

**BANC OF AMERICA SECURITIES ASIA LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2013**

## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **REPORT OF THE DIRECTORS**

The directors of Banc of America Securities Asia Limited (the "Company") submit their report together with the audited financial statements of the Company for the year ended 31st December 2013.

#### **Principal activities**

The Company is remained dormant since 15th February 2011.

#### **Results and appropriations**

The results of the Company for the year ended 31st December 2013 are set out in the statement of comprehensive income on page 5.

The directors do not recommend the payment of a dividend.

#### **Reserves**

Movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 8.

#### **Directors**

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

Anand, Puneet	
Chan, Wai Ching	(Appointed on 7th June 2013)
Cheung, Douglas Tak Yin	
Chin, Voon-Fat Frederick	(Resigned on 7th June 2013)
Laul, Bharat	

In accordance with the Company's Articles of Association, all remaining directors retire and, being eligible, offer themselves for re-election.

#### **Directors' interests**

No contract of significance in relation to the Company's business to which the Company or any of its holding companies or fellow subsidiaries 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.

Certain directors of the Company are members of stock option schemes and restricted stock plans which give them the right to acquire shares in the Company's ultimate holding company, Bank of America Corporation ("BAC"). Some directors were allotted shares of BAC under the restricted stock plan.

Except for the share option schemes and restricted stock plans as disclosed in note 10, at no time during the year was the Company or any of its holding companies or fellow subsidiaries 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 associated corporation.

Details of share-based payment transactions are set out in note 10 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.

### **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 31st December 2013 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

  
Director

Hong Kong, 16th April 2014

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF BANC OF AMERICA SECURITIES ASIA LIMITED**  
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Banc of America Securities Asia Limited (the "Company") set out on pages 5 to 30, which comprise the balance sheet as at 31st December 2013, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF BANC OF AMERICA SECURITIES ASIA LIMITED  
(CONTINUED)**  
(incorporated in Hong Kong with limited liability)

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 2013, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style with a large initial 'P'.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 16th April 2014

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

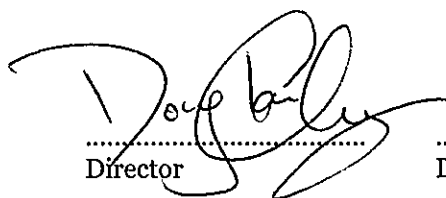
	Note	2013 US\$'000	2012 US\$'000
<b>Continuing operations</b>			
Interest income	4	576	786
Fee and commission expense	5	(1)	(1)
Net trading expense	6	-	(19)
Operating income		<u>575</u>	<u>766</u>
Operating expenses	7	(133)	(155)
Operating profit before income tax		<u>442</u>	<u>611</u>
Taxation credit	11	-	20
<b>Profit for the year</b>		<u>442</u>	<u>631</u>
<b>Total comprehensive income for the year</b>		<u>442</u>	<u>631</u>
<b>Attributable to Equity holders</b>		<u>442</u>	<u>631</u>

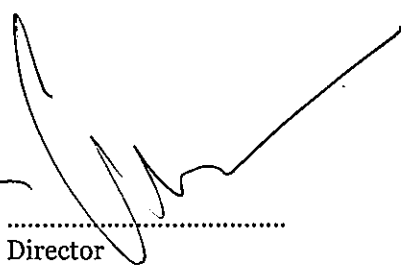
The notes on pages 9 to 30 are an integral part of these financial statements.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**BALANCE SHEET  
AS AT 31ST DECEMBER 2013**

	Note	2013 US\$'000	2012 US\$'000
<b>Assets</b>			
Cash and balances with banks	12	43,088	42,870
Placements with banks maturing between one and twelve months		<u>220,033</u>	<u>220,042</u>
<b>Total assets</b>		<u><u>263,121</u></u>	<u><u>262,912</u></u>
<b>Liabilities</b>			
Other liabilities	13	<u>78</u>	<u>311</u>
<b>Total liabilities</b>		<u>78</u>	<u>311</u>
<b>Equity</b>			
Share capital	14	220,000	220,000
Retained earnings		36,576	36,134
Other reserves	15	<u>6,467</u>	<u>6,467</u>
<b>Total equity</b>		<u><u>263,043</u></u>	<u><u>262,601</u></u>
<b>Total equity and liabilities</b>		<u><u>263,121</u></u>	<u><u>262,912</u></u>

  
 .....  
 Director

  
 .....  
 Director

The notes on pages 9 to 30 are an integral part of these financial statements.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	2013 US\$'000	2012 US\$'000
Cash flows from operating activities		
Profit before income tax	442	611
Interest income	(576)	(786)
Share-based payments	-	6
Interest received	576	786
	<u>442</u>	<u>617</u>
Operating profit before working capital changes	442	617
Change in placements with banks with original maturity beyond three months	(110,021)	50,021
Change in other liabilities	(233)	(46)
	<u>(109,812)</u>	<u>50,592</u>
Net cash inflow generated from operating activities	(109,812)	50,592
Income taxes refund	-	16
	<u>(109,812)</u>	<u>50,608</u>
Net cash inflow from operating activities	(109,812)	50,608
Net increase in cash and cash equivalents	(109,812)	50,608
Cash and cash equivalents at 1st January	262,912	212,283
Effect of exchange rate changes	-	21
	<u>153,100</u>	<u>262,912</u>
Cash and cash equivalents at 31st December	153,100	262,912
Analysis of the balances of cash and cash equivalents:		
Cash and balances with banks and other financial institutions	988	770
Money at call and short notice	42,100	42,100
Placements with banks with original maturity within three months	110,012	220,042
	<u>153,100</u>	<u>262,912</u>

The notes on pages 9 to 30 are an integral part of these financial statements.



**BANC OF AMERICA SECURITIES ASIA LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	Share capital US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Total US\$'000
As at 1st January 2012	220,000	6,461	35,503	261,964
Profit for the year	-	-	631	631
Share-based payments	-	6	-	6
As at 31st December 2012	<u>220,000</u>	<u>6,467</u>	<u>36,134</u>	<u>262,601</u>
As at 1st January 2013	220,000	6,467	36,134	262,601
Profit for the year	-	-	442	442
As at 31st December 2013	<u>220,000</u>	<u>6,467</u>	<u>36,576</u>	<u>263,043</u>

The notes on pages 9 to 30 are an integral part of these financial statements.

## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 General information**

The Company is remained dormant since 15th February 2011.

The Company is an authorised institution incorporated in Hong Kong. The address of its registered office is Level 52, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong.

The ultimate holding company is Bank of America Corporation ("BAC"), a listed company incorporated in the United States of America.

The functional currency of the financial statements is US dollar, unless otherwise stated. The financial statements have been approved for issue by the Board of Directors on 16th April 2014.

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

##### **(a) New and amended standards adopted by the Company**

The HKICPA has issued a number of standards, amendments and interpretations that are effective for accounting periods beginning on or after 1st January 2013. The Company has made an assessment of these standards and interpretations and considered that they either have no impact on the Company's financial statements or are not relevant to the Company's operations.

## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.1 Basis of preparation (Continued)**

- (b) New and amended standard have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess HKFRS 9's full impact. The Company will also consider the impact of the remaining phases of HKFRS 9.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

##### **2.2 Interest income**

Interest income is recognised in the statement of comprehensive income for all interest-bearing financial instruments, except for those classified as designated at fair value through profit or loss, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### **2.3 Fee and commission expense**

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

## BANC OF AMERICA SECURITIES ASIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 Summary of significant accounting policies (Continued)

##### 2.4 Foreign currencies translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in US dollars, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying net investment hedges.

##### 2.5 Current and deferred income tax

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### 2.6 Share-based compensation

The Company operates an equity-settled, share-based compensation plan. Stocks and stock options of BAC, the ultimate holding company, are granted to eligible directors and employees of the Company under BAC’s restricted stocks plan and stock options scheme.

The fair value of the employee services received in exchange for the grant of the stocks or stock options are recognised as expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stocks and stock options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

# BANC OF AMERICA SECURITIES ASIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of balances with less than three months' maturity from the date of acquisition including cash and balances with banks and placements with banks.

### 3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risk.

#### 3.1 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 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 Hong Kong Monetary Authority ("HKMA") with respect to large exposures requirements.

##### (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

At 31st December 2013 and 31st December 2012, the Company has not hold the derivative contract and repo-style transaction.

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

	2013 US\$'000	2012 US\$'000
Cash and balances with banks	43,088	42,870
Placements with banks maturing between one and twelve months	220,033	220,042
	<u>263,121</u>	<u>262,912</u>

At 31st December 2013 and 31st December 2012, there were no loans and advances to customers.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Credit risk (Continued)**

(d) 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 31st 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.

	Asia Pacific excluding Hong Kong US\$'000	North America and South America US\$'000	Total US\$'000
As at 31st December 2013			
Cash and balances with banks	22	43,066	43,088
Placements with banks maturing between one and twelve months	-	220,033	220,033
	<u>          </u>	<u>          </u>	<u>          </u>
As at 31st December 2012			
Cash and balances with banks	24	42,846	42,870
Placements with banks maturing between one and twelve months	-	220,042	220,042
	<u>          </u>	<u>          </u>	<u>          </u>

At 31st December 2013 and 31st December 2012, there were no counterparty domiciled in Hong Kong and Europe.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.2 Market risk**

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate product which is exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Company separates exposures to market risk into either trading or non-trading portfolios.

At 31st December 2013 and 31st December 2012, there were no trading portfolio held by the Company.

(a) 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 31st December. Included in the table are the Company's assets and liabilities at carrying amounts in US dollars equivalent, categorised by the original currency.

	HK\$ US\$'000	US\$ US\$'000	Other US\$'000	Total US\$'000
As at 31st December 2013				
<u>Assets</u>				
Cash and balances with banks	37	43,029	22	43,088
Placements with banks maturing between one and twelve months	-	220,033	-	220,033
Total assets	37	263,062	22	263,121
<u>Liabilities</u>				
Other liabilities	49	29	-	78
Total liabilities	49	29	-	78
Net on-balance sheet position	(12)	263,033	22	263,043

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.2 Market risk (Continued)**

(a) Currency risk (Continued)

	HK\$ US\$'000	US\$ US\$'000	Other US\$'000	Total US\$'000
As at 31st December 2012				
<u>Assets</u>				
Cash and balances with banks	29	42,793	48	42,870
Placements with banks maturing between one and twelve months	-	220,042	-	220,042
Total assets	29	262,835	48	262,912
<u>Liabilities</u>				
Other liabilities	49	262	-	311
Total liabilities	49	262	-	311
Net on-balance sheet position	(20)	262,573	48	262,601



**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.2 Market risk (Continued)**

(b) Interest rate risk

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 31st December. Included in the tables are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month US\$'000	1 to 3 months US\$'000	Non- interest bearing US\$'000	Total US\$'000
<b>As at 31st December 2013</b>				
<u>Assets</u>				
Cash and balances with banks	42,100	-	988	43,088
Placements with banks maturing between one and twelve months	-	220,033	-	220,033
<b>Total assets</b>	<b>42,100</b>	<b>220,033</b>	<b>988</b>	<b>263,121</b>
<u>Liabilities</u>				
Other liabilities	-	-	78	78
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>78</b>	<b>78</b>
<b>Total interest sensitivity gap</b>	<b>42,100</b>	<b>220,033</b>	<b>910</b>	
<b>As at 31st December 2012</b>				
<u>Assets</u>				
Cash and balances with banks	42,100	-	770	42,870
Placements with banks maturing between one and twelve months	-	220,042	-	220,042
<b>Total assets</b>	<b>42,100</b>	<b>220,042</b>	<b>770</b>	<b>262,912</b>
<u>Liabilities</u>				
Other liabilities	-	-	311	311
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>311</b>	<b>311</b>
<b>Total interest sensitivity gap</b>	<b>42,100</b>	<b>220,042</b>	<b>459</b>	

## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **3.3 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.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3-3 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 balance sheet date to the contractual maturity date.

As at 31st December 2013

<u>Assets</u>	Repayable on demand US\$'000	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
Cash and balances with banks	988	42,100	-	-	-	-	-	43,088
Placement with banks maturing between one and twelve months	-	-	220,033	-	-	-	-	220,033
Total assets	988	42,100	220,033	-	-	-	-	263,121
<u>Liabilities</u>								
Other liabilities	-	-	49	29	-	-	-	78
Total liabilities	-	-	49	29	-	-	-	78
Net liquidity gap	988	42,100	219,984	(29)	-	-	-	263,043

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3-3 Liquidity risk (Continued)**

(b) Maturity analysis (Continued)

As at 31st December 2012

<u>Assets</u>	Repayable on demand US\$'000	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
Cash and balances with banks	770	42,100	-	-	-	-	-	42,870
Placement with banks maturing between one and twelve months	-	-	220,042	-	-	-	-	220,042
Total assets	770	42,100	220,042	-	-	-	-	262,912
<u>Liabilities</u>								
Other liabilities	-	49	-	262	-	-	-	311
Total liabilities	-	49	-	262	-	-	-	311
Net liquidity gap	770	42,051	220,042	(262)	-	-	-	262,601

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.3 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) Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet 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.

	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
At 31st December 2013							
Other liabilities	-	49	29	-	-	-	78
	<u>-</u>	<u>49</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</u>
	<u>-</u>	<u>49</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</u>
Assets held for managing liquidity risk	43,088	220,033	-	-	-	-	263,121
	<u>43,088</u>	<u>220,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,121</u>
At 31st December 2012							
Other liabilities	49	-	262	-	-	-	311
	<u>49</u>	<u>-</u>	<u>262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311</u>
	<u>49</u>	<u>-</u>	<u>262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311</u>
Assets held for managing liquidity risk	42,870	220,042	-	-	-	-	262,912
	<u>42,870</u>	<u>220,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,912</u>

## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **3.4 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 balance sheet 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 balance sheet 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 swaps 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 balance sheet date.

The fair values of financial assets and liabilities not presented at fair value in the Company's balance sheet are estimated as follows:

(a) 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.

(b) 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.

(c) Other liabilities

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

## BANC OF AMERICA SECURITIES ASIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.5 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%.

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.

The table below summarises the ratio and the composition of regulatory capital of the Company as at 31st December. The Company complied with all of the externally imposed capital requirements set by the HKMA during the year.

	2013	2012
Capital adequacy ratios		
Common Equity Tier 1	303.26%	468.26%
Tier 1	303.26%	468.26%
Total	303.26%	468.26%

The capital base used in the calculation of the above capital adequacy ratios as at 31st December and reported to HKMA is analysed as follows:

	2013 US\$'000	2012 US\$'000
Components of capital base:		
Common Equity Tier 1:		
Paid up ordinary share capital	220,000	220,000
Disclosed reserves	42,601	41,970
Profit and loss account	442	631
Total capital base	<u>263,043</u>	<u>262,601</u>

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3-5 Capital management (Continued)**

The capital adequacy ratios (including Common Equity Tier 1, Tier 1 Capital and Total Capital ratios) as at 31st December 2013 and 31st December 2012 were calculated in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the HKMA under section 98A of the Hong Kong Banking Ordinance. HKMA has implemented Basel III capital adequacy requirements with effective on 1st January 2013. In accordance with the Capital Rules, the Company has adopted the "standardised (credit risk) approach" for the calculation of the risk-weighted assets for credit risk and market risk, and the "basic indicator approach" for the calculation of operational risk. As a result of the change in the bases of regulatory capital calculation, the amounts shown above are not directly comparable.

**4 Interest income**

	2013 US\$'000	2012 US\$'000
<b>Interest income</b>		
Placements with banks	576	786
Interest income	<u>576</u>	<u>786</u>

The interest income is for financial assets that are not at fair value through profit or loss.

**5 Fee and commission expense**

	2013 US\$'000	2012 US\$'000
<b>Fee and commission expense</b>		
Other fees paid	1	1
Fee and commission expense	<u>1</u>	<u>1</u>

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



**BANC OF AMERICA SECURITIES ASIA LIMITED****NOTES TO THE FINANCIAL STATEMENTS****6 Net trading expense**

	2013 US\$'000	2012 US\$'000
Foreign exchange	-	19
	<u>-</u>	<u>19</u>
	<u>-</u>	<u>19</u>

**7 Operating expenses**

	2013 US\$'000	2012 US\$'000
Staff costs (note 8)	-	14
Auditors' remuneration	29	39
Legal and professional fees	16	15
Services and support expenses	22	29
Licence fee	50	49
Other operating expenses	16	9
	<u>133</u>	<u>155</u>
	<u>133</u>	<u>155</u>

**8 Staff costs**

	2013 US\$'000	2012 US\$'000
Share-based payments to directors and employees (note 10)	-	6
Others	-	8
	<u>-</u>	<u>14</u>
	<u>-</u>	<u>14</u>

Staff costs exclude directors' emoluments (note 9).

## BANC OF AMERICA SECURITIES ASIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Directors' emoluments

None of the directors received or will receive any fees or emoluments in respect of their services to the Company during the year 2013 and 2012.

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 year ended 31st December 2013, no stock and/ or stock option in respect of their services to the Company is granted to the directors.

#### 10 Share-based payments

Under the Company's stock option schemes and restricted stock plans, stock options and stocks of BAC, the ultimate holding company, are granted to eligible directors and employees. Stock options and stocks can be exercised or granted when they are vested, which is in stages over three years, or when the stock reaches its certain prices.

##### (a) Stock option schemes

Movements in the number of stock options outstanding and their related weighted average grant/exercise prices are as follows:

	2013		2012	
	Average grant exercise price in US\$ per share	Number of options	Average grant exercise price in US\$ per share	Number of options
At the beginning of the year		15,906		19,906
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed/ forfeited		(11,580)		(4,000)
At the end of the year		<u>4,326</u>		<u>15,906</u>

There were 4,326 outstanding options (2012: 15,906 options), which were exercisable. There is no option exercise in 2013 (2012: Nil).

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**10 Share-based payments (Continued)**

(a) Stock option schemes (Continued)

Stock options outstanding at the end of the year have the following expiry date and weighted average exercise prices:

	<u>2013</u>		<u>2012</u>	
	Average grant exercise price in US\$ per share	Number of options	Average grant exercise price in US\$ per share	Number of options
Expiry date				
2013	N/A	N/A	35.02	6,500
2014	40.78	4,200	40.78	8,160
2015	-	-	-	-
2016	44.36	-	44.36	490
2017	53.85	126	53.85	756
2018	42.70	-	-	-
		<u>4,326</u>		<u>15,906</u>

No stock options were granted in 2013 and 2012.

(b) Restricted stock plans

During the year ended 31st December 2013 and 31st December 2012, no shares were granted, paid, forfeited, transferred in/out or released from contingencies.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**11 Taxation**

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

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

	2013 US\$'000	2012 US\$'000
Current income tax:		
- Hong Kong profits tax	-	-
Over-provision for prior years	-	(20)
Taxation credit	-	(20)
	<u>          </u>	<u>          </u>

- (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:

	2013 US\$'000	2012 US\$'000
Profit before taxation	442	611
Calculated at Hong Kong profits tax rate of 16.5%	73	101
Tax effect:		
Expenses not deductible for tax purposes	-	1
Utilisation of tax losses for which no deferred income tax asset was recognised	(73)	(102)
Over-provision for prior years	-	(20)
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

The Company has unused tax losses of US\$353,188 (2012: US\$815,039) that are available for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as the directors consider it is not yet probable that sufficient taxable profit will be available against which the unused tax losses can be utilised by the Company in the near future.

**12 Cash and balances with banks**

	2013 US\$'000	2012 US\$'000
Demand balances with banks	988	770
Money at call and short notice	42,100	42,100
	<u>          </u>	<u>          </u>
	<u>43,088</u>	<u>42,870</u>

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**13 Other liabilities**

	2013 US\$'000	2012 US\$'000
Other payable	<u>78</u>	<u>311</u>

**14 Share capital**

	2013 US\$'000	2012 US\$'000
Authorised, issued and fully paid:		
110,000,000 ordinary shares of US\$2 each	<u>220,000</u>	<u>220,000</u>

**15 Other reserves**

	Share-based payments reserve US\$'000
At 1st January 2013	6,467
Directors' and employees' stocks and stock options granted	<u>-</u>
At 31st December 2013	<u>6,467</u>
At 1st January 2012	6,461
Directors' and employees' stocks and stock options granted	<u>6</u>
At 31st December 2012	<u>6,467</u>

Share-based payments reserve is not available for distribution.

**BANC OF AMERICA SECURITIES ASIA LIMITED****NOTES TO THE FINANCIAL STATEMENTS****16 Balances with group companies**

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

	2013 US\$'000	2012 US\$'000
<b>Assets</b>		
Cash and balance with bank		
Demand balances with banks	966	746
Money at call and short notice	42,100	42,100
	<u>43,066</u>	<u>42,846</u>
Placement with bank maturing between one and twelve months	220,033	220,042
	<u>220,033</u>	<u>220,042</u>
	<u>263,099</u>	<u>262,888</u>
<b>Liabilities</b>		
Other accounts	-	273
	<u>-</u>	<u>273</u>

## BANC OF AMERICA SECURITIES ASIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 17 Related party transactions

The Company is wholly owned by BA Overseas Holdings, a limited company incorporated in the United States of America. The ultimate holding and controlling party of the Company is BAC, a limited company incorporated in the United States of America.

In addition to balances with group companies as set out in note 16, the Company had the following material transactions with related parties during the year:

Profit and loss

	Note	2013 US\$'000	2012 US\$'000
Interest income on placements	(i)	576	786
Services and support expenses	(ii)	(22)	(29)

Note:

- (i) The interest income was generated from placements with an intermediate holding company. The interest rates are similar to that which would normally apply to customers of comparable standing.
- (ii) The services and support expenses paid to an intermediate holding company was calculated by reference to the number of transactions processed for the Company on an agreed cost plus basis and was documented in service level agreement entered into between the Company and the intermediate holding company.

#### Key management compensation

Apart from the aggregated amount of directors' emoluments as disclosed in note 9 above, there were no other contracts and transactions with key managements during the year of 2012 and 2013.

#### 18 Contingent liabilities and commitments

At 31st December 2013 and 31st December 2012, the Company did not have any contingent liabilities and commitments.

#### 19 Ultimate holding company

The ultimate holding company is Bank of America Corporation, a company incorporated in the United States of America.

#### 20 Approval of accounts

The accounts were approved by the Board of Directors on 16th April 2014.

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**

**1 Liquidity ratios**

	2013 %	2012 %
Liquidity ratio	<u>N/A</u>	<u>N/A</u>

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the twelve months of the financial year of the Company computed in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

As the Company has no qualifying liabilities since September 2010, the Liquidity Ratio is infinite.

**2 Non-bank Mainland exposures**

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

At 31st December 2013 and 31st December 2012, the Company did not have any non-bank mainland exposures.

**3 Currency concentrations**

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

31st December 2013

	USD US\$'000	CAD US\$'000	EUR US\$'000	NZD US\$'000	Others US\$'000	Total US\$'000
Equivalent in US dollars						
Spot assets	263,061	-	-	22	-	263,083
Spot liabilities	(263,071)	-	-	-	-	(263,071)
Net long/(short) position	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>12</u>

31st December 2012

	USD US\$'000	CAD US\$'000	EUR US\$'000	NZD US\$'000	Others US\$'000	Total US\$'000
Equivalent in US dollars						
Spot assets	262,835	2	3	24	19	262,883
Spot liabilities	(262,863)	-	-	-	-	(262,863)
Net long/(short) position	<u>(28)</u>	<u>2</u>	<u>3</u>	<u>24</u>	<u>19</u>	<u>20</u>

As at 31st December 2013 and 31st December 2012, the Company did not have any net structure position.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**4 Segmental information**

(a) By geographical area

The geographical segmental analysis is based on the principal place of operations of Company. For the years ended 31st December 2013 and 2012, most of the Company's operating income and (loss) / profit before taxation were generated in Hong Kong and most of the assets were located in Hong Kong.

(b) By class of business

The Company's operating income, operating profit before income tax and total assets are attributable to the following business segment:

	Cash activity US\$'000
2013	
Total operating income	575
Operating profit before income tax	442
Total assets	263,121
2012	
Total operating income	766
Operating profit before income tax	611
Total assets	262,912

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**4 Segmental information (Continued)**

(c) Cross-border claims	Banks and other financial institutions US\$'000
As at 31st December 2013	
Asia Pacific excluding Hong Kong - New Zealand	22 -----
North and South America - United States	263,099 -----
	<u>263,121</u>
As at 31st December 2012	
Asia Pacific excluding Hong Kong - New Zealand	24 -----
North and South America - United States	262,888 -----
	<u>262,912</u>

At 31st December 2013 and 31st December 2012, the Company did not have any claims on public sector entity and other institution.

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the 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.

A country or geographical area should be reported individually if it constitutes 10% or more of the aggregated cross-border claims.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**5 Overdue and rescheduled assets**

At 31st December 2013 and 31st December 2012, the Company did not have any overdue and rescheduled assets.

**6 Repossessed assets**

At 31st December 2013 and 31st December 2012, the Company did not have any repossessed assets.

**7 Capital Charge for credit, market and operational risk**

The capital requirements for each class of exposures are summarised as follows:

(a) Capital charge for credit risk

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

	<u>Capital requirement</u> 2013 US\$'000	<u>Capital requirement</u> 2012 US\$'000
Bank exposures	6,850	4,207
Other exposures which are not past due exposures	-	-
	<u>6,850</u>	<u>4,207</u>
Total capital charge for on-balance sheet exposures	6,850	4,207
	<u>6,850</u>	<u>4,207</u>
Total capital charge for credit risk	<u>6,850</u>	<u>4,207</u>

This disclosure is made by multiplying the Company's risk-weighted amount derived from the relevant calculation approach by 8%, not the Company's actual "regulatory capital".

(b) Market risk capital charge

The Company uses the standardized approach for calculation of market risk for its trading book positions.

	<u>Capital Charge</u> 2013 US\$'000	<u>Capital Charge</u> 2012 US\$'000
Foreign exchange exposures	2	4
	<u>2</u>	<u>4</u>
Capital charge for market risk	<u>2</u>	<u>4</u>

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**7 Capital Charge for credit, market and operational risk (Continued)**

(c) Operational risk capital charges

The Company uses the Basic Indicator Approach for calculating operational risk.

	2013 US\$'000	2012 US\$'000
Capital charge for operational risk	89	276

**8 Regulatory capital disclosures in accordance with the Banking (Disclosure) (Amendment) Rules 2013 (“BDAR 2013”)**

(a) Breakdown of the Company’s regulatory capital as at 31st December 2013

See Appendix 1 on pages 44 to 50.

(b) Main features of issued Common Equity Tier 1 (“CET1”) capital instrument outstanding as at 31st December 2013

See Appendix 2 on pages 51 to 52. There has been no new issuance, reduction or material changes to the nature of the CET1 capital instrument since 31st December 2013.

The Company does not have Additional Tier 1 or Tier 2 capital instruments as of 31st December 2013.

(c) Reconciliation between regulatory capital components to the Statement of Financial Position as at 31st December 2013 (the “Reconciliation”)

The Company’s audited financial statements for accounting and regulatory purposes as at 31st December 2013 are identical. See Appendix 1 for the Reconciliation on pages 44 to 50.

**9 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 all key requirements set out in the guideline on “Corporate Governance of Locally Incorporated Authorised Institutions” under the Supervisory Policy Manual issued by HKMA.

As at 31 December 2013, the Board of Directors of the Company comprises of four officers from business and control functions including executive business management, finance, operations and portfolio management. Appointment to the directorate 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 follows:

## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **SUPPLEMENTARY FINANCIAL INFORMATION**

#### **9 Corporate Governance (Continued)**

##### Country Leadership Team

Bank of America Merrill Lynch's Asia Pacific offices are managed by a Country Leadership Team ("CLT") with membership generally comprised of the Country Executive, Country Administrative Officer, Risk, Compliance, Finance, HR and Representatives from Local Lines of Business. The team is chaired by the Country Executive.

In light of Hong Kong being the regional hub of Bank of America Merrill Lynch's operations in the APAC region, a number of regional heads are based in the city's offices therefore HK does not have a separate CLT. The APAC ExCo meets in HK and acts as a proxy for the HK CLT. Issues and agenda items at a country level are brought to the APAC ExCo for resolution. The Regional President, for the appropriate roles and responsibilities, also operates along with the HK Country Executive.

##### Credit and Market Risk Compliance Committee

The Credit and Market Risk Compliance Committee is dispensed as the Company's operation is winding down. Market Risk and Credit Risk continue to be monitored under the Regional Risk Management.

##### Asia Risk Forum

Asia Risk Forum is responsible for reviewing and approving New Business Initiatives, New Products and Non-Standard Transactions.

The Risk Forums are coordinated and chaired by the relevant representative from Risk Management or their designate. Their membership consists at the minimum of local representatives from the relevant support groups such as: Compliance, Legal, Risk Management, Finance, Tax, Technology, Middle Office, Operations, Corporate Treasury and Audit (as non-voting member), as well as the relevant business units. The Risk Forum chair may require other areas to attend the meeting at his discretion (i.e. Model Validation, Accounting Policy, etc.)

##### Audit Committee

The Company does not have its own Audit Committee, but its internal and external audit functions are subject to the direct supervision of the Audit Committee of BAC.

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.

## BANC OF AMERICA SECURITIES ASIA LIMITED

### SUPPLEMENTARY FINANCIAL INFORMATION

#### 9 Corporate Governance (Continued)

##### Remuneration system

##### **Introduction**

The following information sets forth the qualitative remuneration disclosures required under paragraphs (b) to (g) of Section 3 of the Guideline on a Sound Remuneration System (CG-5) issued by the Hong Kong Monetary Authority (“HKMA”) in March 2010 (the “Guideline”), as extended by the HKMA to reflect the Pillar 3 requirements for remuneration disclosure published by the Basel Committee on Banking Supervision, July 2011. The information relates to the incentive compensation programs operated in respect of performance year 2013 by Bank of America Corporation (“Bank of America” or “the Company”). The quantitative remuneration disclosures required under paragraphs (h) to (n) of Section 3 of the Guideline (as extended by the HKMA) in respect of Bank of America operations in Hong Kong appear after this section.

The following three key principles are used so the Company’s incentive compensation plans do not encourage excessive risk-taking:

1. Incentive compensation plans should be designed to appropriately balance risk and financial results.
2. The Company’s risk-management processes and internal controls should reinforce and support the development and governance of balanced incentive compensation plans.
3. The Company should have a strong corporate governance approach to incentive compensation plans, with oversight, review and responsibility for compensation decision-making allocated to the appropriate level of the Company’s structure so the most relevant level of management makes compensation decisions on the basis of appropriate oversight and appropriate input from the Company’s Independent Control Functions (i.e., Risk, Compliance, Legal, Finance, Audit and Human Resources).

These principles work in conjunction with broader policies, including the Company’s overall commitment to pay-for-performance, which are reflected in Bank of America’s disclosed Global Compensation Principles and its remuneration policies and risk management procedures.

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

The Company applies its compensation policies on a global basis and has four primary levels for the governance of incentive compensation plans (together the “Compensation Committees”):

- (i) the Board of Directors (the “Board”),
- (ii) the Board of Directors Compensation and Benefits Committee (the “Committee”), which is wholly made up of independent directors and functions as the Company’s global Remuneration Committee,
- (iii) the Management Compensation Committee, and
- (iv) a Line of Business Compensation Committee for each of the Company’s lines of business.

The Committee oversees the establishment, maintenance and administration of the Company’s compensation programs and employee benefit plans, including approving and recommending the compensation of its Chief Executive Officer (the “CEO”) to the Board for its approval and approving the compensation of the CEO’s direct reports. Under supervision of the Committee, oversight, review and responsibility for remuneration decision-making is allocated to the appropriate level of the Company’s structure so that the most relevant level of management makes remuneration decisions with documented input from the Company’s Independent Control Functions. The appropriate level of compensation committee reviews and evaluates employee compensation programs periodically in order to assess any risk posed by the programs so they do not encourage excessive risk-taking. In addition, the Committee is responsible for reviewing senior executive officer compensation programs.

## BANC OF AMERICA SECURITIES ASIA LIMITED

### SUPPLEMENTARY FINANCIAL INFORMATION

#### 9 Corporate Governance (Continued)

##### Remuneration system (Continued)

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

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

- The definition and process for identifying "risk-taking" employees;
- The process and policies for incentive compensation plans' design and governance to appropriately balance risks with compensation outcomes, including:
  - The funding of incentive compensation pools,
  - The determination of individual incentive compensation awards, and
  - The use of discretion as part of those processes;
- Policies on the effectiveness of incentive compensation plans through testing and monitoring at the right level to confirm they appropriately balance risks with compensation outcomes, including the development of processes to administer clawback features of incentive compensation awards; and
- Policies that provide for the independence of the Company's Independent Control Functions and their appropriate input to the Committee.

As authorized under its charter, the Committee has engaged an independent compensation consultant. As of 9 May 2013, the Committee engaged Farient Advisors, LLC as its independent compensation consultant, replacing Frederic W. Cook & Company. The independent compensation consultant meets regularly with the Committee outside the presence of management and alone with the Committee chair.

##### ***Independent Control Functions***

Bank of America's Independent Control Functions provide input into, and review of, each line of business strategy, process and performance objectives so that they align to the overall goals and objectives of the Company.

The Independent Control Functions are aligned organizationally into their function and not to the line of business they support. The Independent Control Functions are responsible for managing their functional accountabilities for the Company in a centralized manner. The compensation of the Independent Control Functions is determined independently from the line of business supported. The funding of the incentive pool for these employees is based upon overall Company performance with actual employee awards determined based upon individual performance against predetermined objectives. The Company generally takes into account market trends in compensation as well as other compensation information among certain comparable companies, but without any formulaic benchmarking.

The independent management and compensation structures for the Independent Control Functions have been in place for many years at the Company and are deeply engrained in its culture. This independent structure and historic culture (i) encourages Independent Control Function employees to speak freely without fear of impact on compensation, (ii) creates an atmosphere of independent thinking and shared expertise across lines of business, (iii) encourages a healthy tension and (iv) is clearly articulated in the governance structure provided for in the Compensation Governance Policy.



## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **SUPPLEMENTARY FINANCIAL INFORMATION**

#### **9 Corporate Governance (Continued)**

##### Remuneration system (Continued)

##### ***The link between pay and performance***

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

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

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

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

##### ***Risk Management and Incentive Plans***

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

Executive management develops for Board approval the Company's Risk Framework, which defines the 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, financial performance, execution against the strategic and financial operating plans, compliance with the risk appetite metrics and the adequacy of internal controls.

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

## BANC OF AMERICA SECURITIES ASIA LIMITED

### SUPPLEMENTARY FINANCIAL INFORMATION

#### 9 Corporate Governance (Continued)

##### Remuneration system (Continued)

##### ***Risk Management and Incentive Plans (Continued)***

The Company's incentive plans are designed to compensate employees based on their performance ratings for results against their individual performance plan and behaviors, as well as overall Company and line of business performance. The levels of funding approved for and compensation awarded from the incentive plan bonus pools are benchmarked regularly with an independent consultant.

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

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

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

##### ***Employee Pay***

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

##### ***Quantitative Disclosures***

The Committee held ten (10) meetings in 2012 and thirteen (13) meetings in 2013. The 2012 remuneration of the Committee members is disclosed in the 2013 Proxy statement available on Bank of America's Investor Relations website. 2013 remuneration of the Committee members will similarly be disclosed in the 2014 Proxy statement, to be available 27th March 2014.

Banc of America Securities Asia Limited is part of a broader organizational structure. There have been no employees within the Banc of America Securities Asia Limited legal entity since December 2010, and thus no employees identified as Senior Management or Key Personnel for performance year 2012 or 2013 in respect of whom disclosures would be required under paragraphs (h) to (n) of Section 3 of the Guideline (as extended by the HKMA).

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**10 Risk Management**

(a) Credit Risk

(i) Credit risk exposures

Standard & Poor's Ratings Services and Moody's Investors Service are the ECAIs that the Company has used in relation to the each class of exposures below. The process it used to map ECAI issuer ratings to exposures booked in its banking book is a process as prescribed in Part 4 of the Banking (Capital) Rules.

	Total Exposures	Exposures after recognised credit risk mitigation		Risk-weighted amounts		Total risk-weighted Amount
		Rated	Unrated	Rated	Unrated	
US\$'000						
2013						
Class of Exposures						
A. On-balance Sheet						
1. Bank	263,121	263,121	-	85,631	-	85,631
2. Other exposures which are not past due exposures	-	-	-	-	-	-
2012						
A. On-balance Sheet						
1. Bank	262,912	262,912	-	52,582	-	52,582
2. Other exposures which are not past due exposures	-	-	-	-	-	-

At 31st December 2013 and 31st December 2012, the Company does not have any off-balance sheet transaction.

(ii) Counterparty credit risk exposures

At 31st December 2013 and 31st December 2012, the Company does not have any OTC derivative transactions, Repo-style transactions and credit derivative contracts.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**10 Risk Management (Continued)**

(b) Interest rate exposures in banking book

The impact on earnings of the Company is calculated by assuming that the changes in interest rates last for a period of 12 months and all positions are repriced at the mid-point of each time band.

2013 US\$'000	HKD	Currency USD	Total
Interest rate risk (+ 200 basis point)			
- Decline in earning	-	-	-
- Increase in earning	-	4,499	4,499
	<u>-</u>	<u>4,499</u>	<u>4,499</u>
	<u>-</u>	<u>4,499</u>	<u>4,499</u>
	<u>-</u>	<u>4,499</u>	<u>4,499</u>
Interest rate risk (- 200 basis point)			
- Decline in earning	-	(4,499)	(4,499)
- Increase in earning	-	-	-
	<u>-</u>	<u>(4,499)</u>	<u>(4,499)</u>
	<u>-</u>	<u>(4,499)</u>	<u>(4,499)</u>
	<u>-</u>	<u>(4,499)</u>	<u>(4,499)</u>
2012 US\$'000	HKD	Currency USD	Total
Interest rate risk (+ 200 basis point)			
- Decline in earning	-	-	-
- Increase in earning	-	4,499	4,499
	<u>-</u>	<u>4,499</u>	<u>4,499</u>
	<u>-</u>	<u>4,499</u>	<u>4,499</u>
	<u>-</u>	<u>4,499</u>	<u>4,499</u>
Interest rate risk (- 200 basis point)			
- Decline in earning	-	(4,499)	(4,499)
- Increase in earning	-	-	-
	<u>-</u>	<u>(4,499)</u>	<u>(4,499)</u>
	<u>-</u>	<u>(4,499)</u>	<u>(4,499)</u>
	<u>-</u>	<u>(4,499)</u>	<u>(4,499)</u>

## **BANC OF AMERICA SECURITIES ASIA LIMITED**

### **SUPPLEMENTARY FINANCIAL INFORMATION**

#### **10 Risk Management (Continued)**

##### **(c) Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Operational risk also encompasses the failure to implement strategic objectives and initiatives in a successful, timely and cost-effective manner.

Bank of America Corporation (BAC) approaches operational risk from two perspectives: corporate-wide and line of business (LOB) specific. The BAC Compliance and Operational Risk Committee (CORC) provides oversight of significant corporate-wide operational and compliance issues. Within Global Risk Management, Global Compliance and Operational Risk Management develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing operational risks across BAC. In turn, the LOB's are responsible for monitoring adherence to corporate practices. LOB management uses the LOB self-assessment process (or LOBSA) to identify and evaluate the status of risk and control issues. The goal of this self-assessment process is to periodically assess changing market and business conditions and to evaluate key operational risks impacting each LOB. In addition to information gathered from the LOBSA process, key operational risk indicators are used to help identify trends and issues.

The Company has established an operational risk management framework that reinforces and follows operational risk policies established by BAC. Within the Company, the CLT is responsible for monitoring the business operations. As noted above, LOBs, which are represented within the CLT, is responsible for all the risks within the business including operational risks. Such risks are managed through corporate-wide or LOB specific policies and procedures, controls, and monitoring tools. Examples of these include data reconciliation processes, fraud prevention, transaction processing monitoring and analysis and business recovery planning.

Economic capital for operational risk is determined for each LOB using historical loss event data and statistical modeling of the frequency and severity of the loss events.

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 1 - Breakdown of the Company's regulatory capital as at 31st December 2013**

Transition Disclosures Template			Amounts subject to pre-Basel III treatment*	Cross Reference* to
<b>CET1 capital: instruments and reserves</b>				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	220,000		(1)
2	Retained earnings	36,576		(2)
3	Disclosed reserves	6,467		(3)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	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)	0		
6	<b>CET1 capital before regulatory deductions</b>	263,043		
<b>CET1 capital: adjustments</b>				
7	Valuation adjustments	0		
8	Goodwill (net of associated deferred tax liability)	0		
9	Other intangible assets (net of associated deferred tax liability)	0	0	
10	Deferred tax assets net of deferred tax liabilities	0		
11	Cash flow hedge reserve	0		
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	0	
13	Gain-on-sale arising from securitization transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	0	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 1 - Breakdown of the Company's regulatory capital as at 31st December 2013 (Continued)**

20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	0	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	0	
26b	Regulatory reserve for general banking risks	0	
26c	Securitization exposures specified in a notice given by the Monetary Authority	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	0
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	0
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	<b>Total regulatory deductions to CET1 capital</b>	0	
29	<b>CET1 capital</b>	263,043	

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 1 - Breakdown of the Company's regulatory capital as at 31st December 2013 (Continued)**

<b>AT1 capital instruments</b>		
30	Qualifying AT1 capital instruments plus any related share premium	0
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	0
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0
36	<b>AT1 capital before regulatory deductions</b>	0
<b>AT1 capital regulatory deductions</b>		
37	Investments in own AT1 capital instruments	0
38	Reciprocal cross-holdings in AT1 capital instruments	0
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
41	National specific regulatory adjustments applied to AT1 capital	0
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	0
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0
iii	of which: Investments in own CET1 capital instruments	0
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0



**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 1 - Breakdown of the Company's regulatory capital as at 31st December 2013 (Continued)**

vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	<b>Total regulatory deductions to AT1 capital</b>	0	
44	<b>AT1 capital</b>	0	
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	263,043	
<b>Tier 2 capital instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0	
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)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	0	
51	<b>Tier 2 capital before regulatory deductions</b>	0	
<b>Tier 2 capital instruments held</b>			
52	Investments in own Tier 2 capital instruments	0	0
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	0
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	0

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 1 - Breakdown of the Company's regulatory capital as at 31st December 2013 (Continued)**

56	National specific regulatory adjustments applied to Tier 2 capital	0
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	0
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	0
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0
iii	of which: Investments in own CET1 capital instruments	0
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
57	<b>Total regulatory deductions to Tier 2 capital</b>	0
58	<b>Tier 2 capital</b>	0
59	<b>Total capital (Total capital = Tier 1 + Tier 2)</b>	263,043
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	
i	of which: Mortgage servicing rights	0
ii	of which: Defined benefit pension fund net assets	0
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	0

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 1 - Breakdown of the Company's regulatory capital as at 31st December 2013 (Continued)**

iv	of which: Capital investment in a connected company which is a commercial entity	0
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
60	<b>Total risk weighted assets</b>	<b>86,738</b>
<b>Capital ratios (as a percentage of risk weighted assets)</b>		
61	CET1 capital ratio	303.26%
62	Tier 1 capital ratio	303.26%
63	Total capital ratio	303.26%
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	0.00%
65	<i>of which: capital conservation buffer requirement</i>	0.00%
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.00%
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	0.00%
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	0.00%
<b>Minimum ratios (as a percentage of risk weighted assets)</b>		
69	National CET1 minimum ratio	Not applicable
70	National Tier 1 minimum ratio	Not applicable
71	National Total capital minimum ratio	Not applicable
<b>Additional ratios (as a percentage of risk weighted assets)</b>		

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 1 - Breakdown of the Company's regulatory capital as at 31st December 2013 (Continued)**

72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
74	Mortgage servicing rights (net of related tax liability)	Not applicable
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	0
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	0
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	0
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	0
<b>Capital instruments subject to phase-out arrangements</b>		
80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	0
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	0
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	0
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	0

\* This refers to the position under the Banking (Capital) Rules in force on 31st December 2012.

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 2 - Main features of issued Common Equity Tier 1 (“CET1”) capital instrument outstanding as at 31st December 2013**

**Main Features Template**

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
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules*	Common Equity Tier 1
5	Post-transitional Basel III rules+	Ineligible
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD 220 mil
9	Par value of instrument	USD 220 mil
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 22,1973
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Discretionary dividend amount
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

**BANC OF AMERICA SECURITIES ASIA LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Appendix 2 - Main features of issued Common Equity Tier 1 (“CET1”) capital instrument outstanding as at 31st December 2013 (Continued)**

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)	No
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Footnote:

- # *Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*
- + *Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*
- \* *Include solo-consolidated*