BofA CANADA BANK

Basel III Pillar 3 Disclosures

As at December 31, 2013

1. Scope of Application

This document sets out the Basel III Pillar 3 disclosures applicable to BofA Canada Bank ("the Bank") as set out in the July 2013 Office of Superintendent of Financial Institutions ("OSFI") Advisory Letter entitled: "Public Capital Disclosure Requirements related to Basel III Pillar 3".

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

As noted in Annex 5 – "Disclosure requirements for non-Domestic Systemically Important Banks" (non-DSIBs) of OSFI's July 2013 Advisory Letter, the Bank's Modified Capital as at December 31, 2013 is as follows (all amounts are in thousands). The Bank does not hold any tier 2 capital.

Quantitative disclosures

Table 1

	Modified Capital Disclosure Template	All-in	Transitional
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	$342,647	N/A
2	Retained earnings	668,290	N/A
3	Accumulated other comprehensive income (and other reserves)	16	N/A
6	**Common Equity Tier 1 capital before regulatory adjustments**	$1,010,953	N/A
28	Common Equity Tier 1 capital: regulatory adjustments	-	N/A
29	**Common Equity Tier 1 capital (CET1)**	$1,010,953	$1,010,953
44	Additional Tier 1 capital (AT1)	-	N/A
45	**Tier 1 capital (T1 = CET1 + AT1)**	$1,010,953	$1,010,953
58	**Tier 2 capital (T2)**	-	N/A
59	**Total capital (TC = T1 + T2)**	$1,010,953	$1,010,953
60	**Total risk-weighted assets**	82,155	82,155
	Capital Ratios		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	1,230.5%	1,230.5%
62	Tier 1 (as percentage of risk-weighted assets)	1,230.5%	1,230.5%
63	Total capital (as percentage of risk-weighted assets)	1,230.5%	1,230.5%
	OSFI all-in target		
69	Common Equity Tier 1 capital all-in target ratio	7%	N/A

3. Capital Adequacy

Qualitative disclosures

Internal Capital Adequacy Assessment Process ("ICAAP")

In line with BAC's strategy, the Bank sold its last remaining credit card portfolio during 2013 and plans to settle its outstanding litigations and close its business in Canada. There is no intention by BAC to expand the activities of the Bank and the remaining business will focus on managing the litigation risk. During this time the only remaining assets of the bank include cash, investment securities and deferred tax assets/other minor assets as shown in Table 3. The Bank earns investment income from the investment securities.

The Bank's risk appetite is aligned to its strategy and adequate capital is held to meet its business objectives, absorb material risks and meet internal and regulatory capital requirements.

The Bank's risks are a reflection of a non-public, investment bank with domestic operations. Therefore the ICAAP is designed to reflect the risk profile of the remaining investment bank. Along with 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 Risk Oversight Committee (ROC).

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, 2013under the Basel III Pillar 1 framework:

Table 2

(dollars in thousands)	**As at December 31, 2013**
Total tier 1 capital[1]	**$ 1,010,953**
Credit risk	**11,319**
Operational risk	**70,836**
Total risk weighted assets[2]	**$ 82,155**
Pillar I Capital Requirement	
Total tier 1 capital ratio	**1,230.5 %**
Total capital ratio	**1,230.5 %**

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 investment 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.

As the Bank has sold its credit card portfolio during 2013, there is minimal credit risk with the Bank's remaining assets and, hence, minimal credit risk management or credit quality review is performed

The Bank principally 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, 2013, the Bank had $18 million exposure in its Bank accounts. Under the Basel III 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:

Table 3

(dollars in thousands)	**As at December 31, 2013**	
	Outstanding amount	**Year to date average**
Cash and due from Banks	**$ 18,051**	**$24,683**
Investment Securities	**1,016,354**	**1,203,875**
Due from related parties	**-**	**58**
Deferred tax asset	**6,322**	**958**
Other assets	**1,387**	**2,238**
Assets held for sale, net of allowance for credit losses	**-**	**71,582**
	$ 1,042,114	**$ 1,303,394**

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 ROC 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 III 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, loss of $(1) million in 2012 and gain of $8 million in 2013). 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 $71 million as at December 31, 2013.

7. Litigation Risk

In the ordinary course of business, the Bank is a defendant in or party to 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.

8. Remuneration Disclosure

Introduction

The following information has been prepared in accordance with the qualitative disclosures required by the Pillar 3 Disclosure Requirements for Remuneration (Pillar 3 Remuneration Disclosure Requirements) published by the Basel Committee on Banking Supervision in July 2011.

Accordingly, the following information sets forth the qualitative disclosures required under paragraph 11, items (a) to (f) of the Pillar 3 Remuneration Disclosure Requirements regarding the incentive compensation programs operated in performance year 2013 by Bank of America Corporation ("Bank of America" or "the Company").
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 Bank's structure so that the most relevant level of management makes remuneration decisions with documented input from the Bank'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.

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.

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

As authorized under its charter, the Committee has engaged 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.

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 accountability of the Company and its employees in managing risk; the Company's Risk Appetite Statement, which defines the parameters under which the Company will take risk; and the Company's strategic and financial operating plans. Management monitors, and the Board oversees directly and through its committees, the Company's financial performance, execution against the strategic and financial operating plans, compliance with the risk appetite metrics and the adequacy of internal controls.

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

The Company's incentive plans are designed to compensate employees based on their performance ratings for results against their individual performance plan and behaviors, as well as overall Company and line of business performance. 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.

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

The Company has determined that certain individuals and groups of employees should be classified as Covered Employees which include (i) the CEO and CEO's direct reports, (ii) other individual employees whose activities may expose the Company or the employee's line of business to material amounts of risk, and (iii) groups of employees who, in aggregate, may expose the Company or the employees' line of business to material risk. Incentive compensation plans for Covered Employees will be consistent with the Company's Global Compensation Principles. Plans will also be designed to appropriately consider the full range of applicable risks, taking into account where practicable the duration of those risks.

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 Data

Paragraph 3 of the requirements issued by OSFI in December 2011 states that certain types of disclosures may be exempted on the grounds that the information is proprietary or confidential. As an example, sensitive information that could potentially cause personal security concerns for an identifiable position is considered confidential and would be exempt from public disclosure.

Due to personal security concerns, the Company is unable to make detailed quantitative disclosures in respect of BofA Canada Bank operations.