BofA CANADA BANK

Basel II Pillar 3 Disclosures

As at December 31, 2012

1. Scope of Application

This document sets out the Basel II Pillar 3 disclosures applicable to BofA Canada Bank ("the Bank").

The Bank is licensed to operate as a Schedule II Bank in Canada with full powers under Canada's Bank Act as a foreign bank subsidiary. The Bank was incorporated by Letters Patent dated August 22, 1997 and received the Order to Commence and Carry-on Business from OSFI on November 22, 1997.

On October 1, 2012, FIA Card Services, N.A. ("FIA"), a subsidiary of Bank of America Corporation ("BAC"), transferred ownership of its wholly-owned subsidiary, the Bank, to SNC Securities Limited ("SNC") and ultimately to BofA Canada Holdings ULC ("Holdings"). Holdings is a wholly-owned subsidiary of SNC which in turn is a wholly-owned subsidiary of FIA.

In accordance with Bank of America's Pillar 3 protocol, these disclosures are published on Bank of America's corporate website (www.bankofamerica.com).

2. Capital Structure

Qualitative disclosures

The Bank's total capital consists of tier 1 capital as defined in OSFI's regulatory guideline which includes items such as common shares, retained earnings and contributed surplus. The Bank does not hold any tier 2 or tier 3 capital.

Quantitative disclosures

(dollars in thousands)	**As at December 31, 2012**
Tier 1 capital	
Common shares (no par value; unlimited authorized; 16,250 shares issued and outstanding as at December 31, 2012)	**$ 325,000**
Contributed surplus	**17,647**
Retained earnings	**949,768**
Gross tier 1 capital	**1,292,415**
Net tier 1 capital	**1,292,415**
Adjusted net tier 1 capital	**1,292,415**
Tier 2 and tier 3 capital	**-**
Total capital	**$ 1,292,415**

3. Capital Adequacy

Qualitative disclosures

Internal Capital Adequacy Assessment Process ("ICAAP")

The Bank currently manages its remaining credit card portfolio until expiry of the affinity group agreement. There is no intention by BAC to expand the activities of the Bank and the remaining business will focus on only what is required to service and administer the remaining accounts.

In line with BAC's strategy, the Bank plans to wind-down its existing portfolio, settle its litigations and close its card business in Canada. Hence, the Bank's risk appetite is to hold adequate capital to meet business objectives, absorb material risks and meet internal and regulatory capital requirements.

The Bank's risks are a reflection of the complexity of a non-public, mono-line credit card issuing bank with domestic operations. Therefore the ICAAP is designed to reflect the risk profile of the remaining credit card portfolio. Apart from credit risk and operational risk, the ICAAP also considered litigation risk pertaining to the ongoing legal actions against the Bank.

The Bank also has in place governance and control mechanisms to manage and mitigate the above risks. Oversight over the Bank's performance and adherence to policies and risk guidelines is the responsibility of the following groups; the Board, the Audit Committee, the Conduct Review Committee and the Credit and Operations Risk Committee (CORC).

The Board will continue to supervise the management of the business and affairs of the Bank in accordance with the requirements of applicable legislation and principles of good governance. Committees of the Board will include but are not limited to; Audit Committee and Conduct Review Committee.

The Bank manages its capital position to ensure adequate capital is maintained through normal economic cycles and periods of stress on the banking industry. The Bank's capital management policy defines the Bank's risk governance framework and controls for managing its capital position. The capital management policy is reviewed and approved by the Board. Under the policy, the Bank measures its capital position on a monthly basis and reports this position monthly to Enterprise Capital Management. This level of reporting provides information on Tier 1 and Total capital ratios compared to both regulatory and internal minimum guidelines.

Quantitative disclosures

The following table shows the Bank's capital requirements as at December 31, 2012 under the Basel II Pillar 1 framework:

(dollars in thousands)	**As at December 31, 2012**
Total tier 1 capital[1]	**$ 1,292,415**
Credit risk	**128,455**
Operational risk	**86,571**
Total risk weighted assets[2]	**$ 215,026**
Pillar I Capital Requirement	
Total tier 1 capital ratio	**601.1 %**
Total capital ratio	**601.1 %**

1 The Bank does not hold any tier 2 or tier 3 capital and therefore tier 1 capital is equal to total capital

2 Credit risk is determined under the standardized approach, as defined in the guideline issued by OSFI; the Bank does not have any positions that gives rise to market risk capital requirement; operational risk is determined under the basic indicator approach, as defined in the guideline issued by OSFI.

4. Credit Risk – General Disclosures

Qualitative disclosures

Credit risk is the risk of financial loss arising from the inability of a borrower or counterparty to meet its obligations. The Bank manages credit risk based on the risk profile of the borrower or counterparty, repayment sources and other support given current events, conditions and expectations.

The Bank's Board has overall responsibility for credit risk management of the Bank. The Board reviews and assesses portfolio quality through regular reporting which includes the information on credit risk performance and asset quality.

The Board has designated senior officers of the Bank and delegated power to such officers to manage the business and affairs of the Bank.

Corporate Audit reviews and tests key processes and controls to assure adequacy based upon a rotational risk-based strategy.

Credit risk management begins with initial underwriting and continues through the borrower's credit cycle. Statistical techniques and models in conjunction with experiential judgment are utilized for underwriting and ongoing portfolio management. The Bank also has in place monthly reporting to review credit risk performance, asset quality and risk segment to ensure that risk concentrations do not result in undesirable levels of risk.

The Bank utilizes an allowance for credit losses account to record any impairment of financial assets which is adjusted for subsequent reversals. A provision is charged against earnings to maintain the allowance for credit losses account at an appropriate level. The Bank's policy is to charge-off open-end delinquent retail loans by the end of the month in which the account becomes 180 days contractually past due. Delinquent bankrupt accounts charge-off the earlier of the end of the second calendar month following the receipt of notification of filing from the applicable court or the applicable 180 day time frame described above. If an account has been charged-off, it may be sold to a third party or retained by the Bank for recovery. The Bank records the current period recoveries of loan principal receivables that were previously charged-off as a reduction in the provision for credit losses. The proceeds received from the sales of charged-off loans are also recorded as recoveries.

The Bank does not assign the allowance for credit losses to loans based on their term to maturity. The Bank does not assess loan impairment on specific loan basis due to the homogeneous composition of the portfolio which is comprised of individually small retail credit card loans. Instead, impairment is collectively evaluated on a portfolio basis.

The Bank also exposes itself to credit risk due to its bank accounts with a Canadian financial institution. The Bank ensures it has sufficient cash at all times to settle liabilities and other obligations. Any excess cash is invested in Canadian treasury bills. As of December 31, 2012, the Bank had $46 million exposure in its Bank accounts. Under the Basel II framework, the bank has adopted the standardized approach for calculating the capital requirements arising from its credit exposures.

Quantitative disclosures

The following table shows the Bank's total gross credit risk exposures for financial instruments measured as the amount outstanding:

(dollars in thousands)	As at December 31, 2012	
	Outstanding amount	**Year to date average**
Cash and due from Banks	**$ 45,500**	**$ 68,270**
Interest-bearing deposits with Banks	**-**	**43,919**
Investment Securities	**1,129,795**	**1,585,484**
Due from related parties	**1,333**	**104**
Income tax receivable	**-**	**18,967**
Deferred tax asset	**1,243**	**1,944**
Other assets	**1,928**	**3,300**
Assets held for sale, net of allowance for credit losses	**151,496**	**250,958**
	$ 1,331,295	**$ 1,972,946**

Commitments to extend credit to customers are not reflected in the above table as the commitments are revocable.

For capital adequacy, the Bank also leverages the Basel II framework with additional capital requirements for stress scenarios.

Concentration of credit risk may arise when the ability of a number of borrowers or counterparties to meet their contractual obligations are similarly affected by external factors. Examples of concentration of credit risk would include geographic, industry, single name and environmental factors.

The Bank markets, issues, and services credit card loans to customers mainly in the Canadian Western provinces. Credit card loans have no associated maturity date. Concentration of credit risk is mitigated by the nature of the Bank's portfolio as there is no single name concentration of credit risk (single borrower in excess of 5% of the total carrying value of loans). The following table represents the distribution of the Bank's gross loans by province and territory (this consists of the assets held for sale before taking into account the allowance for credit losses):

(dollars in thousands)	**As at December 31, 2012**
Alberta	**$ 16,080**
British Columbia	**135,101**
Manitoba and Saskatchewan	**1,358**
Quebec	**285**
Ontario	**1,606**
Maritimes (NB, NS, PEI, NF)	**531**
Territories (NWT, Yukon, Nunavut)	**792**
Total	**$ 155,753**

The following table provides an analysis of the Bank's gross loans by delinquency stage:

(dollars in thousands)	As at December 31, 2012	
	$	**%**
Current	**$ 144,871**	**93.0**
Past due up to 30 days	**7,138**	**4.6**
Past due 31 – 60 days	**1,350**	**0.9**
Past due 61 - 90 days	**721**	**0.5**
Past due 91- 120 days	**749**	**0.5**
Past due 121-150 days	**440**	**0.2**
Past due 151-180 days	**484**	**0.3**
Past due more than 180 days	**-**	**-**
Total	**$ 155,753**	**100.0**

The following table represents the distribution of the Bank's past due gross loans greater than 30 days by geographic distribution:

(dollars in thousands)	As at December 31, 2012
Alberta	**$ 425**
British Columbia	**3,070**
Manitoba and Saskatchewan	**96**
Quebec	**18**
Ontario	**85**
Maritimes (NB, NS, PEI, NF)	**24**
Territories (NWT, Yukon, Nunavut)	**26**
Total	**$ 3,744**

The following table summarizes the changes in allowance for credit losses for 2012:

(dollars in thousands)	As at December 31, 2012
Allowance for credit losses, beginning of year	**$ 10,875**
Provision for credit losses:	
Credit card	**14,874**
Other consumer	**-**
Total provision for credit losses – pre sale of loans	**14,874**
Reserve release related to loan sale	**(9,114)**
Total provision for credit losses – post sale of loans	**5,760**
Credit losses:	
Credit card	**(13,564)**
Other consumer	**-**
Total credit losses	**(13,564)**
Recoveries:	
Credit card	**1,186**
Other consumer	**-**
Total recoveries	**1,186**
Net credit losses	**(12,378)**
Allowance for credit losses, end of year	**$ 4,257**

5. General Disclosures for Exposures Related to Counterparty Credit Risk

The Bank does not have exposures to counterparty credit risk.

6. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people / systems or from external events. Operational risk is embedded in all of the Bank's activities including practices and controls used to manage other risks. Failure to manage operational risk can result in direct and indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit risk.

The Bank's operational risk management framework flows directly from BAC's enterprise risk management framework and sets out the practices that are used to manage operational risk through identifying, measuring, controlling, monitoring, and reporting risks.

The Bank's Board and CORC approve and monitor the risk appetite for Compliance and Operational Risk. Compliance metrics are monitored through testing and reported quarterly to the Board. Senior Officers or the Board would require remediation if testing and / or risks exceeded the approved test limits.

In line with the OSFI Capital Adequacy Ratio guidelines, the Bank has adopted the basic indicator approach for operational risk under the Basel II Pillar I framework. The operational risk is calculated by applying a 15% factor to the Bank's average gross income over a three year period. The Bank changed its Operational Risk calculation during 2012 by excluding all gains or losses made on sale of assets (gain of $380 million in 2011 and loss of $(1) million in 2012). Therefore, only income earned from the remaining portfolios have been taken into account to determine the average operational quarterly income. The result of this modification amounted to a risk-weighted asset amount of $87 million as at December 31, 2012.

7. Litigation Risk

In the ordinary course of business, the Bank is a defendant in or party to several pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. Certain of these actions and proceedings are based on alleged violations of consumer protection, banking, employment or other laws. In certain of these actions and proceedings, claims for substantial monetary damages are asserted against the Bank.

In view of the inherent difficulty in predicting the outcome of such litigation, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Bank cannot state with confidence what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter will be.