loss	—	—	50,129	2,880,840	2,930,969
Derivative financial instruments	—	440,339	—	(155,068)	285,271
Amount due from parent	13	1,563	—	—	1,576
Amount due from fellow subsidiaries	—	1,744	—	—	1,744
Other assets	—	1,282	—	—	1,282
Total assets	584	588,630	51,266	2,726,912	3,367,392
Liabilities					
Deposits and balances from banks	—	2,486,291	—	474	2,486,765
Derivative financial instruments	—	(2,520,681)	51,070	2,726,508	256,897
Amount due to parent	341	16,018	—	—	16,359
Amount due to fellow subsidiaries	—	29,780	—	—	29,780
Other liabilities	76	955	—	250	1,281
Total liabilities	417	12,363	51,070	2,727,232	2,791,082
Net foreign currency position	167	576,267	196	(320)	576,310

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.1 Market risk (continued)

(b) Interest rate risk for the banking book ("IRRBB")

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The tables summarise the Company's exposure to interest rate risk as at 31 December. Included in the tables are the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	Non-interest bearing	Total
	US$'000	US$'000	US$'000
As at 31 December 2023			
Assets			
Cash and balances with banks	78,260	—	78,260
Amount due from parent	—	5,753	5,753
Amount due from fellow subsidiaries	—	4,337	4,337
Deferred tax assets	—	721	721
Other assets	—	2	2
Total assets	78,260	10,813	89,073
Liabilities			
Deposits and balances from banks	493	—	493
Amount due to parent	—	2,725	2,725
Amount due to fellow subsidiaries	—	3,150	3,150
Current tax liabilities	—	5,597	5,597
Other liabilities	—	1,135	1,135
Total liabilities	493	12,607	13,100
Total interest sensitivity gap	77,767	(1,794)	

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.1 Market risk (continued)

(b) Interest rate risk for the banking book ("IRRBB") (continued)

	Up to 1 month	Non-interest bearing	Total
	US$'000	US$'000	US$'000
As at 31 December 2022			
Assets			
Cash and balances with banks	146,544	6	146,550
Amount due from parent	—	1,576	1,576
Amount due from fellow subsidiaries	—	1,744	1,744
Deferred tax assets	—	254	254
Other assets	—	1,282	1,282
Total assets	146,544	4,862	151,406
Liabilities			
Deposits and balances from banks	2,477,474	9,291	2,486,765
Amount due to parent	—	1,029	1,029
Amount due to fellow subsidiaries	—	1,380	1,380
Current tax liabilities	—	4,470	4,470
Other liabilities	—	1,281	1,281
Total liabilities	2,477,474	17,451	2,494,925
Total interest sensitivity gap	(2,330,930)	(12,589)	

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.1 Market risk (continued)

(b) Interest rate risk for the banking book ("IRRBB") (continued)

The Company defines interest rate risk in the banking book as the risk to its current or anticipated earnings or capital arising from movements in interest rates. Economic Value of Equity ("EVE") and Net Interest Income ("NII") scenario based risk measurements are monitored against established limits and hedging actions will be taken as necessary. The Asset and Liability Committee approves the risk measurement methodology, limits and hedging strategy.

Change in EVE and NII under interest rate shock scenarios are measured quarterly. The bank uses a combination of parallel up, parallel down, steepener, flattener, short rates up and short rates down interest rate shock scenarios consistent with HKMA Supervisory Policy Manual IR-1 Interest Rate Risk in the Banking Book. There are no differences in modelling assumptions between internal assessments and disclosures in Template IRRBB1. Key modelling and parametric assumptions include:

– Change in EVE measurements include commercial margins in cash flows and uses a risk free discount rate that does not include commercial margins
– Non-maturity deposits ("NMDs") repricing maturity is based on shortest possible period that the deposit could be repriced
– Analysis of contractual terms to estimate prepayment rates of customer loans and early withdrawal rates for time deposits
– Risk measurement for each material currency is aggregated by direct summation. For change in EVE, any gains by currency are ignored

IRRBB hedges that may be taken include changing the maturity and/or interest rate repricing profile of banking book assets and liabilities either through incremental positions or longer term changes to the composition of the statement of financial position (which is accounted for under fair value or accrual accounting).

3.1.2 Credit risk

In conducting its business activities, the Company is exposed to the risk that borrowers or counterparties may default on their obligations to the Company. Credit risk arises through counterparty exposures on capital markets transactions.

The Company calculates a probability-weighted loss allowance for ECL on its financial assets that are debt instruments, financial guarantees, and commitments that are not measured at FVPL. The Company’s credit exposures under these instruments are typically significantly less than 12 months in duration or otherwise are generally assessed as having no significant increase in credit risk since initial recognition. As a result, ECL is calculated on a 12-month basis. In the event that significant financial difficulty or default of a counterparty indicates that an asset is credit-impaired, the ECL allowance is assessed on a lifetime basis, taking into account ECL that result from all possible default events over the expected life of the financial instrument.

Debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

The Board of Directors of the Company has established procedures for reviewing and monitoring credit decisions adopted and transactional activity. The Company also takes into account the requirements of the Hong Kong Banking Ordinance and the guidelines issued by the HKMA with respect to large exposures requirements.

3. Risk Management (continued)

3.1 Legal entity governance (continued)

3.1.2 Credit risk (continued)

The Company enters into International Swaps and Derivatives Association, Inc. ("ISDA") master agreements or their equivalent ("master netting agreements") with derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for risk management purposes. Agreements are negotiated bilaterally and can require complex terms. The enforceability of master netting agreements under bankruptcy laws in certain countries is not free from doubt, and receivables and payables with counterparties in these countries are accordingly recorded on a gross basis for risk assessment purposes.

In addition, to reduce the risk of loss, the Company usually requires collateral that is permitted by documentation such as Credit Support Annex to an ISDA. From an economic standpoint, the Company evaluates risk exposures net of related collateral that meets specified standards. The Company also attempts to mitigate its default risk on derivatives whenever possible by entering into transactions with provisions that enable it to terminate or reset the terms of the derivative contracts under certain defined conditions.

(a) Credit risk measurement

For cash, placements with banks, external rating such as Standard & Poor's and Moody's rating are used for managing the credit risk exposures.

(b) Risk limit control and mitigation policies

The Company maintains strict control limits on derivative position. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Company together with the potential exposures from market movement. The credit risk exposure arise from derivative exposure is managed as part of the overall lending limits with customers.

Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Company's market transactions on any single day.

(c) Maximum exposure to credit risk before collateral held or other credit enhancements

	2023 US$'000	2022 US$'000
Cash and balances with banks	78,260	146,550
Financial assets at fair value through profit or loss	—	2,930,969
Derivative financial instruments	—	285,271
Amount due from parent	5,753	1,576
Amount due from fellow subsidiaries	4,337	1,744
Other assets	2	1,282
	88,352	3,367,392

At 31 December 2023 and 31 December 2022, there were no loans and advances to customers.

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.2 Credit risk (continued)

(d) Financial assets at fair value through profit or loss

The table below presents an analysis of financial assets at fair value through profit or loss by rating agency designation for the respective issues at 31 December, based on Moody's, Fitch and Standard & Poor's ratings or their equivalent:

	US$'000
As at 31 December 2023	
Standard & Poor's	
AA- to AA+	—
A- to A+	—
Total	—
As at 31 December 2022	
Standard & Poor's	
AA- to AA+	2,880,840
A- to A+	50,129
Total	2,930,969

At 31 December 2023 and 31 December 2022, there are no overdue nor individually impaired financial assets at fair value through profit or loss.

The Company's counterparties are primarily highly rated financial institution and sovereigns and the financial assets in the scope of HKFRS 9 are typically short-dated. As a result, the probability of default, loss given default, or both are such that the resulting ECL is not significant to the Company. There were no write-offs during the year (2022: nil). In light of this, no further breakdown of the Company's debtors by credit risk grade is considered necessary.

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.2 Credit risk (continued)

(e) Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties. Credit risk exposure by geographical sectors is classified according to the location of counterparties after taking into account the transfer risk.

	Hong Kong	Asia Pacific excluding Hong Kong	North America and South America	Europe	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2023					
Cash and balances with banks	13,825	—	64,030	405	78,260
Amount due from parent	6	—	5,747	—	5,753
Amount due from fellow subsidiaries	1,963	—	—	2,374	4,337
Other assets	2	—	—	—	2
As at 31 December 2022					
Cash and balances with banks	4,567	1,329	127,999	12,655	146,550
Financial assets at fair value through profit or loss	—	2,930,969	—	—	2,930,969
Derivative financial instruments	—	—	250,962	34,309	285,271
Amount due from parent	13	—	1,563	—	1,576
Amount due from fellow subsidiaries	52	—	—	1,692	1,744
Other assets	1,282	—	—	—	1,282

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.2 Credit risk (continued)

(f) Offsetting financial assets and financial liabilities

The financial instruments are subject to enforceable master netting arrangements.

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreements as follows:

	Related amounts set off in the statement of financial position			Related amounts not set off in the statement of financial position		
	Gross amounts		Net amounts			Net amount
	- financial assets	- financial liabilities	- presented in statement of financial position	Financial assets/ (liabilities)	Financial collateral	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2023						
Derivative assets	—	—	—	—	—	—
Derivative liabilities	—	—	—	—	—	—
	—	—	—	—	—	—
As at 31 December 2022						
Derivative assets	285,271	—	285,271	(256,897)	(43,730)	(15,356)
Derivative liabilities	—	(256,897)	(256,897)	256,897	—	—
	285,271	(256,897)	28,374	—	(43,730)	(15,356)

3.1.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) 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.

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.3 Liquidity risk (continued)

(b) Maturity analysis

The tables below summarise the Company's assets and liabilities into relevant maturity groupings based on the remaining period at financial position date to the contractual maturity date.

	Repayable on Demand	Up to 1 month	1 to 3 months	3 to 12 months	Undated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2023						
Assets						
Cash and balances with banks	66,260	12,000	—	—	—	78,260
Amount due from parent	—	5,753	—	—	—	5,753
Amount due from fellow subsidiaries	—	4,337	—	—	—	4,337
Other assets	—	—	—	—	2	2
Total assets	66,260	22,090	—	—	2	88,352
Liabilities						
Deposits and balances from banks	—	493	—	—	—	493
Amount due to parent	—	2,725	—	—	—	2,725
Amount due to fellow subsidiaries	—	3,150	—	—	—	3,150
Other liabilities	—	—	954	149	32	1,135
Total liabilities	—	6,368	954	149	32	7,503
Net liquidity gap	66,260	15,722	(954)	(149)	(30)	80,849

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.3 Liquidity risk (continued)

(b) Maturity analysis (continued)

	Repayable on Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2022								
Assets								
Cash and balances with banks	119,544	27,006	—	—	—	—	—	146,550
Financial assets at fair value through profit or loss	—	—	—	77,430	157,093	2,696,446	—	2,930,969
Derivative financial instruments	—	—	—	16,565	268,706	—	—	285,271
Amount due from parent	13	1,563	—	—	—	—	—	1,576
Amount due from fellow subsidiaries	—	1,744	—	—	—	—	—	1,744
Other assets	—	—	—	—	—	—	1,282	1,282
Total assets	119,557	30,313	—	93,995	425,799	2,696,446	1,282	3,367,392
Liabilities								
Deposits and balances from banks	—	9,291	2,477,474	—	—	—	—	2,486,765
Derivative financial instruments	—	1,732	248	18,897	236,020	—	—	256,897
Amount due to parent	15,395	964	—	—	—	—	—	16,359
Amount due to fellow subsidiaries	28,466	1,314	—	—	—	—	—	29,780
Other liabilities	—	—	951	68	—	—	262	1,281
Total liabilities	43,861	13,301	2,478,673	18,965	236,020	—	262	2,791,082
Net liquidity gap	75,696	17,012	(2,478,673)	75,030	189,779	2,696,446	1,020	576,310

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.3 Liquidity risk (continued)

(c) Funding approach

Sources of liquidity are regularly reviewed by the Treasury unit to ensure daily and expected funding requirement can be fully met.

(d) Non-derivative financial liabilities held for managing liquidity risk

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Repayable on Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2023								
Deposits and balances from banks	—	493	—	—	—	—	—	493
Amount due to parent	—	2,725	—	—	—	—	—	2,725
Amount due to fellow subsidiaries	—	3,150	—	—	—	—	—	3,150
Other liabilities	—	—	954	149	—	—	32	1,135
	—	6,368	954	149	—	—	32	7,503
Assets held for managing liquidity risk	66,260	22,090	—	—	—	—	2	88,352
As at 31 December 2022								
Deposits and balances from banks	—	9,291	2,477,474	—	—	—	—	2,486,765
Amount due to parent	15,395	964	—	—	—	—	—	16,359
Amount due to fellow subsidiaries	28,466	1,314	—	—	—	—	—	29,780
Other liabilities	—	—	951	68	—	—	262	1,281
	43,861	11,569	2,478,425	68	—	—	262	2,534,185
Assets held for managing liquidity risk	119,557	30,314	—	77,430	157,093	2,696,446	1,281	3,082,121

3. **Risk Management (continued)**

3.1 Legal entity governance (continued)

3.1.3 Liquidity risk (continued)

(e) Derivative liabilities

The table below analyses the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the financial position date to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cashflows on all derivatives. Some of the Company's derivatives are subject to collateral requirements. Cash flows for those derivatives could occur earlier than the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2023							
Derivative financial instruments:							
Interest rate contracts							
- Outflow	—	—	—	—	—	—	—
- Inflow	—	—	—	—	—	—	—
Exchange rate contracts							
- Outflow	—	—	—	—	—	—	—
- Inflow	—	—	—	—	—	—	—
As at 31 December 2022							
Derivative financial instruments:							
Interest rate contracts							
- Outflow	—	—	2,810	31,829	1,027	—	35,666
- Inflow	—	—	—	—	—	—	—
Exchange rate contracts							
- Outflow	25,386	51,071	148,083	2,518,399	—	—	2,742,939
- Inflow	23,655	50,823	131,996	2,315,234	—	—	2,521,708

3. Risk Management (continued)

3.2 Capital management

The Company's objectives when managing capital are as follows:

- To comply with the capital requirement under the Banking (Capital) Rule of the Hong Kong Banking Ordinance;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits of other stakeholders;
- To support the Company's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The Hong Kong Banking Ordinance requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the minimum of 8%. During the year, the Company has complied with all of the externally imposed capital requirements set by the HKMA.

Capital adequacy and the use of capital are monitored daily by the Company's management. The Company applies an internal trigger capital adequacy ratio which is well above the minimum statutory requirement as an indicator for managing the capital adequacy. In addition, the Company will assess the impact on its capital adequacy ratio when there are new products, new investments or any significant transactions.

4. **Fair value of financial assets and liabilities**

The fair value of financial instruments traded in an active market (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate contracts is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the financial position date.

a) The fair values of financial assets and liabilities not presented at fair value in the Company's statement of financial position are estimated as follows:

Cash and short term funds

The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits, which is normally less than one year, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore the fair value is approximately equal to its carrying value.

Placements with banks

The estimated fair value of fixed interest-bearing deposits of banks without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As they are normally less than one year, their fair values are approximately equal to their carrying values.

Other assets and other liabilities

The carrying value of other assets and other liabilities approximates their fair value as these balances are generally short term in nature and the associated credit risk considered to be insignificant.

4. **Fair value of financial assets and liabilities (continued)**

b) Fair value hierarchy

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes actively traded securities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes the majority of the OTC derivative contracts. The sources of input parameters are Bloomberg and Reuters.

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

	2023	2022
	Level 2	Level 2
	US$'000	US$'000
Assets		
Financial assets at fair value through profit or loss		
Debt securities	—	2,930,969
Derivative financial instruments		
Interest rate contracts	—	268,454
Exchange rate contracts	—	16,817
Total assets	—	3,216,240
Liabilities		
Derivative financial instruments		
Interest rate contracts	—	35,666
Exchange rate contracts	—	221,231
Total liabilities	—	256,897

There were no transfers of financial assets or liabilities between levels of the fair value hierarchy classifications during the years ended 31 December 2023 and 2022.

5. Net interest expense

	2023	2022
	US$'000	US$'000
Interest income:		
Placements with banks	763	1,266
Interest expense:		
Deposits and balances from banks	(96,410)	(36,304)
Net interest expense	(95,647)	(35,038)

6. Fee and commission expense

	2023	2022
	US$'000	US$'000
Other fees paid	2	1
Fee and commission expense	2	1

No fee income and fee expenses (other than amounts included in determining the effective interest rate) arise from financial assets or financial liabilities that are not held for trading nor designated at fair value.

7. Discontinued operation

The Company migrated its Fixed Income and Currency business to a fellow subsidiary of the Company, during the year ended 31 December 2023. This business was classified as discontinued operation. The results of the business for the years are presented below:

	2023	2022
	US$'000	US$'000
Net interest income from financial assets at fair value through profit or loss	64,793	50,947
Net gain from financial instruments at fair value through profit or loss	84,030	12,504
Securities custodian fees	(75)	(89)
Service fee expense (Note 22)	(12,969)	(4,447)
Service fee income (Note 22)	40,034	21,804
Net interest expense from collateral (Note 22)	(2,963)	(5,841)
Profit before income taxes	172,850	74,878
Income taxes (Note 12)	(28,521)	(15,422)
Profit from discontinued operation	144,329	59,456
Net cash inflow / (outflow) from operating activities	3,122,119	(1,826,042)

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

8. Operating expenses

	2023	2022
	US$'000	US$'000
Auditors' remuneration	132	148
Directors' fees (note 10)	150	150
Legal and professional fees	103	22
Licence fee	61	61
Service fee expenses (note 22)	6,401	1,978
Others	1,683	(468)
	8,530	1,891

9. Staff cost

	2023	2022
	US$'000	US$'000
Wages, salaries and other staff costs	1,457	1,482
Share-based payments (note 11)	2,712	1,314
Retirement benefit schemes contribution	20	20
	4,189	2,816

As at 31 December 2023, staff related payable of US$11,000 (2022: US$ 10,000) is included in other liabilities.

10. Directors' fees

	2023	2022
	US$'000	US$'000
Fees	150	150
	150	150

Certain directors of the Company are members of stock option schemes and restricted stock plans which give them the rights to acquire shares in BAC. During the years ended 31 December 2023 and 2022, no stock and/ or stock option in respect of their services to the Company was granted to the directors.

11. Share-based payments

BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Equity Plan ("BACEP"). Under this plan, shares of BAC's common stock are authorized to be used for grants of awards to the Company's employees.

During the year ended 31 December 2023, BAC granted 67,769 (2022: 25,367) restricted stock unit (RSU) awards to certain employees of the Company under the BACEP, which will settle predominantly in shares of common stock of BAC.
The four year awards vest primarily in one fourth increments on each of the first four anniversaries of the grant date while the three year awards vest primarily in one third increments on each of the first three anniversaries of the grant date, provided that the employee remains continuously employed with the Company during that time. The expense recognized is net of estimated forfeitures for nonretirement eligible employees based on the grant date fair value of the shares.

Certain awards contain clawback provisions which permit BAC to cancel all or a portion of the award under specified circumstances.

Recipients of RSU awards may receive cash payments equivalent to dividends. For awards that are not dividend eligible, the fair value measurement of the award is decreased to reflect the expected value of the dividends that similar awards would be eligible to receive.

The RSUs had a grant date weighted-average fair value of US$35.24 per share as at 31 December 2023 (2022: US$ 47.79 per share).

The total pre-tax compensation cost recognized in profit and loss for share-based compensation plans for the year ended 31 December 2023 was US$2,712,000 (2022: US$1,314,000), including the incremental effects of the chargeback agreements with BAC included within Service Fee, Related Party Transactions (Note 22).

12. Taxation

Hong Kong profits tax has been calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year.

(a) The amount of tax charged to the statement of comprehensive income represents:

	2023	2022
	US$'000	US$'000
Current income tax:		
- Hong Kong profits tax	11,070	5,483
- Withholding Tax	—	3,067
Deferred tax:		
- Reversal of temporary differences	(223)	167
- Adjustment in respect of prior years	(244)	(216)
Tax expense	10,603	8,501
Income tax expense is attributable to:		
Loss from continuing operations	(17,918)	(6,921)
Profit from discontinued operation	28,521	15,422
	10,603	8,501

(b) The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2023	2022
	US$'000	US$'000
Loss from continuing operations before income taxes	(108,368)	(39,746)
Profit from discontinued operation before income taxes	172,850	74,878
	64,482	35,132
Calculated at Hong Kong profits tax rate of 16.5%	10,640	5,797
Tax effect:		
Expenses not deductible for tax purposes	207	—
Income not taxable for tax purposes	—	(147)
Foreign tax paid	—	3,067
Adjustment in respect of prior years	(244)	(216)
Tax expense	10,603	8,501

13. Deferred income tax assets

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2022: 16.5%). The movement in the deferred income tax assets during the year is as follows:

	Depreciation allowances	Share-based payment charge and accrual	Total
	US$'000	US$'000	US$'000
Beginning balance at 1 January 2022	(2)	207	205
Credited to the statement of comprehensive income for the year	—	49	49
Ending balance at 31 December 2022	(2)	256	254
Credited to the statement of comprehensive income for the year	—	467	467
Ending balance at 31 December 2023	(2)	723	721

14. Cash and balances with banks

	2023	2022
	US$'000	US$'000
Demand balances with banks	66,260	119,543
Deposits at call	12,000	27,007
	78,260	146,550

15. Financial assets at fair value through profit or loss

	2023	2022
	US$'000	US$'000
Debt securities, at fair value:		
Government bonds	—	2,930,969
	—	2,930,969

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

16. **Derivative financial instruments**

Derivatives are entered into for trading or to support risk management activities. The Company has not designated any derivatives used in risk management in qualifying hedge accounting relationships.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

The fair values of derivative instruments held are set out below:

	Notional Amount	Fair Value	
		Assets	Liabilities
	US$'000	US$'000	US$'000
At 31 December 2023			
Interest rate contracts			
–Swap	—	—	—
–Bond forwards	—	—	—
Exchange rate contracts			
–Currency Swaps	—	—	—
–FX Forwards	—	—	—
		—	—
At 31 December 2022			
Interest rate contracts			
–Swap	51,000	2,312	(681)
–Bond forwards	3,476,017	266,142	(34,985)
Exchange rate contracts			
–Currency Swaps	2,860,480	16,817	(219,499)
–FX Forwards	23,711	—	(1,732)
		285,271	(256,897)

16. **Derivative financial instruments (continued)**

As at 31 December, the credit risk-weighted amounts of the financial derivative exposures entered during the year, are shown on a gross basis as follows:

	Credit risk weighted amount	
	2023	2022
	US$'000	US$'000
Derivatives:		
- Interest rate contracts		
Interest rate swaps	—	33
Bond forwards	—	19,055
- Exchange rate contracts		
Currency swaps	—	9,895
FX forwards	—	79

The contractual amounts of these instruments indicate the volume of transactions outstanding as at the financial position date, they do not represent amounts at risk.

The credit risk-weighted amounts at 31 December 2023 and 31 December 2022 were computed in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

17. **Assets held as collateral**

As at 31 December 2023, the Company has no cash collateral for derivatives transactions and had not recognized a payable (2022: US$ 43,730,000) under amount due to parent and fellow subsidiaries on the Company's statement of financial position.

18. **Other liabilities**

	2023	2022
	US$'000	US$'000
Other payables	1,135	1,281

19. **Share capital**

	Note	Number of Shares	Share Capital US$'000
Ordinary shares, issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023	i	110,000,000	491,442
Capital reduction to parent	ii	—	(475,811)
At 31 December 2023		110,000,000	15,631

i. Ordinary shares have no par value.

ii. Upon migration of Fixed Income and Currencies business from the Company to a fellow subsidiary of the Company, the Company decided to reduce its share capital by US$ 475,811,000 without any alteration to the number of ordinary shares. The capital reduction was approved by the Board of Directors on 30 October 2023.

20. **Other reserves**

	Share-based payments reserve US$'000
At 1 January 2022 and 31 December 2022	6,467
Directors' and employees' stocks and stock options expired and released to retained earnings	(6,467)
At 31 December 2023	—

21. **Dividends**

During the year ended 31 December 2023, the Company declared interim dividend of US$ 74 million on 30 October 2023 to its immediate parent company, Bank of America, National Association. The dividend was paid on 7 December 2023. No dividend was paid in 2022.

22. **Related party transactions**

Included in the following financial position captions are balances with subsidiaries of BAC, the ultimate holding company.

	Note	2023 US$'000	2022 US$'000
Assets			
Cash and balance with bank	(i)		
Demand balances with banks - parent		66,063	105,347
Deposits at call - parent		—	27,007
		66,063	132,354
Derivative financial instruments - Assets	(ii)	—	285,271
• From parent		—	251,921
• From fellow subsidiaries		—	33,350
Amount due from parent	(iii)	5,753	1,576
Amount due from fellow subsidiaries	(iii)	4,337	1,744
		76,153	420,945
Liabilities			
Deposits and balances from banks	(iv)	493	2,486,765
Derivative financial instruments - Liabilities	(ii)	—	256,897
• From parent		—	237,613
• From fellow subsidiaries		—	19,284
Amount due to parent	(v)	2,725	16,359
Amount due to fellow subsidiaries	(v)	3,150	29,780
		6,368	2,789,801

Note:

(i) The amount represents the demand deposits and deposits at call with parent. The interest rates are similar to that which would normally apply to customers of comparable standing.

(ii) The amount represents the fair value of derivative instruments entered into with parent and fellow subsidiaries.

(iii) The amounts due from parent and fellow subsidiaries represent the service fee receivable which is unsecured, non-interest bearing and repayable within 1 month.

(iv) The amount represents the deposits from parent. The interest rates are similar to that which would normally apply to customers of comparable standing.

(v) The amounts due to parent and fellow subsidiaries comprised the cash collateral for derivative transactions and service fee payable. The cash collateral balance is unsecured and repayable on demand. The interest rates are similar to that which would normally apply to customers of comparable standing. The service fee payable is unsecured, non-interest bearing and repayable within 1 month.

22. Related party transactions (continued)

The Company had the following material transactions with related parties during the year:

(a) Profit and loss

	Note	2023 US$'000	2022 US$'000
Revenue			
Interest income on placements	(i)	61	1,266
Service fee income	(ii)	40,034	21,804
Expenses			
Interest expense on deposits	(iii)	(96,410)	(36,304)
Service fee expenses	(iv)	(19,370)	(6,425)
Net interest expense from collateral		(2,963)	(5,841)

Note:

(i) The interest income was generated from placements with group companies. The interest rates are similar to that which would normally apply to customers of comparable standing.

(ii) Service fee income represents income received and receivable from supporting services provided to group companies and income recognised when certain charges are accrued by the Company. Service fees are calculated in accordance with BAC Global Transfer Pricing Policy and are generally documented in Statements of Work entered into between the Company and other group companies.

(iii) The interest expenses were paid on deposits from group companies. The interest rates are similar to that which would normally apply to customers of comparable standing.

(iv) Service fee expenses represent expenses paid and payable for supporting services provided by group companies and expenses recognised when certain charges are accrued by the service provider. Service fees are calculated in accordance with BAC Global Transfer Pricing Policy and are generally documented in Statements of Work entered into between the Company and other group companies.

The amounts paid to holding companies include amount charged under the Recharge Agreement described in note 2.6 for the Company's participation in the employee compensation plans. The fee is determined based on the change of the fair value between the grant dates and the vesting dates for shares; and between the grant dates and the exercise dates for options and the allocation of fair value for employees who rendered services to the Company and other group companies during the life of the awards. Service fee expense is net service fee of US$ 432,000 (2022: Service fee income is net of service fee of US$ (349,000)).

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

22. **Related party transactions (continued)**

(b) Derivatives transactions

	Note	2023 US$'000	2022 US$'000
Interest rate contracts with related companies	(i)	—	3,527,017
Exchange rate contracts with related companies for trading purpose	(i)	—	2,884,191

Note:

(i) Balances represent the contractual notional amount of the outstanding currency swaps, forward contracts, bond forwards and interest rate swaps entered into with group companies. The terms of these contracts were entered in accordance with terms and conditions which would apply to customers of comparable standing.

23. **Key management compensation**

Key management 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.

Apart from the aggregated amount of directors' fees as disclosed in note 10 above, there were no other contracts and transactions with key personnel during the years of 2023 and 2022.

24. **Contingent liabilities and commitments**

At 31 December 2023 and 2022, the Company did not have any contingent liabilities and commitments.

25. **Event occuring after the reporting period**

The Board of Directors approved the resolution of the submission of its application to HKMA for the revocation of the Company's authorization under the Banking Ordinance and cessation to carry on all regulated activities under the Securities and Futures Ordinance on 18 January 2024.

26. **Approval of Accounts**

The accounts were approved and authorized by the Board of Directors on 25 April 2024. The directors and shareholder have the power by corporate resolution to amend and reissue the financial statements.

The following supplementary financial information is disclosed

as part of the accompanying information to the accounts and

does not form part of the audited accounts

Banc of America Securities Asia Limited

Supplementary Financial Information (Unaudited)

1. **Key Prudential Ratios:**

The following table provides an overview of the Bank's key prudential ratios.

		as at 31 Dec 2023	as at 30 Sep 2023	as at 30 Jun 2023	as at 31 Mar 2023	as at 31 Dec 2022
	Regulatory capital (amount US$'000)					
1	Common Equity Tier 1 (CET1)	75,252	614,420	602,828	587,613	570,752
2	Tier 1	75,252	614,420	602,828	587,613	570,752
3	Total capital	75,252	614,420	602,828	587,613	570,752
	RWA (amount US$'000)					
4	Total RWA	110,245	1,002,143	941,973	785,955	899,451
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	68.26	61.31	64.00	74.76	63.46
6	Tier 1 ratio (%)	68.26	61.31	64.00	74.76	63.46
7	Total capital ratio (%)	68.26	61.31	64.00	74.76	63.46
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical capital buffer requirement (%)	1.85	1.97	1.00	0.99	1.00
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	NA	NA	NA	NA	NA
11	Total AI-specific CET1 buffer requirements (%)	4.35	4.47	3.50	3.49	3.50
12	CET1 available after meeting the AI's minimum capital requirements (%)	55.91	48.84	51.49	63.27	50.96
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure (amount US$'000)	83,904	2,639,299	3,165,050	3,361,222	3,218,709
14	LR (%)	89.69	23.28	19.05	17.48	17.76
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
	Applicable to category 2 institution only:					
17a	LMR (%)	1,182.35	15,459.90	40,196.28	67,615.68	12,174.87
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

As of December 31, 2023, the LMR was 1182.35%, decreased by 14,277.55% when compared to 30th September 2023. This is mainly driven by decrease in comparative average liquefiable assets and qualifying liabilities during the quarter.

As of December 31, 2023, the CAR was 68.26%, increased by 6.95% when compared to 30th September 2023.

The above key regulatory ratios were calculated in accordance with the following Rules, where relevant, issued by the HKMA.

- Banking (Capital) Rules ("BCR")
- Leverage Ratio Framework
- Banking (Liquidity) Rules ("BLR")

2. Risk Management Approach

BASAL has adopted the risk philosophy, processes and controls of BAC, including the BAC Risk Framework. Bank of America's risk management approach is appropriate given the Company's size, complexity, structure, activities and risk profile. The following are the five components of our risk management approach:

- **Risk culture:** A culture that instills the importance of managing risk well, ensures appropriate focus on risk in all activities and that risk is everyone's responsibility. It encourages the necessary mindset and behavior to enable effective risk management and promote sound risk-taking within our risk appetite. Our culture requires that risks are promptly identified, escalated and debated, thereby benefiting the overall performance of the Company.
- **Risk appetite:** The Company's risk appetite statement defines the types and levels of risk the Company is willing to take to achieve its objectives. It includes qualitative statements and quantitative measures, as appropriate.
- **Risk governance:** Our risk governance framework serves as the foundation for the comprehensive management of risks facing the Company. It outlines, among other things, clear ownership and accountability for managing risk across three lines of defense: front line units, independent risk management and corporate audit.
- **Risk data aggregation and reporting:** Effective risk reporting provides a clear understanding of our risk profile. We leverage our data and management information systems to achieve transparency and generate timely, accurate and actionable insights.
- **Risk management processes:** Sound risk management includes processes to effectively identify, measure, monitor and control risk. Risk management is both an essential component of our daily business activities and an integral part of our strategic, capital and financial planning processes. BASAL employs a simple but effective risk management process, referred to as IMMC: Identify, Measure, Monitor and Control.

The risk appetite statement indicates the amount of capital, earnings or liquidity we are willing to put at risk to achieve our strategic objectives and business plans, consistent with applicable regulatory requirements. The risk appetite statements ensure that the Company maintains an acceptable risk profile that is in alignment with our strategic and capital plans. Risk appetite statements provide a common framework and a comparable set of measures for senior management and the boards of directors to clearly indicate the level of risk the Company is willing to accept. The risk appetite statements include both quantitative limits and qualitative components that are reviewed and approved by the board of directors at least annually.

The Risk Appetite Statement is rooted in several principles:

- **Overall risk capacity:** BASAL's overall capacity to take risk is limited; therefore, it prioritizes the risks it takes. Our risk capacity informs our risk appetite, which is the level and types of risk we are willing to take to achieve our business objectives.
- **Financial strength to absorb risk:** BASAL must maintain a strong and flexible financial position so it can weather challenging economic times and take advantage of growth opportunities. Therefore, BASAL sets objectives and targets for capital and liquidity that will permit the Company to continue to operate in a safe and sound manner at all times, including under stressed market conditions.
- **Risk-reward evaluation:** Risks taken must fit BASAL risk appetite and offer acceptable risk-adjusted returns.
- **Acceptable risks:** We consider all types of risk including those that are difficult to quantify. Qualitative guidance within the risk appetite statements describes our approach to managing such risks in a manner consistent with our risk culture. For example, actions considered in a line of business that unduly threaten the Company's reputation should be escalated and restricted appropriately.
- **Skills and capabilities:** BASAL seeks to only assume only those risks for which it has the skills and capacities to identify, measure, monitor and control.

The risk appetite statements quantitative framework is designed to articulate the risks we are willing to take and limit excessive risk taking. It is comprised of limits indicating the amount of risk we are willing to take.

Robust monitoring and reporting processes for limits are in place, with limit breaches triggering appropriate notification and escalation based on the severity of the breach as defined by magnitude or frequency. Breach resolution plans include a written description of the root cause, how a breach will be resolved and the timeline for remediation.

2. Risk Management Approach (continued)

Integration with strategic, capital and financial operating plans and other processes:

Risk appetite is set at least annually to consistency with BASAL's strategy and financial resources. Ongoing reporting shows performance against the business plan, as well as risk appetite breaches. Risk appetite is also considered within the New Product Review and Approval Policy and processes, within decisions around acquisitions and divestitures, if any, and as part of compensation and performance management decisions.

The Company's Risk Appetite Statement encompasses the seven risk types described in the Risk Framework.

The risk appetite structure is comprised of qualitative narrative statements and a framework of quantitative metrics and limits.

The qualitative narrative statements describe BASAL's appetite for risk and establish the tone and structure for line of business and subsidiary legal entity risk appetite:

Risk Type	Risk Appetite Qualitative Summary Statements
Strategic	We evaluate our capacity for risk and seek to protect our brand and reputation, our financial strength and flexibility, the value of our assets and the strategic potential of the Company.
Credit	We maintain prudent underwriting standards with a focus on client selection that allows us to deliver for customers and shareholders throughout the credit cycle.
Market	We manage our sensitivity to changes in interest rates and market prices in order to deliver for customers and shareholders at all times, including during times of volatility and stress.
Liquidity	We ensure that Bank of America can meet expected or unexpected cash flow and collateral needs under a range of economic conditions.
Operational	We manage operational risk to an overall residual risk level of moderate across the company and within each business by striving for operational excellence in everything that we do.
Compliance	We have no tolerance for compliance breaches. While minor breaches may occur from time to time due to the scope of our business, there is no excuse for substantive breaches at any time.
Reputational	We manage and control situations that could negatively impact our reputation and brand. When reputational risk arises, we aggressively manage it to preserve our brand and reputation.

2. **Risk Management Approach (continued)**

BASAL's risk appetite is heavily influenced and evidenced by our client selection criteria, which aim to achieve a high quality portfolio mostly comprising multinational corporate clients, strong domestic and foreign financial institutions, and strong local corporate clients. As a result, the Company does not currently focus on retail and consumer clients, small to medium sized enterprises, project finance, or real estate, which tend to carry higher levels of credit and other risks.

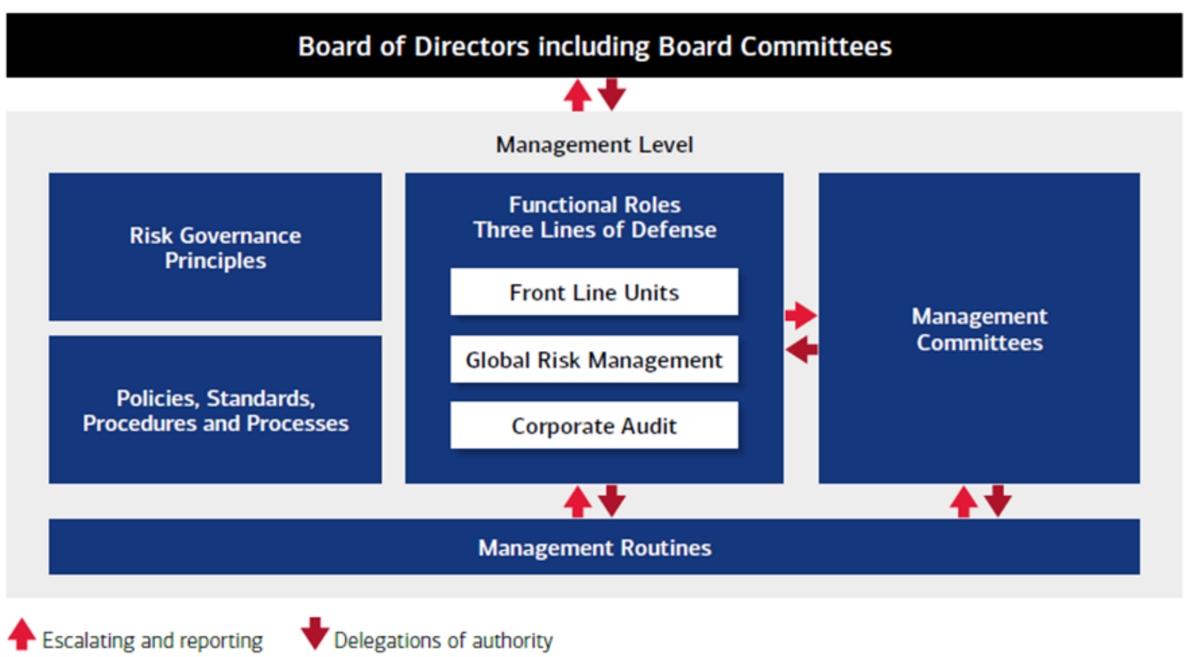
BASAL's client selection criteria consist of the following characteristics:

1. Global Multinational and Asian indigenous companies which maintain a significant global strategic and operating footprint or whose cross border business flows leave us well positioned as a provider of operating, treasury, risk management, and advisory solutions.
2. Companies with sophisticated corporate treasury and financing requirements, including the need to raise capital, in either public or private markets in capital markets covered by BAC, or hedging.
3. Companies who are leaders in the industries that they operate and require multiple product offerings and financial solutions.
4. Companies either currently or likely to be investors in or acquirers of offshore financial or strategic assets.

Our business will generally remain focused on the upper quartile of the corporate sector, as measured either by market capitalization, revenue mix, market share, or governance and disclosure practices. Our client base will also include government, quasi-government, and "national champions" whose economic or political significance in the domestic economy provide certain competitive advantages and implied government support or sponsorship. Bank and non-bank financial institutions client selection guideline is also based on FI's financial strengths, risk / return criteria, and market position & size.

BASAL adheres to a risk governance framework that is designed by independent risk management and approved by the board of directors of BASAL.The risk governance framework includes delegations of authority from the board of directors or board committees to management committees and executive officers as well as risk limits established for material activities to ensure the Company operates within risk appetite.

Bank of America's risk governance framework links multiple components to provide strong risk governance.



2. Risk Management Approach (continued)

Bank of America's Risk Framework is reviewed at least annually by appropriate board-level committees. Any off-cycle changes to the Risk Framework deemed to be significant by the Chief Risk Officer (CRO) must be reviewed and approved by boards of directors. Immaterial changes (e.g. corrections, name changes) may be approved by the CRO with no subsequent reporting to the boards of directors and their committees.

As part of their oversight responsibilities, BASAL's board of directors and its delegated committees exercise sound independent judgment to actively oversee risk-taking activities and hold management accountable for adhering to the Risk Framework. The board of directors conduct an annual self-assessment that includes an evaluation of their effectiveness in meeting the requirements of the Risk Framework. Any changes in governance approved by the board of directors may be reflected in an updated version of the Risk Framework without additional approval of the Risk Framework by the board of directors.

Effective risk data management, aggregation and reporting are critical to provide a clear understanding of current and emerging risks, as well as how these risks align with overall risk appetite and ability to quickly and effectively act upon them. BASAL achieves transparency in risk reporting by understanding the current risk profile; leveraging data, information and analytics; and by reporting actionable insights and recommendations to appropriate levels of the Company.

Reporting risk information and analysis to employees, senior management, the boards of directors and their committees is a central component of managing risk well.

Key objectives of our risk reporting efforts include:
- Timely, accurate and actionable reporting – Reports that are accurate and comprehensive and provided with the appropriate frequency to enable us to manage all material current and emerging risks and changing business needs, at all times.
- Granularity and differentiation by audience – Reports that are tailored to meet the needs of their recipients and contain the information needed to enable effective decision-making.

3. Overview of Risk Weighted Assets

The following table sets out the Banks's risk-weighted assets ("RWA") and the corresponding minimum capital requirements by risk types.

		RWA US$'000		Minimum capital requirements US$'000
		As at 31 Dec 2023	As at 30 Sep 2023	As at 31 Dec 2023
1	Credit risk for non-securitization exposures	18,973	69,591	1,518
2	Of which STC approach	18,973	69,591	1,518
2a	Of which BSC approach	—	—	—
3	Of which foundation IRB approach	—	—	—
4	Of which supervisory slotting criteria approach	—	—	—
5	Of which advanced IRB approach	—	—	—
6	Counterparty default risk and default fund contributions	—	51,352	—
7	Of which SA-CCR approach	—	26,062	—
7a	Of which CEM	—	—	—
8	Of which IMM(CCR) approach	—	—	—
9	Of which others	—	—	—
10	CVA Risk	—	25,290	—

11	Equity positions in banking book under the simple risk-weight method and internal models method	—	—	—
12	Collective investment scheme ("CIS") exposures – LTA	—	—	—
13	CIS exposures – MBA	—	—	—
14	CIS exposures – FBA	—	—	—
14a	CIS exposures – combination of approaches	—	—	—
15	Settlement risk	—	—	—
16	Securitization exposures in banking book	—	—	—
17	Of which SEC-IRBA	—	—	—
18	Of which SEC-ERBA (including IAA)	—	—	—
19	Of which SEC-SA	—	—	—
19a	Of which SEC-FBA	—	—	—
20	Market risk	256	798,586	20
21	Of which STM approach	256	798,586	20
22	Of which IMM approach	—	—	—
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	—	—	—
24	Operational risk	91,016	82,614	7,281
24a	Sovereign concentration risk	—	—	—
25	Amounts below the thresholds for deduction (subject to 250% RW)	—	—	—
26	Capital floor adjustment	—	—	—
26a	Deduction to RWA	—	—	—
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	—	—	—
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	—	—	—
27	Total	110,245	1,002,144	8,820

4. Prudent Valuation Adjustments

	US$'000	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	—	—	—	—	—	—	—	—
2	Mid-market value	—	—	—	—	—	—	—	—
3	Close-out costs	—	—	—	—	—	—	—	—
4	Concentration	—	—	—	—	—	—	—	—
5	Early termination	—	—	—	—	—	—	—	—
6	Model risk	—	—	—	—	—	—	—	—
7	Operational risks	—	—	—	—	—	—	—	—
8	Investing and funding cost	—	—	—	—	—	—	—	—
9	Unearned credit spreads	—	—	—	—	—	—	—	—
10	Future administrative costs	—	—	—	—	—	—	—	—
11	Other adjustments	—	—	—	—	—	—	—	—
12	Total adjustments	—	—	—	—	—	—	—	—

5. <u>Composition of Regulatory Capital</u>

5.1 Financial Statements and Regulatory Scope of Consolidation

For regulatory reporting purposes, the bank is required to compute its capital adequacy ratio and leverage ratio on a solo basis.

5.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Financial Statement

The following table sets out the detailed composition of the Company's regulatory capital as at 31 Dec 2023.

		US$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	15,631	(1)
2	Retained earnings	60,342	(2)
3	Disclosed reserves	—	(3)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	—	
6	**CET1 capital before regulatory deductions**	75,973	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	—	
8	Goodwill (net of associated deferred tax liability)	—	
9	Other intangible assets (net of associated deferred tax liability)	—	
10	Deferred tax assets net of deferred tax liabilities	721	(4)
11	Cash flow hedge reserve	—	
12	Excess of total EL amount over total eligible provisions under the IRB approach	—	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	—	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	—	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	—	
17	Reciprocal cross-holdings in CET1 capital instruments	—	

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18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	—	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	—	
26b	Regulatory reserve for general banking risks	—	
26c	Securitization exposures specified in a notice given by the MA	—	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	—	
26e	Capital shortfall of regulated non-bank subsidiaries	—	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	—	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	—	
28	**Total regulatory deductions to CET1 capital**	—	
29	**CET1 capital**	75,252	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	—	
31	of which: classified as equity under applicable accounting standards	—	
32	of which: classified as liabilities under applicable accounting standards	—	
33	*Capital instruments subject to phase out arrangements from AT1 capital*	—	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	—	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	—	
36	**AT1 capital before regulatory deductions**	—	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	—	
38	Reciprocal cross-holdings in AT1 capital instruments	—	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	

40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
41	National specific regulatory adjustments applied to AT1 capital	—	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	—	
43	**Total regulatory deductions to AT1 capital**	—	
44	**AT1 capital**	—	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	75,252	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	—	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	—	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	—	
49	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	—	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	—	
51	**Tier 2 capital before regulatory deductions**	—	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	—	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	—	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	—	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	—	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	
56	National specific regulatory adjustments applied to Tier 2 capital	—	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	—	
57	**Total regulatory deductions to Tier 2 capital**	—	
58	**Tier 2 capital**	—	
59	**Total regulatory capital (TC = T1 + T2)**	75,252	
60	**Total RWA**	110,245	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	68.26 %	
62	Tier 1 capital ratio	68.26 %	

63	Total capital ratio	68.26 %	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.35 %	
65	*of which: capital conservation buffer requirement*	2.50 %	
66	*of which: bank specific countercyclical buffer requirement*	1.85 %	
67	*of which: higher loss absorbency requirement*	NA	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	55.91 %	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	—	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
74	Mortgage servicing rights (net of associated deferred tax liability)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liability)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	—	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	—	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	—	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	—	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	—	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	—	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	—	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	—	

5. Composition of Regulatory Capital (continued)

5.3 Statement of Financial Position

Reconciliation of Regulatory capital to Balance sheet

Reconciliation of regulatory capital to balance sheet as required by section 16 FC of the banking disclosure Rules (expressed in USD'000 unless otherwise stated).

Assets	**Ref**	**2023 US$'000**	**2022 US$'000**
Cash and balances with banks		78,260	146,550
Financial assets at fair value through profit or loss		—	2,930,969
Derivative financial instruments		—	285,271
Investment in subsidiary		—	—
Amount due from parent		5,753	1,576
Amount due from fellow subsidiaries		4,337	1,744
Current income tax assets		—	—
Deferred tax assets	4	721	254
Other assets		2	1,282
Total assets		**89,073**	**3,367,646**
Liabilities			
Deposits and balances from banks		493	2,486,765
Financial liabilities held for trading		—	—
Derivative financial instruments		—	256,897
Amount due to parent		2,725	16,359
Amount due to fellow subsidiaries		3,150	29,780
Current tax liabilities		5,597	4,470
Other liabilities		1,135	1,281
Total liabilities		**13,100**	**2,795,552**
Equity			
Share capital	1	15,631	491,442
Retained earnings	2	60,342	74,185
Other reserves	3	—	6,467
Total equity		**75,973**	**572,094**
Total liabilities and equity		**89,073**	**3,367,646**

5. Composition of Regulatory Capital (continued)

5.4 Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

	As at 31 Dec 2023						
			Carrying values of items:				
US$'000	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with bank	78,260	78,260	78,260	—	—	—	—
Financial assets at fair value through profit or loss	—	—	—	—	—	—	—
Derivative financial instruments	—	—	—	—	—	—	—
Amount due from parents	5,753	5,753	5,753	—	—	—	—
Amount due from fellow subsidiaries	4,337	4,337	4,337	—	—	—	—
Deferred income tax assets	721	721	—	—	—	—	721
Other assets	2	2	—	—	—	—	2
Total assets	**89,073**	**89,073**	**88,350**	**—**	**—**	**—**	**723**
Liabilities							
Deposits and balances from banks	493	493	—	—	—	—	493
Derivative financial instruments	—	—	—	—	—	—	—
Amount due to parents	2,725	2,725	—	—	—	—	2,725
Amount due to fellow subsidiaries	3,150	3,150	—	—	—	—	3,150
Current income tax liabilities	5,597	5,597	—	—	—	—	5,597
Other liabilities	1,135	1,135	—	—	—	—	1,135
Total liabilities	**13,100**	**13,100**	**—**	**—**	**—**	**—**	**13,100**

The above table shows the mapping of financial statement categories with regulatory risk categories; the amounts shown in the column "Carrying values under scope of regulatory exposure" do not equal to the sum of the amounts shown in the remaining columns for "Derivatives financial instruments" as it is subjected to regulatory capital charges in counterparty credit risk and market risk categories.

5. Composition of Regulatory Capital (continued)

5.5 Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:

	US$'000	Total	Items subject to: credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	88,350	88,350	—	—	—
2	Liabilities carrying value amount under regulatory scope of consolidation	—	—	—	—	—
3	Total net amount under regulatory scope of consolidation	88,350	88,350	—	—	—
4	Off-balance sheet amounts	—	—	—	—	—
5	Exposure amounts considered for regulatory purposes	88,350	88,350	—	—	—

Explanations of differences between accounting and regulatory exposure amounts

The key differences between regulatory exposure amounts and accounting carrying value is cash and balances with banks.

5.6 Main Features of Capital Instruments

The following is a summary of main features of the Company's issued Common Equity Tier 1 ("CET1") capital instrument outstanding as at 31 Dec 2023.

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The Company did not have Additional Tier 1 or Tier 2 capital instruments as of 31 Dec 2023.

1	Issuer	Banc of America Securities Asia Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	BBG002Y21XT8
3	Governing law(s) of the instrument	Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / solo & group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	USD 16mil
9	Par value of instrument	NA
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 22, 1973

12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	USD 74mil
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	No
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

6. Countercyclical Capital Buffer

6.1 Geographical breakdown of RWA related to Credit Exposures used in the Countercyclical Capital Buffer Ratio

As at 31 Dec 2023					
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect %	RWA used in computation of CCyB ratio US$'000	AI Specific CCyB ratio %	CCyB amount US$'000
1	HongKong SAR	1.00%	114		
2	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	2.00%	700		
3	France	0.50%	2		
	Sum		816		
	Total		816	0.00%	-

7. Leverage Ratio

7.1 Summary Comparison of Accounting Assets against Leverage Ratio ("LR") Exposure Measure

	Item	Leverage ratio framework US$'000 31 Dec 2023
1	Total consolidated assets as per published financial statements	84,625
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	—
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	—
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	—
3a	Adjustments for eligible cash pooling transactions	—
4	Adjustments for derivative contracts	—
5	Adjustment for SFTs (i.e. repos and similar secured lending)	—
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	—
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	—
7	Other adjustments	(721)
8	**Leverage ratio exposure measure**	**83,904**

7.2 Leverage Ratio ("LR")

	Item	Leverage ratio framework US$'000 31 Dec 2023	Leverage ratio framework US$'000 30 Sep 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	84,625	2,525,340
2	Less: Asset amounts deducted in determining Tier 1 capital	(721)	(3,455)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	83,904	2,521,885
Derivative exposures			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	—	147
5	Add-on amounts for PFE associated with all derivatives contracts	—	117,267
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	—	—
8	Less: Exempted CCP leg of client-cleared trade exposures	—	—
9	Adjusted effective notional amount of written credit-related derivative contracts	—	—
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	—	—
11	Total exposures arising from derivative contracts	—	117,414
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	—	—
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	—	—
15	Agent transaction exposures	—	—
16	Total exposures arising from SFTs	—	—
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	—	—
18	Less: Adjustments for conversion to credit equivalent amounts	—	—
19	Off-balance sheet items	—	—
Capital and total exposures			
20	Tier 1 capital	75,252	614,420
20a	Total exposures before adjustments for specific and collective provisions	83,904	2,639,299
20b	Adjustments for specific and collective provisions	—	—
21	Total exposures after adjustments for specific and collective provisions	83,904	2,639,299
Leverage ratio			
22	**Leverage ratio**	**89.69 %**	**23.28 %**

8. Liquidity Risk Management

Enterprise Financial Risk ("EFR") Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers under a range of economic conditions.

It is present in each of our lines of business and in enterprise activities conducted by Bank of America Corporation (“BAC” or the “Parent”) and its Subsidiaries. The Bank of America Corporation Liquidity Risk Policy (“BAC LRP”) establishes requirements and accountabilities for managing liquidity risk at BAC and its Subsidiaries in conformity with applicable laws, rules and regulations. The BAC LRP also outlines requirements for uniformity in liquidity risk management practices in alignment with the Bank of America Risk Framework and BAC Risk Appetite Statement.

Banc of America Securities Asia Limited (“BASAL”) is a Tier 3 Subsidiary that adheres to global standards for liquidity risk management, as established by the BAC LRP. The BAC LRP permits Subsidiary or branch specific liquidity risk policies as deemed necessary by Global Risk Management (“GRM”) or by regulatory requirement. The purpose of the BASAL Liquidity Risk Policy is to establish specific local governance, controls and risk management practices necessary to monitor and manage liquidity risk within BASAL in accordance with local regulatory requirements and tailored to BASAL’s unique liquidity risk profile. The BASAL Policy is used to articulate differences from the BAC LRP and should be reviewed in conjunction with the Global Standards Policy to provide comprehensive background and context.

As described in the Risk Framework, BAC assigns clear accountability for managing risk across three lines of defense: 1) front line units (“FLUs”); 2) independent risk management; and 3) Corporate Audit. All of BASAL’s lines of business are categorized as FLUs; in addition, certain areas within Company-wide control functions are also categorized as FLUs. For example, Treasury is a FLU responsible for managing BASAL’s liquidity and funding position.

FLUs have primary responsibility for managing liquidity risk inherent in their businesses. FLUs actively identify, escalate and debate liquidity risks related to their activities both internally and to independent risk management.

GRM, a second line of defense, oversees the risk management governance structure, establishes liquidity risk policies, reports and monitors all liquidity risk related limits, and provides effective challenge and an independent view of the BASAL’s liquidity risk management processes. GRM is also accountable for providing timely and accurate liquidity risk reporting to risk governance committees and boards.

Corporate Audit, in its role as the third line of defense, provides independent assessment and validation through testing of key processes and controls across BASAL.

The Banc of America Securities Asia Limited Asset and Liability Council (“ALCO” or the “Council”) of Banc of America Securities Asia Limited (“BASAL” or the “Company”), reports to the Company’s Board of Directors (the “Board”), and is a council responsible for monitoring and management of interest rate, liquidity and capital and the market and business trends that impact them, at the subsidiary level. The Council escalates any issues requiring the attention of senior management to the Board or other internal or Enterprise committees as appropriate.

The BASAL Board provides oversight of BASAL’s liquidity risk profile. The BASAL Board periodically reviews and approves the liquidity risk management strategies, policies, and procedures and BASAL LRP.

The BAC LRP and BASAL LRP determine the approach to liquidity risk management and combined with local liquidity risk limits define the overall liquidity risk appetite for BASAL.

Enterprise Financial Risk ("EFR"). For liquidity risk mitigation, BASAL has below Key components:

- BASAL LRP, which formally articulates the principles for managing liquidity risk within BASAL, including requirements for internal stress testing, limits and risk indicators, reporting and monitoring, roles and accountabilities and regulatory requirements;
- Liquidity risk limits, established by EFR and approved based on internal procedures, requiring BASAL to maintain sufficient excess liquidity resources and to comply with regulatory requirements; and
- The Hong Kong Financial Contingency and Recovery plan (“HK FCRP”), which details management’s strategy to address potential liquidity shortfalls during periods of stress.

8. Liquidity Risk Management (continued)

BASAL has funding and liquidity management strategy documented and reviewed at the local ALCO. The document highlights how different products are funded, including its source, currency, funding instrument, funding tenor, and funding source concentration.

BASAL has developed a robust internal liquidity stress testing approach to monitor and measure liquidity stress impacts across several time horizons. It progressively has severe scenarios that incorporate market wide and Company-specific events. The stress tests are used to monitor and analyze the level of cash inflows and outflows including contractual and contingent flows, and to estimate the LMR position during a stress event. The results are reviewed by ALCO regularly.

The Hong Kong's Financial Contingency and Recovery Plan describes a cohesive financial contingency planning framework to effectively respond to financial stress in an organised and coordinated manner. The Plan provides details of quantitative and qualitative indicators, protocols, and a set of potential options that may be taken to raise cash during various liquidity stress environments.

BASAL has reviewed and approved via the local ALCO Short Term and Long Term Cash Flow forecast assumptions which highlights the customized tools and methodologies at which BASAL's balance sheet and cash flow are projected.

For Liquidity exposure and funding, BASAL has quarterly process of forward looking forecasts of balance sheet by product, by currency, and by business line allows determination of liquidity exposures and funding needs for BASAL.

BASAL relies on funding from the Parent and its centralized liquidity pool. The entity performed an assessment to demonstrate sufficiency, availability and transferability of funds from Head Office to meet liquidity needs in Hong Kong in a timely manner.

8. **Liquidity Risk Management (continued)**

BASAL's analysis of on- and off-balance sheet items by remaining maturity and the resultant liquidity gaps as at 31st December 2023 is shown as follow (USD $'000):

On-balance sheet liabilities	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Amount payable arising from derivative contracts	—	—	—	—	—	—	—	—	—	—	—	
Due to banks	3,855	13	—	—	3,841	—	—	—	—	—	—	—
Other liabilities	82,204	253	—	28,796	7,470	1,164	—	—	—	—	—	44,522
Capital and reserves	574,993	—	—	—	—	—	—	—	—	—	—	574,993
Off-balance sheet obligations	—	—	—	—	—	—	—	—	—	—	—	—
Total	661,052	266	—	28,796	11,311	1,164	—	—	—	—	—	619,515

On-balance sheet assets	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Amount receivable arising from derivative contracts	—	—	—	—	—	—	—	—	—	—	—	—
Due from banks	611,395	517,590	93,805	—	—	—	—	—	—	—	—	—
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	—	—	—	—	—	—	—	—	—	—	—	—
(a) Readily monetizable	—	—	—	—	—	—	—	—	—	—	—	—
Other assets	49,657	3	—	41,968	—	—	—	—	—	—	—	9,491
Off-balance sheet claims	—	—	—	—	—	—	—	—	—	—	—	—
Total	661,052	517,593	93,805	41,968	—	—	—	—	—	—	—	9,491
Contractual Maturity Mismatch		517,327	93,805	13,171	(11,311)	(1,164)	—	—	—	—	—	—
Cumulative Contractual Maturity Mismatch		517,327	611,132	624,303	612,992	611,829	611,829	611,829	611,829	611,829	611,829	—

8. Liquidity Risk Management (continued)

The sources of funding are the following:

	31 Dec 2023 US$'000	31 Dec 2022 US$'000
Group Companies	16,125	2,978,206
As of total liabilities	81.24 %	93.76 %

9. Interest Rate Risk in Banking Books

9.1 Qualitative Disclosures

BASAL defines interest rate risk in the banking book as the risk to its current or anticipated earnings or capital arising from movements in interest rates. Economic Value of Equity (EVE) and Net Interest Income (NII) scenario based risk measurements are monitored against established limits and hedging actions will be taken as necessary. The Asset and Liability Committee approves the risk measurement methodology, limits and hedging strategy.

Change in EVE and NII under interest rate shock scenarios are measured quarterly. The bank uses a combination of parallel up, parallel down, steepener, flattener, short rates up and short rates down interest rate shock scenarios consistent with HKMA SPM IR-1 Interest Rate Risk in the Banking Book. There are no differences in modelling assumptions between internal assessments and disclosures in Template IRRRB1. Key modelling and parametric assumptions include:

- Change in EVE measurements include commercial margins in cash flows and uses a discount rate that does not include commercial margins
- Non-maturity deposits (NMDs) repricing maturity is based on shortest possible period that the deposit could be repriced
- Analysis of contractual terms to estimate prepayment rates of customer loans and early withdrawal rates for time deposits
- Risk measurement for each material currency is aggregated by direct summation. For change in EVE, any gains by currency are ignored

IRRBB hedges that may be taken include changing the maturity and/or interest rate repricing profile of banking book assets and liabilities either through incremental positions or longer term changes to the composition of the balance sheet (which is accounted for under fair value or accrual accounting)

9.2.1 Quantitative Disclosures

Average repricing maturity assigned to NMDs is 1 day.

Longest repricing maturity assigned to NMDs is 1 day.

9. Interest Rate Risk in Banking Books (continued)

9.2.2 Quantitative Disclosures on interest rate risk in banking book

(US$'000)		EVE		NII	
	Period	**T**	**T-1**	**T**	**T-1**
1	Parallel up	21	193	(1,535)	46,536
2	Parallel down	—	—	1,535	(46,536)
3	Steepener	—	—		
4	Flattener	26	237		
5	Short rate up	33	295		
6	Short rate down	—	—		
7	**Maximum**	33	295	1,535	46,536
	Period	**T**		**T-1**	
8	**Tier 1 capital**	75,252		570,752	

Positive values in the above table indicate losses. Period T is as of Dec 31, 2023 and T-1 as of Dec 31, 2022. Maximum loss for EVE and NII as a proportion of Tier 1 capital is 0.04% and 2.04% respectively. This is within BASAL's risk appetite. Decrease in metrics due to decrease in activity as the entity will be wound up in 2024.

10. <u>Credit Risk</u>

10.1 Qualitative Disclosures

(a) General Information Disclosures

Credit risk in BASAL primarily arises from its trading activities:

- Holding of debt securities issued by government, corporates or financial institutes
- Due from placements with financial institutions

Credit risk arising from holding of debt securities are approved based on grid limits subject to any statutory large exposure limit and concentration limit approved by the Board for exempt exposures from time to time.

BASAL will be required to comply with these BASAL Grid Limits as well as the Global Issuer Grid Limits under the Core Credit Policy, which may be more restrictive.

BAC manages credit risk within its risk appetite utilizing three processes:

- Credit strategy and origination. To align each credit decision with our strategic goals, BAC has established a comprehensive credit risk strategy and developed credit processes to provide for the efficient execution of that strategy. This strategy enables the setting and enforcement of different limits by business, segment, country or risk type at origination so that actual risk exposures are maintained within approved risk tolerances.
- Credit portfolio management. Once credit has been extended, processes are in place to monitor credit risk exposures at both the individual and portfolio levels, as well as to actively manage the portfolio to achieve desired risk and return goals.
- Loss mitigation. At times, our borrowers and counterparties do not fulfil their obligations and we must take steps to mitigate and manage our losses. We have stringent processes to appropriately handle nonperforming loans

Given the approved product scope of BASAL, the focus of credit risk management is on issuer risk arisen from bond trading, corporate debt, credit default swaps and other credit derivatives. Issuer risk exposure measures the value of securities held via trading activities or balance sheet management activities. Exposure is typically calculated daily at fair market value on an aggregate basis per issuer. Net long positions are managed against the issuer risk limit.

BASAL Grid Limits specifying maximum issuer risk exposures for BASAL on certain sovereigns, investment grade and non-investment grade names are set up and monitored by Global Markets and Financial Risk – Asia ("GMFR Asia"). BASAL will be required to comply with these BASAL Grid Limits as well as the Global Issuer Grid Limits under the Core Credit Policy, which may be more restrictive

(b) Credit Risk Mitigation

At 31 December 2023, the Company apply credit risk mitigation technique for credit risk capital calculation.

(c) Use of ECAI Ratings

BASAL calculates credit risk by using STC approach.

The risk-weight for an exposure is determined based on ECAI ratings assigned by external credit assessment institutions (ECAIs) recognized by the HKMA. Each of the six ECAI ratings based portfolios has its own risk-weighting framework under which risk-weights are mapped to a scale of Credit Quality Grades represented by the numerals 1 to 5 or 1 to 6, as the case may be.

ECAIs recognized by the HKMA and used by BASAL are Standard & Poor's Rating Services (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch). In instances where there are more than one ECAI the credit assessment ratings, BASAL will choose ECAI rating for deriving risk weights of the exposure as per HKMA guidance in Banking Capital Rules.

10. Credit Risk (continued)

10.1 Qualitative Disclosures (continued)

(c) Use of ECAI Ratings (continued)

The ECAI(s) nominated for an ECAI ratings based portfolio should (taken collectively if more than one ECAI is nominated) issue a range of credit assessment ratings which provides a reasonable coverage to the counterparties and the geographical regions in relation to the exposures falling within that portfolio. BASAL use the ratings of the nominated ECAI(s) within each of the portfolios consistently.

10.2 Quantitative Disclosures

The Company uses the standardized approach for calculation of credit risk.

At 31 Dec 2023, the Company did not have any loans, debt securities and off-balance sheet exposures for subjected to credit risk capital.

10.3 Credit Risk Exposures and effects of Recognized Credit Risk Mitigation –STC Approach

US$'000		As of 31 Dec 2023					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density (%)
1	Sovereign exposures	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—
4	Bank exposures	84,022	—	84,022	—	16,804	20
5	Securities firm exposures	4,337	—	4,337	—	2,169	50
6	Corporate exposures	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—
8	Cash items	—	—	—	—	—	—
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—
12	Other exposures which are not past due exposures	—	—	—	—	—	—
13	Past due exposures	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—
15	Total	88,359	—	88,359	—	18,973	21

Banc of America Securities Asia Limited

Supplementary Financial Information (Unaudited)

10. Credit Risk (continued)

10.4 Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach

	US$'000	As of 31 Dec 2023										
	Risk Weight / Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	84,022	—	—	—	—	—	—	—	84,022
5	Securities firm exposures	—	—	—	—	4,337	—	—	—	—	—	4,337
6	Corporate exposures	—	—	—	—	—	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Cash items	—	—	—	—	—	—	—	—	—	—	—
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
12	Other exposures which are not past due exposures	—	—	—	—	—	—	—	—	—	—	—
13	Past due exposures	—	—	—	—	—	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
15	Total	—	—	84,022	—	4,337	—	—	—	—	—	88,359

11. Counterparty Credit Risk

11.1 Qualitative Disclosures related to Counterparty Credit Risk

Counterparty Credit Risk is the risk that a counterparty could default before the final settlement of the cash flows of derivatives or securities financing transactions. Master Agreement (such as the International Swaps and Derivatives Association ("ISDA")) helps manage counterparty credit risk by defining Events of Default and Termination Events which may trigger termination of transactions prior to maturity and sets out agreed procedures for calculating the associated exposure and closeout of terminated trades. The ISDA Credit Support Annex ("CSA"), or similar credit support agreement, attaches to the ISDA and establishes provisions for managing the posting and exchange of collateral.

BASAL is governed by the HK Banking Ordinance, BAC's Global Core Credit Policy and BASAL Large Exposure & Concentration Policy, which actively manages concentrations in relation to the credit risk it undertakes by placing limits on the amount of risk accepted. Limits are reviewed annually or more frequently when considered necessary. Actual exposures against limits are monitored regularly. In addition, BASAL must comply with HKMA's large exposure limits in relation to non-exempt exposures. A cluster limit is also set up and approved by the Board from time to time.

Country Limits

- Country Limits set the maximum amount of exposure which BAC is willing to take in each country outside the United States where it conducts or intends to conduct business. These limits reflect a balancing of several considerations including the country's risk rating, BAC's Risk Appetite, the business strategy guiding BAC's activities in the country, and the desire to support the business needs of its customers.

- Country Limits are reviewed and approved annually by the Regional Risk Committee ("RRC") and the Country Risk Committee ("CRC"). The Country Risk Group facilitates the annual review of limits and presents annual limit recommendations to the RRC and CRC for approval.

11.2 Quantitative Disclosures

(a) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
	As of 31 Dec 2023	US$'000					
1	SA-CCR approach (for derivative contracts)	—	—		1.4	—	—
1a	CEM (for derivative contracts)	—	—		1.4	—	—
2	IMM (CCR) approach			—	—	—	—
3	Simple Approach (for SFTs)					—	—
4	Comprehensive Approach (for					—	—
5	VaR (for SFTs)					—	—
6	Total						0

11. Counterparty Credit Risk (continued)

(b) CVA capital charge

		EAD post CRM	RWA
	As of 31 Dec 2023	US$'000	
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	—	—
1	(i) VaR (after application of multiplication factor if applicable)		—
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		—
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	0	0
4	Total	0	0

Banc of America Securities Asia Limited

Supplementary Financial Information (Unaudited)

11. Counterparty Credit Risk (continued)

(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – STC approach

As of 31 Dec 2023												US$'000
	Risk Weight Exposure class	0%	10 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %	Others	Total default risk exposure after CRM
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	—	—	—	—	—	—	—	—	—
5	Securities firm exposures	—	—	—	—	—	—	—	—	—	—	—
6	Corporate exposures	—	—	—	—	—	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
9	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
10	Other exposures which are not past due exposures	—	—	—	—	—	—	—	—	—	—	—
11	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
12	Total	—	—	—	—	—	—	—	—	—	—	—

(d) Composition of collateral for counterparty default risk exposures (including those or contracts or transactions cleared through CCPs)

US$'000	As of 31 Dec 2023					
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	—	—	—	—	—	—
Cash - other currencies	—	—	—	—	—	—
Domestic sovereign debt	—	—	—	—	—	—
Other sovereign debt	—	—	—	—	—	—
Government agency debt	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	—	—
Total	—	—	—	—	—	—

(e) Credit-related derivatives contracts

At 31 Dec 2023, the Company did not have any credit-related derivatives contracts.

(f) Exposures to CCPs

At 31 Dec 2023, the Company did not have any exposures as clearing member or client to qualifying and non-qualifying CCPs.

12. Securitization Exposures

At 31 Dec 2023, the Company did not have any Securitization Exposures.

13. Market Risk

13.1 Qualitative Disclosure

Market risk is the risk that changes in market conditions may adversely impact the value of asset or liabilities or otherwise negatively impact earnings. Market risk is inherent in the financial instruments associated with the operations and activities engaged by BASAL and its market risk exposures emanates primarily from its Global Markets business.

Key market risk exposures are assessed at both specific and aggregate levels. At the specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange. At the aggregate level, market risk is assessed using two key measures, which are Value-at-Risk ("VaR") and 10 Day Stressed VaR ("10d SVaR").

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. The Entity uses historical simulation approach for VaR and it is calculated over a one-day holding period at a 99% confidence level, using three years of historical data. The performance of VaR model is monitored through daily back-testing and is performed at both Entity and Line of Business (LoB) level. 10 Day Stressed VaR is based on 10-day price moves, in which the 12-month period is determined to be that which produces the maximum VaR among all 12-month periods since January 1, 2007.

VaR and 10d SVaR measurements are supplemented with stress tests that are conducted on a quarterly basis per our stress testing framework. The stress tests are designed to highlight exposures to unlikely but plausible events or extremely volatile conditions, both hypothetically and historically.

13. Market Risk (continued)

13.1 Qualitative Disclosure (continued)

Market risk of the Entity is primarily managed through establishing and monitoring limits. Approved limits are stored and tracked in a centralized Limits Management System ("LMS") to ensure appropriate controls are in place and complete audit trails are maintained. Limit excesses, temporary, and permanent limit changes are communicated to senior management and to relevant risk governance committees. Risk exposures, including VaR and 10d SVaR are reported to senior management and reviewed at the monthly BASAL Risk Forum.

The Market Risk function is independent of the Business. Market Risk is managed by personnel based in China, accountable to the BASAL Chief Risk Officer (CRO).

13.2 Quantitative Disclosure

Market Risk under Standardized Approach

(US $'000)		As at 31 Dec 2023 RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	0
2	Equity exposures (general and specific risk)	0
3	Foreign exchange (including gold) exposures	256
4	Commodity exposures	0
	Option exposures	
5	Simplified approach	0
6	Delta-plus approach	0
7	Other approach	0
8	Securitization exposures	0
9	Total	256

14. Corporate Governance

Corporate governance is a system by which business entities are directed, supervised, monitored and controlled. The corporate governance structure specifies the interaction of rights and responsibilities among the shareholders, Board of Directors, officers, senior management and other stakeholders, and sets forth the rules, policies, procedures and guidelines for making decisions on corporate affairs. The corporate governance structure of the Company met the relevant requirements set out in the guideline on "Corporate Governance of Locally Incorporated Authorized Institutions" under the Supervisory Policy Manual issued by HKMA.

As at 31st December 2023, the Board of Directors of the Company was comprised of an independent non-executive director and four other directors representing the business and control functions including executive management, finance and risk management. Appointment to the directorships must be approved by the Board and HKMA.

In addition to the Board of Directors, the businesses and affairs of the Company are also monitored by the following governance framework:

Country Leadership Team

Bank of America Corporation's operations in the Asia Pacific region are managed by a Country Leadership Team ("CLT") in each jurisdiction with membership generally comprised of the Country Executive, Country Operating Officer, Risk, Compliance, Finance, HR and Representatives from Local Lines of Business and other Enterprise Control Functions. The CLT is chaired by the Country Executive.

14. Corporate Governance (continued)

Country Leadership Team (continued)

Country governance and control is managed by the Country Executive and the CLT and connects at the regional level through the Regional President and the Regional Executive Committee ("APAC ExCo"). Issues and agenda items at a country level are brought to the APAC ExCo for resolution.

The management of BASAL is accountable to the Hong Kong CLT. The Chief Executive's office will ensure that any material issues and/or changes in operational or reputational risk profile identified are promptly escalated and reported to the Hong Kong CLT.

Audit Committee

The Board of Directors formed the Audit Committee on 12 September 2019. Its main function is to provide independent oversight of the Company's financial reporting, internal and external audit function, internal controls and to help ensure checks and balances within the Company. Its objective is to assist the Board in ensuring the adequacy of internal control systems and reinforcing the work of the internal and external auditors.

As at 31st December 2023, the Audit Committee of the Company was chaired by an independent non-executive director and its membership also includes two non-executive directors. The Board of Directors of the Company has adopted the same risk management philosophies and control procedures that are established by BAC and has designed a corporate governance structure to monitor different risks of the business.

Risk Committee

The Board of Directors formed the Risk Committee on 17 August 2017. Its main function is to assist the Board in fulfilling its oversight responsibility relating to senior management's responsibilities regarding the identification of, management of, and planning for, the following key risks of the Company: strategic risk, market risk, credit risk, liquidity risk, model risk, regulatory risk, operational risk and reputational risk.

As at 31st December 2023, the Risk Committee of the Company was chaired by a non-executive director and its membership also includes one independent non-executive director and one non-executive director.

Remuneration, Nomination and Culture Committee

The Board of Directors formed the Remuneration, Nomination and Culture Committee ("RNCC") on 12 September 2019. Its main function is to assist the Board to ensure the Company utilizes transparent, rigorous and comprehensive procedures for the appointment, review, compensation and removal of senior management and members of the Board. In addition, the RNCC supports the Board in ensuring that the Company's culture and behavioral standards promote prudent risk-taking and fair treatment of clients.
As at 31st December 2023, the RNCC of the Company was chaired by a non-executive director and its membership also includes one independent non-executive director and one executive director.

Operating Committee (OpCo)

The Operating Committee ("OPCO") ensures that BASAL operates in compliance with applicable local laws, rules and regulations. The OPCO is a committee established by the BASAL Board of Directors. The OPCO's objective is to provide effective oversight of operations.
The OPCO is chaired by BASAL's Chief Executive and is comprised of Alternate Chief Executive(s), Chief Operating Officer and BASAL's Front Line Unit and Control Function leaders from key business lines representing Finance, Risk, Compliance, Global Financial Crimes and Compliance, Operations, Human Resources, Legal, Technology and Corporate Treasury as voting members. In addition, the Committee comprises of other non-voting attendees such as Audit. Furthermore, the Committee shall have authority to invite to its meetings any officers, employees and independent advisers, or any other person or persons it deems necessary to effectively perform its role.

14. Corporate Governance (continued)

Asset and Liability Committee (ALCO)

The BASAL Asset and Liability Council ("ALCO") is responsible for providing management oversight and certain approvals of (or recommending to the Board, the Asset and Liability Governance Committee (the "ALGC") of Bank of America, National Association ("BANA") or other committees, as appropriate) balance sheet, capital, liquidity management and stress testing activities for BASAL. It reports to the BASAL Board of Directors.
The HK Treasurer is a standing invitee of the BASAL Risk Committee.

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") and the Banking (Disclosure) (Amendment) Rules 2018 (Section 21: Division 9 - Remuneration), to reflect the Pillar 3 requirements for remuneration disclosure published by the Basel Committee on Banking Supervision in March 2017. The information relates to the incentive remuneration programs operated in respect of performance year 2023 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 the Amendment paragraphs (16ZR) to (16ZV) 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 Banc of America Securities Asia Limited ("BASAL"), including senior management and Key Personnel as defined in Section 2 of the Guideline.

The Company applies prudent risk management practices to its incentive remuneration programs and is committed to a remuneration 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 Compensation Governance Policy and the Global Compensation Principles therein:

> 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, and remuneration policies and risk management processes set forth in the Company's Risk Framework.

Governance and the Decision-making Process for Determining the Remuneration Policy

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

i. The Company's Board of Directors (the "Board"),
ii. The Board's Compensation and Human Capital 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, including the Remuneration and Nomination Culture Committee (RNCC), which was established for the local governance and oversight of BASAL.

The Committee oversees the establishment, maintenance and administration of the Company's remuneration programs and employee benefit plans, including approving the remuneration of the direct reports of the Chief Executive Officer (the "CEO")

14. Corporate Governance (continued)

Governance and the Decision-making Process for Determining the Remuneration Policy (continued)

and approving and recommending the remuneration of the CEO to the Board for its further approval. Under the 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 ("CGP), which is designed to be consistent with global regulatory initiatives so that the Company's incentive remuneration plans do not encourage excessive risk taking. As described in the CGP, line of business incentive remuneration plans are also periodically reviewed and evaluated by line of business management, independent control functions aligned to the line of business and the MCC in light of any risk posed by the programs and so that they do not encourage excessive risk taking. In addition, the Committee reviews senior executive officer remuneration programs so that they do not encourage excessive risk taking.

The Committee receives, from time to time, direct feedback from the independent control functions on remuneration programs. For performance year 2023, in addition to reviewing the individual incentive remuneration 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 remuneration awards for certain highly compensated employees and material risk takers. As part of its governance routine, the Committee met with the heads of the Company's independent control functions (including 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 remuneration programs, Bank of America believes that its remuneration programs appropriately balance risks and rewards in a manner that does not encourage excessive 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 remuneration program that is intended to mitigate the potential for conflicts of interest.

As authorized under its charter, the Committee has engaged Farient Advisors, LLC as its independent remuneration consultant. The independent remuneration consultant meets regularly with the Committee outside of the presence of management and alone with the Committee Chair, and also reviews management's incentive plan certifications with the Committee.

During performance year 2023, 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.

The Link between Pay and Performance

The cornerstone of Bank of America's remuneration 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 Global Talent 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 and performance assessment routines are designed to reflect this. 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 remuneration 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 the Risk Framework and operating principles, adherence to the Company's Code of Conduct and other core values of the Company.

14. Corporate Governance (continued)

The Link between Pay and Performance (continued)

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' remuneration. As a result, an employee's remuneration 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, which incorporate environmental and social considerations. 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 responsibility for risk management activities, as well as governance and oversight of those activities, by management and the 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, including local governance (remuneration) committees, as applicable, the Company's financial performance, execution against the strategic and financial operating plans, compliance with risk appetite metrics and adequacy of internal controls. The Company continually evaluates the design of its remuneration programs in accordance with the Risk Framework. Also, Risk conducts an annual review of the Company's remuneration programs and processes.

The company has also established the Environmental and Social Risk Policy Framework, which is aligned to the company's Risk Framework and provides clarity and transparency around how the Company approaches environmental and social risks.

The Company applies prudent risk management practices to its incentive remuneration programs and is committed to a remuneration governance structure that effectively contributes to the Company's overall 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. Annual budgets for incentive pools are established as part of the overall financial planning process so that planned incentives align to the overall anticipated performance of the Company. Incentive pools are based on a combination of financial, risk and non-financial measures and performance. The determination of incentive pools is also subject to management discretion, taking into account overall performance, inclusive of risk, of the Company and/or specific lines of business and other factors including the achievement of strategic objectives and a qualitative assessment of the quality and sustainability of earnings over time. Incentive pools may be adjusted to reflect all current and long-term risks, considering the Company's Risk Framework, arising through line of business and product performance.

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

The remuneration of 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) is not based on the financial performance of the individual lines of business they support.

14. Corporate Governance (continued)

Employee Pay (continued)

Bank of America remuneration is comprised of a balanced mix of fixed remuneration, benefits, 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 remuneration award, the greater the proportion of incentive remuneration that should be (i) subject to deferral and (ii) delivered in the form of equity remuneration. The Company believes equity-based awards are the simplest, most direct way to align employee interests with those of stockholders. A portion of the incentive award is provided as a deferred incentive that generally becomes earned and payable over a period of four years after grant. Deferred incentives will be cancelled in case of detrimental conduct and (for certain key risk takers) may be cancelled if the Company, line of business or business unit (as applicable) fails 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 the Bank's standards, the value of the deferred incentive award made may be impacted.

Key Personnel Identification and Pay

The Company operates 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 includes 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 generally consists of a mixture of payments and deferred awards. Deferred awards will be cancelled in the case of detrimental conduct and may be cancelled if the Company, line of business or business unit, as applicable, fails 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 range from approximately 65%-72% of total variable remuneration.

By combining cancellation and detrimental conduct clawback provisions, the Company believes 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 2022 and ten (10) in 2023. The 2022 remuneration of the Committee members is disclosed in the 2023 Proxy Statement available on Bank of America's Investor Relations website. 2023 remuneration of the Committee members will similarly be disclosed in the 2024 Proxy Statement, anticipated to be available in first quarter 2024, based on past precedent.

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The following disclosure tables contain the information required under paragraphs (16ZR) to (16ZV) of the Banking (Disclosure) (Amendment) Rules 2018 (Section 21: Division 9 – Remuneration) in respect of Banc of America Securities Asia Limited related to all employees, including Key Personnel, due to employee privacy concerns arising from the very small number of Key Personnel. There were no employees of the Banc of America Securities Asia Limited identified as senior management. Senior employees at Banc of America Securities Asia Limited have functional reporting lines to more senior Bank of America employees in other countries and/or legal entities 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.

14. Corporate Governance (continued)

16ZT. Remuneration Awarded during Financial Year - Annual Disclosures

(US$'000)			As of 31 Dec 2023	As of 31 Dec 2022
Remuneration amount and quantitative information			Key personnel	Key personnel
1	Fixed remuneration	Number of employees	3	3
2		Total fixed remuneration	1,455	1,470
3		Of which: cash-based	1,455	1,470
4		Of which: deferred	—	—
5		Of which: shares or other share-linked instruments	—	—
6		Of which: deferred	—	—
7		Of which: other forms	—	—
8		Of which: deferred	—	—
9	Variable remuneration	Number of employees	3	3
10		Total variable remuneration	7,831	6,292
11		Of which: cash-based	2,392	2,218
12		Of which: deferred	—	—
13		Of which: shares or other share-linked instruments	5,439	4,074
14		Of which: deferred	5,439	4,074
15		Of which: other forms	—	—
16		Of which: deferred	—	—
17	**Total remuneration**		**9,286**	**7,762**

16ZU. Special Payments - Annual Disclosures

(US$'000)							
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		# of EE	Total $	# of EE	Total $	# of EE	Total $
2023	Key personnel	—	—	—	—	—	—
2022	Key personnel	—	—	—	—	—	—

14. Corporate Governance (continued)

16ZV. Deferred Remuneration - Annual Disclosures

(US$'000)						
Deferred and retained remuneration		Total amount of outstanding deferred remuneration (as of Dec 31)	Of which: Total amount of outstanding and deferred and retained remuneration exposed to ex post explicit and/ or implicit adjustment (as of Dec 31)	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
	2023 Key personnel					
1	Cash	—	—	—	—	—
2	Shares	10,137	10,137	—	219	3,495
3	Cash-linked instruments	—	—	—	—	—
4	Other	—	—	—	—	—
	2022 Key personnel					
5	Cash	—	—	—	—	—
6	Shares	8,495	8,495	—	3,503	4,443
7	Cash-linked instruments	—	—	—	—	—
8	Other	—	—	—	—	—

15. International Claims

US$'000			Non Bank Private Sector		
As at December 31, 2023	Banks	Official Sector	Non-bank Financial institutions	Non-financial private sector	Total
Developed Countries	82,382	—	1,403	—	83,785
- United States (99%)	82,189	—	1,403	—	83,592
Total	82,382	—	1,403	—	83,785

US$'000			Non Bank Private Sector		
As at December 31, 2022	Banks	Official Sector	Non-bank Financial institutions	Non-financial private sector	Total
Developed Countries	398,130	—	34,641	—	432,771
- United States (12%)	385,717	—	34,641	—	420,358
Developing Asia and Pacific	699	2,880,876	—	50,144	2,931,719
- South Korea (85%)	—	2,880,876	—	—	2,880,876
Total	398,829	2,880,876	34,641	50,144	3,364,490

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognized, if the claims against counterparties are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

15. International Claims (continued)

A country or geographical segment (including Hong Kong) should generally be reported individually if it constitutes 10% or more of the aggregated international claims.

16. Loans and Advance to Customers and Overdue and Rescheduled Assets

At 31 Dec 2023, the Company did not have any loans and advance to customers and overdue and rescheduled assets.

17. Repossessed Assets

At 31 Dec 2023, the Company did not have any repossessed assets.

18. Mainland Activities

The analysis of Mainland activities is based on the categories of non bank counterparties and the type of direct exposure defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA return of Mainland activities.

	On-balance sheet exposure	Off-balance sheet exposure	Total
As at 31 Dec 2023	US$'000	US$'000	US$'000
Type of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	—	—	—
2. Local governments, local government-owned entities and their subsidiaries and JVs	—	—	—
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	—	—	—
4. Other entities of central government not reported in item 1 above	—	—	—
5. Other entities of local government not reported in item 2 above	—	—	—
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	—	—	—
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	—	—	—
Total	**—**	**—**	**—**
Total assets after provision	**84,625**		
On-balance sheet exposures as percentage of total assets	**0.00 %**		

18. Mainland Activities (continued)

	On-balance sheet exposure	Off-balance sheet exposure	Total
As at 31 Dec 2022	US$'000	US$'000	US$'000
Type of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	50,144	—	50,144
2. Local governments, local government-owned entities and their subsidiaries and JVs	—	—	—
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	—	—	—
4. Other entities of central government not reported in item 1 above	—	—	—
5. Other entities of local government not reported in item 2 above	—	—	—
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	—	—	—
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	—	—	—
Total	**50,144**	**—**	**50,144**
Total assets after provision	3,366,291		
On-balance sheet exposures as percentage of total assets	1.49 %		

19. Currency Risk

The net positions in foreign currencies in US dollars equivalent are disclosed below where each currency constitutes 10% or more of the respective total net position in all foreign currencies.

US$'000	USD	CNY	EUR	PHP	KRW	OTH	Total
As at December 31, 2023							
Spot assets	83,327	—	217	10	—	—	83,554
Spot liabilities	(83,897)	—	(522)	—	—	(1)	(84,420)
Net long/(short) position	(570)	—	(305)	10	—	(1)	(866)

US$'000	USD	CNY	EUR	PHP	KRW	OTH	Total
As at December 31, 2022							
Spot assets	431,193	51,280	491	10	2,881,507	(1)	3,364,480
Spot liabilities	(3,365,155)	—	(723)	—	—	(1)	(3,365,879)
Forward purchases	2,964,585	—	—	—	—	—	2,964,585
Forward sales	(51,863)	(51,176)	—	—	(3,174,996)	—	(3,278,035)
Net long/(short) position	(21,240)	104	(232)	10	(293,489)	(2)	(314,849)

As at 31st December 2023, the Company did not have any net structural position.

20. Authorized Institution under Requirements of G-SIBs

BASAL is not an authorized institution under requirements of G-SIB.

21. Operational Risk

The Company has adopted the Basel Committee definition of operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of the Company to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the Company's business. Although operational risk excludes strategic and reputational risks, operational risk may impact or be impacted by these risks. Operational risk events may result in unexpected or undesired consequences including a financial loss, an unexpected gain, a near miss, an opportunity cost (lost future revenue), or a reputational impact.

An operational loss event can be associated with any of the following seven operational loss event categories: Internal fraud; external fraud; employment practices and workplace safety; clients, products, and business practices; damage to physical assets; business disruption and system failures; or execution, delivery and process management.

Operational risk exists in all business activities across the Company. The Company is committed to maintaining strong operational risk management practices across all front line units and control functions. Strong sustainable risk management practices support the front line units' and control functions' responsibility for identifying, escalating and debating risks associated with their business activities in support of: the Bank of America Risk Framework, operational risk management program requirements and their related identification, measurement, monitoring, and control ("IMMC") accountabilities. The Operational Risk Management - Enterprise Policy ("Policy") establishes the minimum requirements and accountabilities for managing operational risk at Bank of America, in conformity with applicable laws and regulations.

21. Operational Risk (continued)

Operational risk management is the responsibility of all Bank of America employees through the continual identification, escalation and debate of operational risks and control related issues.

The key roles to facilitate and support the implementation of this Policy are outlined below. These roles and accountabilities should be read in conjunction with the specific requirements within this Policy; further detail is available in the supporting Standards.

Front line units & control functions own operational risk, with roles & responsibilities defined as:

- Identify their business processes and the related risks and controls.
- Understand the laws, rules, regulations and internal policies applicable to their business activities.
- Measure, monitor and report on the effectiveness of the control environment.
- Identify Issues and Risks and take timely action to remediate control gaps and mitigate risks.
- Identify, assess, and mitigate operational risk.
- Aggregate and escalate operational risk within front line units / control functions.
- Oversee that employees complete required operational risk training.

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The Global Compliance & Operational Risk (GC&OR) teams are independent of front line unit & control function, and objectively assess, challenge and advise on operational risk.

- Assess and advise on front line unit / control function implementation of the program.
- Execute the Coverage Plan to assess, monitor, and test the effectiveness of the operational risk controls .
- Challenge operational risks and controls.
- Aggregate and escalate operational risk in accordance with established criteria.
- Work with the front line units / control functions on a consultative, regular basis to manage and mitigate operational risk.
- Monitor completion of required operational risk training.

Operational Risk Program Owners define the program, oversee its implementation and assess and report on the Enterprise Operational Risk Profile

- Define the program and enterprise governance for operational risk management.
- Execute Company-wide (i.e., program level) processes and provide infrastructure required to support the implementation of the program.
- Oversee adherence to Policy and Standard requirements by front line units / control functions and GC&OR Teams.
- Conduct reporting and analytics to support the aggregation and reporting of risk data to enterprise governance committees.
- Build and deliver Company-wide training to support the implementation of the program and monitor training completion.

22. Statement of Compliance

To the best of the Company's knowledge and belief, the information contained in this statement is not false or misleading in any material respect and the operations of the Company are clearly explained.

Upon consultation with the HKMA under section 16(2)(a) of the Banking (Disclosure) Rules ("BDR"), BASAL had sought consent from the HKMA to continue uploading the required financial disclosure information to the website of its ultimate parent entity, Bank of America Corporation.

It is not practicable for BASAL to disclose under section 16(FE)(1)(b) of the BDR the full terms and conditions of all of its relevant regulatory capital instruments on its internet website, since BASAL does not currently maintain its own internet website. This is the reason that led BASAL to seek the aforementioned consent from HKMA.

Herein included below is the direct link to Bank of America Corporation's internet website, whereby the full terms and conditions of all of BASAL's relevant regulatory capital instruments and financial disclosure information can be accessed:

https://investor.bankofamerica.com/regulatory-and-other-filings/subsidiary-and-country-disclosures

This information is also the closest available alternative to the information which have been the subject of the required disclosures.