

Bank of America Merrill Lynch International Designated Activity Company

Pillar 3 Disclosure
As at 31 December 2019

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Bank of America Merrill Lynch International Designated Activity Company Pillar 3 Disclosure

1. Introduction
As at 31 December 2019

1.1 Overview and Purpose of Document

This document contains the Pillar 3 disclosures as at 31 December 2019 in respect of the capital and risk management of Bank of America Merrill Lynch International Designated Activity Company, ("BAMLI DAC"), an Irish credit institution. All defined terms are found in the glossary.

Capital Requirements Directive IV ("CRD IV"), the European Union ("EU") legislation implementing Basel III, came into effect on 1 January 2014. This mandates the quantity and quality of capital that firms are required to hold, introducing an EU wide liquidity regime and establishing leverage requirements. This legislation consists of three Pillars. Pillar 1 is defined as "Minimum Capital Requirement", Pillar 2 "Supervisory Review Process" and Pillar 3 "Market Discipline". The aim of Pillar 3 is to encourage market discipline by allowing market participants to access key pieces of information regarding the capital adequacy of institutions through a prescribed set of disclosure requirements.

This document provides detail on BAMLI DAC's available Capital Resources and regulatory defined Pillar 1 Minimum Capital Requirement. It demonstrates that BAMLI DAC has capital resources in excess of this requirement and maintains robust risk management and controls.

To further increase transparency, this document also includes information on BAMLI DAC's liquidity position and information on the capital requirements in respect of the Countercyclical Capital Buffer ("CCYB"). BAMLI DAC has not omitted any information that is proprietary or confidential.

1.1.1 BAMLI DAC

BAMLI DAC is a registered credit institution in the Republic of Ireland which is authorised and regulated by the Central Bank of Ireland ("CBI") and supervised under the single supervisory mechanism ("SSM"). BAMLI DAC is classified as an Other Systemically Important Institution ("O-SII").

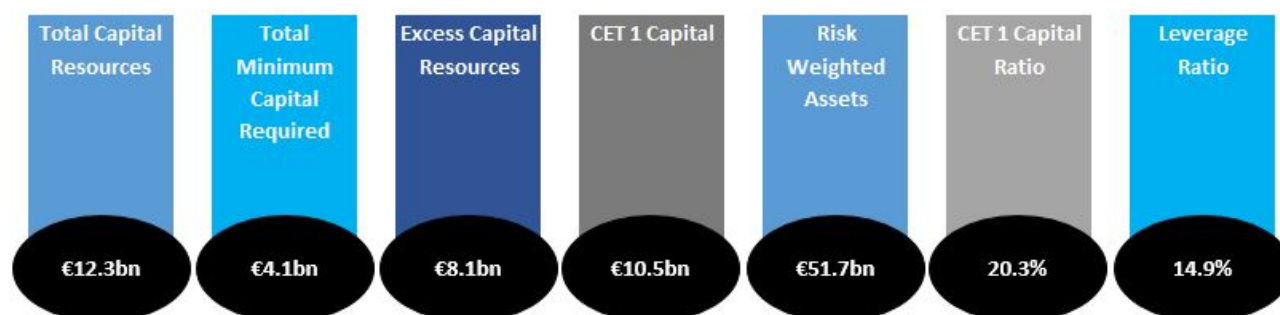
BAMLI DAC is headquartered in Dublin with branches in Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Paris, Stockholm and Zurich.

BAMLI DAC is a wholly owned subsidiary of Bank of America N.A. ("BANA") and the ultimate parent continues to be Bank of America Corporation ("BAC"). BAMLI DAC's activities form part of BAC's Global Banking and Markets operations in Europe, Middle East and Africa ("EMEA"). Clients include large multinational groups, financial institutions, governments, and government entities. As at 31 December 2019, BAMLI DAC was rated by Fitch Ratings, Inc ("Fitch") (AA- / F1+) and Standard & Poor's Financial Services LLC ("S&P") (A+/A-1).

1.1.2 BAMLI DAC's Capital Position at 31 December 2019

BAMLI DAC's Capital Resources ("Capital Resources") consist predominantly of Common Equity Tier 1 ("CET1") capital. As at 31 December 2019, BAMLI DAC's CET1 ratio was 20.3% which significantly exceeds the regulatory Pillar 1 minimum CET1 requirement of 4.5% and the reported Leverage ratio of 14.9% is far in excess of the proposed regulatory minimum regulatory requirement of 3%.

Figure 1.1.2.F1. Summary of BAMLI DAC's Key Metrics as at 31 December 2019



Note: All of BAMLI DAC's Tier 1 capital is CET1, therefore CET1 Capital Ratio and Tier 1 Capital ratio are the same. Capital resources and ratios reflect the inclusion of 2019 audited retained earnings

1.2 Basis of Preparation

BAMLI DAC financial statements are prepared in accordance with Irish Companies Law and Generally Accepted Accounting Practices. In accordance with these it applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") that have been adopted in the EU.

The information contained in these disclosures have been prepared in accordance with the Capital Requirement Directive IV, on a solo basis. These disclosures are updated annually in line with the accounting year end as at 31 December, unless otherwise stated, all tables are as at 31 December 2019, with prior year comparatives in line with Part Eight of the Capital Requirements Regulation. Moreover, these disclosures are also updated on a quarterly basis, with prior quarter comparatives.

The regulatory exposures, capital resources, capital requirements, liquidity requirements and leverage ratio information contained within this document have been prepared using data from the relevant prudential reporting returns (e.g. Common Reporting ("COREP"), Financial Reporting ("FINREP"), and Liquidity Coverage Ratio ("LCR")) and are presented in a way that is consistent with the relevant disclosure requirements in Part Eight of the Capital Requirements Regulation.

In addition, the report does not constitute any form of forward looking record or opinion on BAMLI DAC. Although Pillar 3 disclosure is intended to provide transparent information on a common basis, the information contained in this document may not be directly comparable with the information provided by other banks.

These Pillar 3 disclosures are published on the Investor Relations section of BAC's corporate website:

<http://investor.bankofamerica.com/financial-information/basel-pillar-3-disclosures>

1.3 Disclosure Policy

In accordance with Capital Requirements Regulations ("CRR") Article 431(3) and applicable guidelines, institutions are required to adopt a formal policy to comply with the disclosure requirements included in Part Eight of the CRR within the CRD IV package, including applicable guidelines issued by the European Banking Authority ("EBA").

In accordance with these requirements, BAMLI DAC has developed and adopted a Pillar 3 disclosure policy ("Policy") in respect of disclosures included in the BAMLI DAC report. The Policy is approved by the BAMLI DAC board ("Board") and sets out the framework of internal controls and procedures for assessing the completeness of public disclosures, including verification and frequency of the disclosures.

The key elements of the Policy are as follows:

- Policy background
- Disclosure requirements applicable to BAMLI DAC
- Disclosure frequency
- Review and verification of the Pillar 3 disclosure
- Roles and accountabilities of all stakeholders in the production and verification processes
- Controls and monitoring of key processes
- Governance and oversight of the Policy

The Policy requires that the BAMLI DAC Chief Financial Officer ("CFO") and BAMLI DAC Chief Risk Officer ("CRO"), attest in writing that the Pillar 3 disclosure has been prepared in accordance with the internal control processes as detailed in the Policy.

1.4 Operation, Structure, and Organisation

BAMLI DAC was established in 2018 as the primary entity in the EMEA region for Global Banking and Global Markets lending activity, and in Europe, certain Reg-K eligible Fixed Income Currencies and Commodities ("FICC") products, primarily Corporate Derivatives (subject to risk appetite, exposure limits, and jurisdictional permissions).

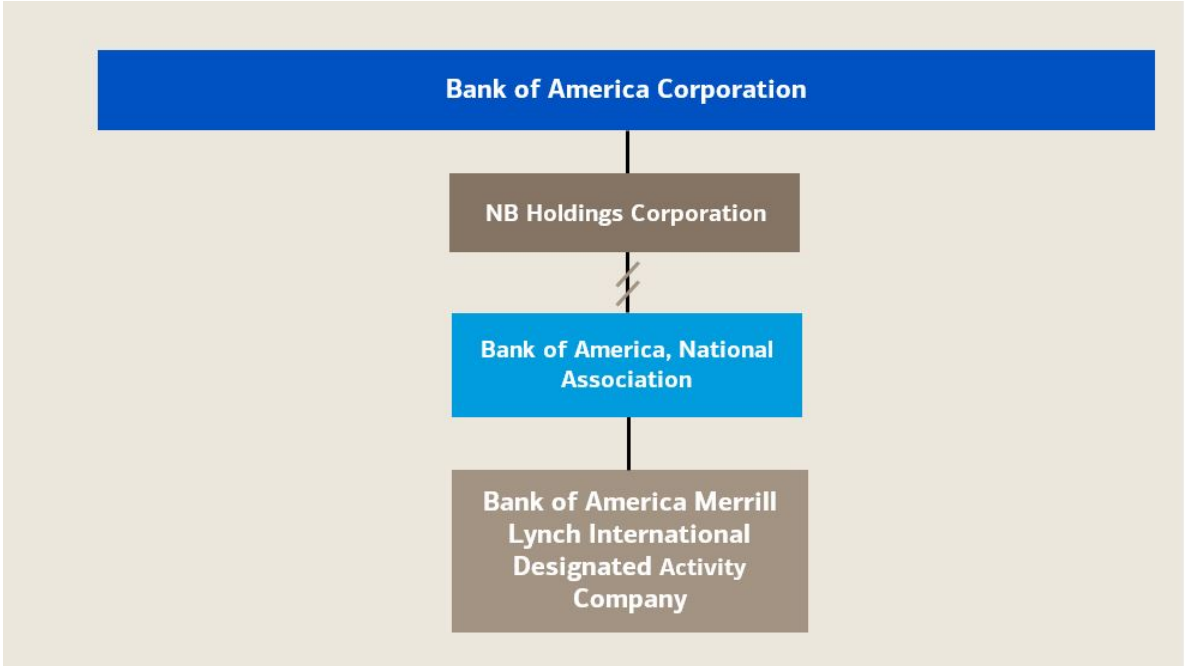
Through its Global Banking business, BAMLI DAC offers mergers and acquisitions advisory, syndicated loans, leasing financing solutions, treasury solutions, deposits and loan products. BAMLI DAC's Global Markets business offers mortgages origination and structuring, credit solutions and rates and currencies sales and trading.

BAMLI DAC services corporate clients currently domiciled in the European Economic Area ("EEA"), UK and Central and Eastern Europe Middle East and Africa ("CEEMEA") region and institutional clients predominately domiciled in Europe. BAMLI DAC's client portfolio comprises the subsidiaries of the largest highly rated global corporate and large regional corporates and has an existing branch network which employs relationship bankers across Europe in order to provide services to clients by virtue of passporting permissions held by BAMLI DAC. BAMLI DAC also provides support services (employees and infrastructure) to other group companies. Services provided included management of personnel, property, technology assets, and vendor contracts.

For a full BAC organisation chart, please refer to the Investor Relations section of BAC's corporate website

<http://investor.bankofamerica.com>.

Figure 1.4 F1. High-Level Ownership Chart



//represents indirect ownership relationship

Bank of America Merrill Lynch International Designated Activity Company Pillar 3 Disclosure

2. Capital Resources and Minimum Capital Requirement As at 31 December 2019

2.1 Capital Resources

2.1.1 Summary of 2019 Capital Resources

Capital Resources represent the amount of regulatory capital available to an entity in order to cover all risks. Defined under CRD IV, Capital Resources are designated into two tiers, Tier 1 and Tier 2. Tier 1 capital consists of CET 1 and Additional Tier 1 ("AT1"). CET1 is the highest quality of capital and typically represents equity and audited reserves; AT1 usually represents contingent convertible bonds, and Tier 2 capital typically consists of subordinated debt and hybrid debt capital instruments.

BAMLI DAC's Capital Resources of €12.3bn (2018: €11.7bn) consist of Tier 1 and Tier 2 capital. All of BAMLI DAC's Tier 1 capital is made up of CET1, and Tier 2 capital is comprised of subordinated debt.

2.1.2 Key Movements in 2019

BAMLI DAC's Capital Resources increased by €0.6bn during 2019. Key movements during the period are primarily driven by audited retained earnings and FX movements on the USD denominated Share Premium.

Table 2.1.2.T1. Capital Resources

<i>(Euros in millions)</i>	Q4 2019	Q4 2018
Ordinary Share Capital	29	28
Share Premium	8,065	7,914
Foreign Exchange Reserve	12	1
Capital Contribution	56	52
Profit and Loss Account	2,330	1,917
Tier 1 Capital	10,492	9,912
Tier 2 Capital	1,780	1,747
Total Capital Resources	12,272	11,659

2.1.3 Transferability of Capital within the Group

Capital Resources are satisfied by sourcing capital either directly from BAC or from other affiliates. There are no material, current or foreseen, practical, or legal impediments to the prompt transfer of Capital Resources or repayment of liabilities, subject to applicable regulatory requirements.

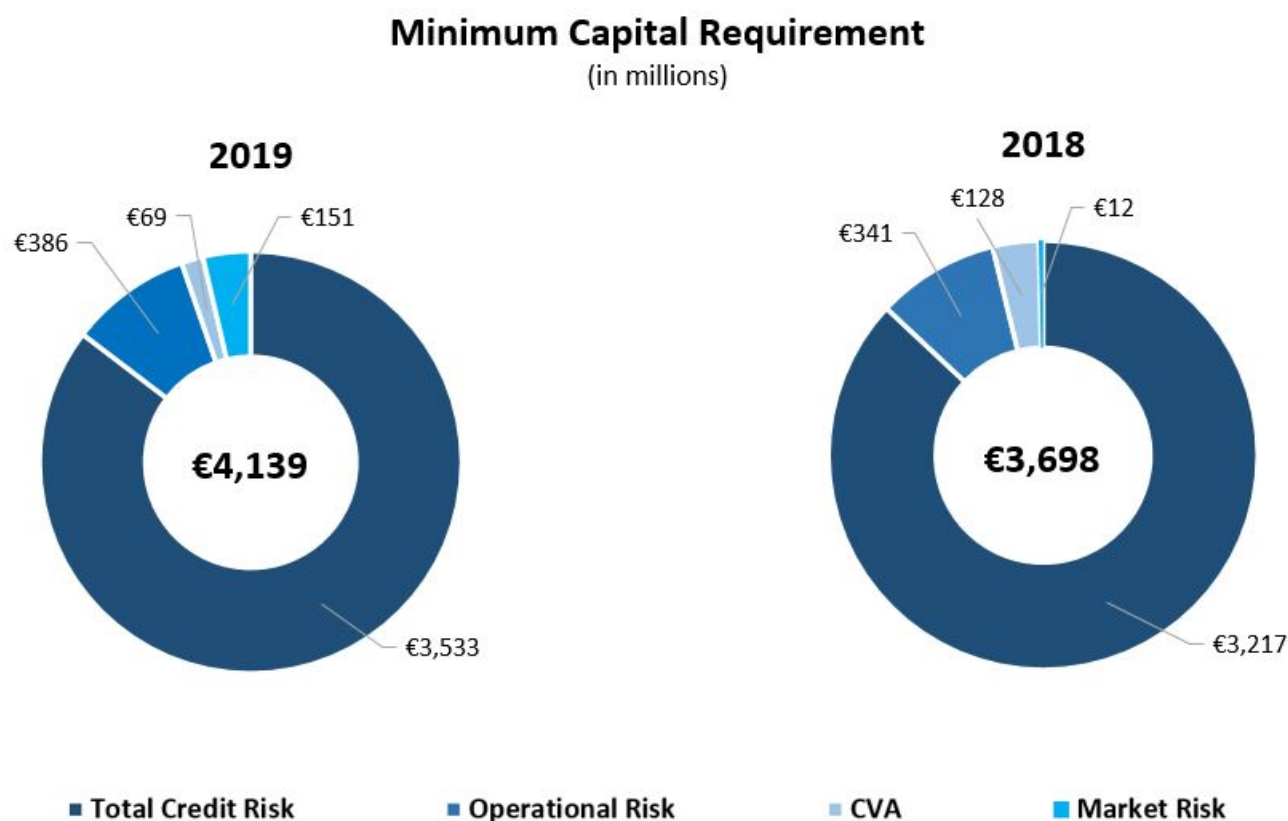
2.2 Minimum Capital Requirement

2.2.1 Summary of 2019 Capital Requirement

BAMLI DAC is subject to Minimum Capital Requirement set out in the CRR and the CBI requirements in order to meet its Total Supervisory Review and Evaluation Process ("SREP") capital requirement. BAMLI DAC is required to hold capital in addition to its Minimum Capital Requirement to meet its CRD IV buffers and local CBI obligations.

The Minimum Capital Requirement principally comprises of Credit Risk, Counterparty Credit Risk, and Operational Risk requirements. BAMLI DAC has a Minimum Capital Requirement of €4.1bn (2018: €3.7bn) comprising of the risk requirements outlined in Figure 2.2.1.F1.

Figure 2.2.1.F1. Summary of BAMLI DAC's Minimum Capital Requirement



2.2.2 Key Movements in 2019

BAMLI DAC's Minimum Capital Requirement increased to €4.1bn in 2019 was primarily driven by Credit Risk which increased by €0.2bn as a result of increased off-balance sheet exposures, and an increase in Market Risk of €0.1bn following activation of Value at Risk ("VaR") model in 2019.

Table 2.2.2.T1. shows a breakdown of the Risk Weighted Assets ("RWAs") and Minimum Capital Requirement of BAMLI DAC.

Table 2.2.2.T1. RWAs and Minimum Capital Requirement

(Euros in millions)		RWAs		Minimum Capital Requirements
		Q4 2019	Q3 2019	Q4 2019
1	Credit risk (excluding CCR)	37,867	39,501	3,029
2	Of which the standardised approach	37,867	39,501	3,029
3	Of which the foundation IRB (FIRB) approach	—	—	—
4	Of which the advanced IRB (AIRB) approach	—	—	—
5	Of which equity IRB under the simple risk-weighted approach or the IMA	—	—	—
6	CCR	1,597	2,410	128
7	Of which mark to market	728	793	58
8	Of which original exposure	—	—	—
9	Of which the standardised approach	—	—	—
10	Of which internal model method (IMM)	—	—	—
	Of which: comprehensive approach for credit risk mitigation (for SFTs)	9	15	1
11	Of which risk exposure amount for contributions to the default fund of a CCP	—	—	—
12	Of which CVA	860	1,602	69
13	Settlement risk	—	—	—
14	Securitisation exposures in the banking book (after the cap)	5,566	5,449	445
15	Of which IRB approach	—	—	—
16	Of which IRB supervisory formula approach (SFA)	—	—	—
17	Of which internal assessment approach (IAA)	—	—	—
18	Of which standardised approach	5,566	5,449	445
19	Market risk	1,892	1,028	151
20	Of which the standardised approach	607	1,028	49
21	Of which IMA	1,284	—	103
22	Large exposures	—	—	—
23	Operational risk	4,810	4,963	386
24	Of which basic indicator approach	—	—	—
25	Of which standardised approach	4,810	4,963	386
26	Of which advanced measurement approach	—	—	—
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	—	—	—
28	Floor adjustment	—	—	—
29	Total	51,732	53,351	4,139

2.2.3 Minimum Capital Requirement Approach

BAMLI DAC has adopted the standardised approach for calculating Counterparty Credit Risk, Credit Risk, and Operational Risk Capital Requirements. In order to adhere to the standardised rules set out in the CRR, BAMLI DAC uses ratings from External Credit Assessment Institutions ("ECAIs") this includes, Moody's Investors Service, Inc. ("Moody's"), S&P, and Fitch. ECAI ratings are used where available for all exposure classes.

BAMLI DAC's approach for Market Risk is a combination of models approved by the CBI, including VaR, and the standardised approach. The CBI/ECB have communicated their non-objection of the use of Internal Models Approach ("IMA") in BAMLI DAC for the calculation of Market Risk capital requirements, based on the permission issued by the UK Prudential Regulatory Authority ("PRA") to Merrill Lynch International during a period of 'temporary tolerance.' BAMLI DAC's approach for Market Risk is therefore a combination of IMA, including VaR, and the standardised approach.

2.2.4 Internal Capital Adequacy Assessment

BAMLI DAC's capital adequacy is assessed in a manner consistent with the approaches set out in the European Banking Authority ("EBA") Guidelines on Internal Capital Adequacy Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") (EBA-GL-2016-10) issued in November 2016, and ECB Guide to the ICAAP issued in

November 2018. BAMLI DAC ICAAP assess capital set out in the Guidelines based on two internal capital assessment perspectives, normative and economic.

- The normative internal perspective is a multi-year assessment of the institution's ability to fulfill all of its capital-related quantitative regulatory and supervisory requirements and demands, and to cope with other external financial constraints, on an ongoing basis.
- The economic internal perspective is a Point-in-time risk quantification of the current situation feeding into a medium-term assessment covering future developments, from an economic perspective by ensuring that its risks are adequately covered by internal capital

BAMLI DAC's ICAAP requires banks to identify and assess material risks, maintain sufficient capital to bear its risks, absorb losses and follow a sustainable strategy, even during a prolonged period of adverse developments.

The following key process enable BAMLI DAC to maintain adequate capital on an ongoing and forward looking basis

- A strategic planning process which aligns to risk appetite and ICAAP outcomes
- A continuous monitoring process against capital and leverage risk appetite limits
- Regular leverage and capital reporting to management
- An internal capital and stress testing framework which also includes stress tests that underpin the recovery plan

The ICAAP is also aligned to the recovery plan that prepares BAMLI DAC to restore its financial strength and viability during an extreme stress situation, laying out a set of defined actions aimed to protect the entity, its customers and the markets and prevent a potential resolution event.

BAMLI DAC submitted its first ICAAP to the Joint Supervisory Team ("JST") as at 30 April 2019.

2.3 Capital Resources vs. Minimum Capital Requirement and Tier 1 Capital Ratio

2.3.1 Capital Resources vs. Pillar 1 Minimum Capital Requirement

BAMLI DAC's Capital Resources in excess of its Pillar 1 Minimum Capital Requirements is €8.1bn (2018: €8.0bn).

Table 2.3.2.T1. outlines that total Capital Resources are significantly in excess of the Pillar 1 Minimum Capital Requirement.

Capital Resources and Pillar 1 Minimum Capital Requirement for BAMLI DAC are monitored and analysed on a weekly basis. BAMLI DAC continuously maintains a surplus over its Pillar 1 Minimum Capital Requirement. BAMLI DAC had a Pillar 2 Requirement ("P2R") of 2.4% as at 31 December 2019 which reduced to 2.3% as at 1 January 2020.

2.3.2 Tier 1 Ratio

An entity's Tier 1 ratio is the ratio of the Tier 1 Capital to RWAs.

BAMI DAC Tier 1 ratio has decreased from 21.4% to 20.3% over the year, reflecting increased RWAs in Credit Risk and Market Risk as described in Section 2.2.2.

Table 2.3.2.T1. Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio

<i>(Euros in millions)</i>	Q4 2019	Q4 2018
Total Capital Resources	12,272	11,659
Pillar 1 Minimum Capital Requirement	4,139	3,698
Surplus over Requirement	8,133	7,961
Tier 1 Capital Resources	10,492	9,912
Risk Weighted Assets	51,732	46,222
Tier 1 Capital Ratio	20.3%	21.4%

2.4 Reconciliation of Accounting Balance Sheet to Regulatory Exposure Amounts

2.4.1 Mapping of Financial Statement Categories with Regulatory Risk Categories

Table 2.4.1.T1. shows BAMLI DAC's accounting balance sheet, and breaks down the carrying values of each line item between the relevant regulatory risk frameworks to which they are allocated.

There are no differences between the accounting balance sheet and the carrying values included under the scope of the regulatory consolidation of BAMLI DAC.

Table 2.4.1.T1. EU LI1 Differences Between Accounting and Regulatory Scopes of Consolidation and the Mapping of Financial Statement Categories with Regulatory Risk Categories

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<i>(Euros in millions)</i>							
Assets							
Cash and balances at central banks	8,149	8,149	8,149	—	—	—	—
Loans and advances to banks	7,355	7,355	7,355	—	—	—	—
Loans and advances to customers	25,592	25,592	20,010	—	5,582	—	—
Reverse repurchase agreements	4,896	4,896	—	4,896	—	—	—
Market and client receivables	1,182	1,182	46	1,114	—	—	—
Trading assets	1,374	1,374	791	—	—	583	—
Investment securities	1,439	1,439	1,439	—	—	—	—
Derivative financial instruments	1,703	1,703	—	1,660	43	1,642	—
Investments in group undertakings	—	—	—	—	—	—	—
Property, plant and equipment	85	85	85	—	—	—	—
Right of use asset	434	434	434	—	—	—	—
Other assets	218	218	218	—	—	—	—
Prepayments and accrued income	77	77	77	—	—	—	—
Total assets	52,506	52,506	38,606	7,670	5,625	2,225	—
Liabilities							
Deposits by banks	24,721	24,721	—	—	—	—	24,721
Deposits by customers	10,481	10,481	—	—	—	—	10,481
Debt securities	725	725	—	—	—	—	725
Market and client payables	695	695	—	588	—	—	108
Derivative financial instruments	2,013	2,013	—	2,005	8	1,961	—
Financial liabilities designated at fair value	14	14	—	—	—	—	14
Other liabilities	1,285	1,285	—	—	—	—	1,285
Accruals and deferred income	93	93	—	—	—	—	93
Subordinated liabilities	1,780	1,780	—	—	—	—	1,780
Retirement benefit obligations	146	146	—	—	—	—	146
Total liabilities	41,953	41,953	—	2,593	8	1,961	39,353

2.4.2 Differences between the Financial Statements' Carrying Value Amounts and the Exposure Amounts used for Regulatory Purposes

The purpose of the following table is to provide information on the main sources of differences between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

Table 2.4.2.T1. EU LI2 Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

	a	b	c	d
	Total	Items subject to		
		Credit risk framework	CCR framework	Securitisation framework
<i>(Euros in millions)</i>				
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	52,506	38,606	7,670	5,625
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	2,600	—	2,593	8
Total net amount under the regulatory scope of consolidation	49,906	38,606	5,078	5,618
Off-balance-sheet amounts	39,450	38,467	—	983
<i>Differences in valuations</i>	432	437	(5)	4
<i>Differences due to different netting rules</i>	(8,914)	(4,625)	(4,292)	3
<i>Differences due to potential future credit exposure</i>	402	—	387	15
<i>Differences due to volatility adjustments and collateral not used</i>	9	26	(16)	—
<i>Differences due to CCF factors</i>	(20,838)	(20,838)	—	—
Exposure amounts considered for regulatory purposes	60,447	52,073	1,151	6,623

Explanations of Differences between Accounting and Regulatory Exposure Amounts

Included below is a summary of the key types of differences between the accounting and regulatory exposure amounts as shown in the reconciliation above.

Off-Balance-Sheet Amounts

- Instruments not on the balance sheet, such as guarantees and commitments, are considered as exposures for the calculation of regulatory capital requirements.
- Collateral received or provided in the form of securities (debt and equity instruments) are not shown on the balance sheet, but are used in the calculation of regulatory exposure amounts.

Netting Rules

- In accordance with Irish Companies Law and Generally Accepted Accounting Practices, financial assets and liabilities are offset and the net amount reported on the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.
- Under the regulatory framework, netting is applied for the calculation of exposures where it is legally effective and enforceable. This results in more netting being recognised under the regulatory framework than under the accounting framework.

Collateral Allocation

- The amounts of collateral used as credit risk mitigation under the regulatory framework reflect supervisory volatility adjustments.

Potential Future Credit Exposure

- In order to determine the potential future credit exposure for derivative contracts, the notional amount is multiplied by prescribed percentages as set out in the CRR.

Differences in Valuations

Where assets or liabilities are measured at fair value on the balance sheet, certain valuation are made in accordance with Irish Companies Law and Generally Accepted Accounting Practices in order to reasonably reflect the fair value. These valuation adjustments are not considered as part of the regulatory exposure amounts, where the unadjusted mark-to-market values of the contracts or securities are used as the basis for the calculation.

See below for further details on valuation methodologies, the process of independent price verification, and valuation adjustments.

Valuation Methodologies and Independent Price Verification

BAMLI DAC has various processes and controls in place so that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models by personnel who are independent of the front office and periodic reassessments of models so that the models are continuing to perform as designed. In addition, detailed reviews of trading gains and losses are conducted on a daily basis by personnel who are independent of the front office.

A price verification group, which is also independent of the front office, utilizes available market information including executed trades, market prices, and market observable valuation model inputs so that fair values are reasonably estimated. The Company performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

Valuation Adjustments

Credit Valuation Adjustment ("CVA") is calculated on the Company's derivative assets, including credit default protection purchased, in order to properly reflect the credit risk of the counterparty. CVA is based on a modelled expected exposure that incorporates current market risk factors including changes in market spreads and non-credit related market factors that affect the value of a derivative. The exposure also takes into consideration credit mitigants such as legally enforceable master netting agreements and collateral. The Company also records a funding valuation adjustment to include funding costs on uncollateralized derivatives and derivatives where the Company is not permitted to reuse the collateral it receives. The Company also calculates a debit valuation adjustment ("DVA") to properly reflect our own credit risk exposure as part of the fair value of derivative liabilities. DVA is deducted from CET1 capital if there is a gain, and added back if there is a loss.

Prudential Valuation Adjustment

Prudential valuation adjustment is deducted from BAMLI DAC Tier 1 Capital Resources. There is an established valuation control policy and prudent valuation guidelines which set out the policies and procedures for the determination of price verification and prudent valuation in accordance with the requirements of CRD IV and related interpretive guidance.

2.5. Leverage Ratio

2.5.1 Summary

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under the CRR rules.

The requirement for the calculation and reporting of leverage ratios was introduced as part of CRD IV in 2014 and amended by the European Commission Delegated Act (EU) 2015/62 in 2015.

The CRR does not currently include a binding minimum Leverage Ratio requirement. In June 2019, amendments to the CRR were published in the Official Journal of the EU as Regulation (EU) 2019/876. These amendments included a binding minimum Leverage Ratio requirement of 3%, as well as a number of changes to the calculation of the exposure measure. These amendments apply from 28th June 2021. BAMLI DAC's leverage ratio is 14.9% (2018: 15.7%), is in excess of the proposed minimum requirement.

Table 2.5.1.T1. Fully Phased-In Leverage Ratio

<i>(Euros in millions)</i>		Q4 2019	Q4 2018
Fully Phased-In Leverage Ratio		14.9%	15.7%

2.5.2 Key Movements in 2019

BAMLI DAC's leverage ratio decreased from 15.7% in 2018 to 14.9% in 2019, primarily due to an increase in Loans and Advances, both on and off balance sheet.

Bank of America Merrill Lynch International Designated Activity Company

Pillar 3 Disclosure

3. Liquidity Position and Encumbered and Unencumbered Assets As at 31 December 2019

3.1 Liquidity Position

3.1.1 Regulatory Requirement

BAMLI DAC is subject to CRD IV, CRR and CBI liquidity requirements through which it must demonstrate self-sufficiency for liquidity purposes.

BAMLI DAC is subject to the LCR, which requires BAMLI DAC to hold a sufficient buffer of eligible High-Quality Liquid Assets ("HQLA") to cover potential cash outflows during the first 30 days of a liquidity stress event.

3.1.2 Liquidity Position

As of 31 December 2019, BAMLI DAC was in compliance with its regulatory and internal liquidity requirements.

3.1.3 Funding Profile

BAMLI DAC does not issue debt to parties external to BAC Group. BAMLI DAC primarily funds its Balance Sheet through intercompany term funding, unsecured deposits, equity and intercompany and third-party unsecured debt.

These funding sources are used to support BAMLI DAC's lending, trading, and capital markets activity and maintain sufficient excess liquidity.

3.2 Encumbered and Unencumbered Assets

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise, or credit enhance any transaction from which it cannot be freely withdrawn.

In BAMLI DAC, encumbered assets primarily comprise collateral posted against derivative contracts. Asset encumbrance is an integral part of BAMLI DAC's collateral management process. Corporate Treasury monitors the funding requirement / surplus and models the liquidity impact relating to these activities on an ongoing basis.

This asset encumbrance disclosure, as of 31 December 2019, is prepared in accordance with Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No 575/2013. Comparative figures have been updated to align with the new disclosure format required by the technical standard. The disclosure is based on accounting information prepared in accordance with international accounting standards, and in line with the regulation, presented as median values calculated across the quarter ends during the year.

BAMLI DAC conducts a significant portion of its business in EUR, USD and GBP.

BAMLI DAC primarily adopts standard collateral agreements and collateralises at appropriate levels based on industry standard contractual agreements (mostly Credit Support Annexes ("CSA")).

Table 3.2.T1. outlines the carrying amount and fair value of certain assets of BAMLI DAC split between those encumbered and unencumbered.

Table 3.2.T1. Encumbered and Unencumbered Assets

	2019							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of encumbered assets		Fair value of encumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
(Euros in millions)								
Assets of the Reporting Institution ⁽²⁾	1,421	—			53,580	11,151		
Equity Instruments	—	—			40	—		
Debt Securities	260	—	260	—	1,940	1,553	1,940	1,553
of which: Covered Bonds	—	—	—	—	—	—	—	—
of which: Asset-Backed Securities	—	—	—	—	—	—	—	—
of which: Issued by General Governments	232	—	232	—	1,622	1,553	1,622	1,553
of which: Issued by Financial Corporations	27	—	27	—	146	—	61	—
of which: Issued by Non-Financial Corporations	—	—	—	—	38	—	14	—
Other Assets ⁽³⁾	1,162	—			51,599	9,316		

	2018							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of encumbered assets		Fair value of encumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
(Euros in millions)								
Assets of the Reporting Institution ⁽²⁾	1,139	—			2,918	1,218		
Equity Instruments	—	—			23	—		
Debt Securities	245	—	245	—	843	842	843	842
of which: Covered Bonds	—	—	—	—	—	—	—	—
of which: Asset-Backed Securities	—	—	—	—	—	—	—	—
of which: Issued by General Governments	218	—	218	—	843	842	843	842
of which: Issued by Financial Corporations	—	—	—	—	—	—	—	—
of which: Issued by Non-Financial Corporations	27	—	27	—	—	—	—	—
Other Assets ⁽³⁾	904	—			2,157	377		

⁽¹⁾ Greyed out cell format stems from EC (EU) 2017 / 2295 Regulation asset encumbrance template, indicating disclosures which are not applicable.

⁽²⁾ Figures represent median values calculated as the median of the end-of-period values for each of the four quarters in the year. Totals in the tables are calculated as the median of the sums for each quarter-end and as such will not be equal to the sum of the individual line items in each table.

⁽³⁾ The majority of unencumbered Other Assets relate to derivative assets not available for encumbrance.

Table 3.2.T2. provides details on both the fair value of encumbered collateral received and collateral received that is available for encumbrance.

Table 3.2.T2. Collateral Received

	2019				2018			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
	of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA	
(Euros in millions)								
Collateral received by the reporting institution ⁽¹⁾	—	—	5,659	4,908	9	9	453	—
Loans on demand	—	—	—	—	—	—	—	—
Equity Instruments	—	—	—	—	—	—	—	—
Debt Securities	—	—	5,098	4,908	9	9	—	—
of which: Covered Bonds	—	—	—	—	—	—	—	—
of which: Asset-Backed Securities	—	—	5,098	4,908	—	—	—	—
of which: Issued by General Governments	—	—	—	—	9	9	—	—
of which: Issued by Financial Corporations	—	—	—	—	—	—	—	—
of which: Issued by Non-Financial Corporations	—	—	—	—	—	—	—	—
Loans and Advances Other Than Loans on Demand	—	—	592	—	—	—	453	—
Other Collateral received	—	—	—	—	—	—	—	—
Own Debt Securities Issued Other than Own Covered Bonds or Asset-Backed Securities	—	—	—	—	—	—	—	—
Own Covered Bonds and Asset-Backed Securities Issued and Not Yet Pledged	—	—	—	—	—	—	—	—
Total Assets, Collateral Received and Own Debt Securities Issued	1,421	—			1,144	9		

⁽¹⁾ Figures represent median values calculated as the median of the end-of-period values for each of the four quarters in the year. Totals in the tables are calculated as the median of the sums for each quarter-end and as such will not be equal to the sum of the individual line items.

Table 3.2.T3. outlines the value of liabilities against which assets have been encumbered and the respective asset values.

Table 3.2.T3. Sources of Encumbrance

	2019		2018	
	Matching Liabilities, Contingent Liabilities or Securities Lent	Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered	Matching Liabilities, Contingent Liabilities or Securities Lent	Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered
<i>(Euros in millions)</i>				
Carrying amount of selected financial liabilities	1,499	1,421	1,196	1,144

3.3 LCR Disclosures

3.3.1 LCR Disclosure Requirements

The objective of the LCR disclosure requirements (EBA/GL/2017/01 dated 21/06/2017) is to provide market participants with information to assess EU banks' liquidity positions and risk management.

3.3.2 LCR Disclosure Template

Table 3.3.2.T1. below discloses average weighted and unweighted values of the liquidity buffer, total net cash outflows, the LCR ratio, and provides details of cash outflows and cash inflows of BAMLI DAC.

Table 3.3.2.T1. LCR Disclosure¹

(Euros in Millions)		Total unweighted value				Total weighted value			
Quarter ending on		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					5,726	9,608	13,656	16,209
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	—	—	—	—	—	—	—	—
3	Stable deposits	—	—	—	—	—	—	—	—
4	Less stable deposits	—	—	—	—	—	—	—	—
5	Unsecured wholesale funding	2,399	4,472	6,552	8,418	772	1,427	2,065	2,624
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,432	2,762	4,282	5,745	358	690	1,071	1,436
7	Non-operational deposits (all counterparties)	967	1,710	2,269	2,673	414	736	994	1,187
8	Unsecured debt	—	—	—	—	—	—	—	—
9	Secured wholesale funding	—	—	—	—	—	—	—	—
10	Additional requirements	10,725	19,185	27,963	34,747	3,458	5,766	8,135	9,966
11	Outflows related to derivative exposures and other collateral requirements	471	473	498	514	468	470	495	512
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	10,254	18,712	27,465	34,234	2,990	5,296	7,640	9,454
14	Other contractual funding obligations	688	1,072	1,398	1,486	627	978	1,278	1,354
15	Other contingent funding obligations	1,062	1,825	2,413	2,888	18	30	39	78
16	TOTAL CASH OUTFLOWS					4,875	8,201	11,517	14,022
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	1,436	2,730	4,132	5,384	—	—	—	—
18	Inflows from fully performing exposures	1,543	2,226	2,583	3,462	1,516	2,168	2,496	3,349
19	Other cash inflows	32	53	87	96	32	53	87	96
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	TOTAL CASH INFLOWS	3,011	5,010	6,802	8,943	1,549	2,221	2,583	3,445
EU-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
EU-20b	Inflows Subject to 90% Cap	—	—	—	—	—	—	—	—
EU-20c	Inflows Subject to 75% Cap	3,011	5,010	6,802	8,943	1,549	2,221	2,583	3,445
21	LIQUIDITY BUFFER					5,726	9,608	13,656	16,209
22	TOTAL NET CASH OUTFLOWS					3,348	5,994	8,936	10,576
23	LIQUIDITY COVERAGE RATIO (%)					641%	488%	304%	153%

¹The disclosed values and figures are simple averages of the preceding twelve LCR monthly reporting observations for each quarter.

3.3.3 Main Drivers of the LCR

The main drivers of the LCR include changes in total HQLA, as well as changes in net cash outflows related to, but not limited to, commitment facilities, intercompany funding and collateralised derivatives.

For the year ending 31 December 2019 the 12 month average LCR was 153%.

3.3.4 Concentration of Funding and Liquidity Sources

BAMLI DAC primarily funds its balance sheet through intercompany term funding, unsecured deposits, equity, and intercompany and third-party unsecured debt.

3.3.5 Derivative Exposures and Potential Collateral Calls

BAMLI DAC enters into a limited number of derivative transactions. Risk factors in derivatives activities impacting liquidity include contractual margin asymmetries, cash and collateral outflows related to changes in the financial condition of BAMLI DAC, counterparty behavior and valuation changes.

3.3.6 Currency Mismatch in the LCR

BAMLI DAC's net liabilities are primarily in Euro and U.S. Dollar. BAMLI DAC maintains and monitors concentrations within its funding profile, such as maturities and currencies, and accesses foreign exchange markets to supplement currency holdings to meet outflows.

3.3.7 A Description of the Degree of Centralisation of Liquidity Management and Interaction Between the Group's Units

BAMLI DAC manages its liquidity position through line of business and asset-liability management activities on both a forward and current basis under both expected and stressed conditions. BAMLI DAC's centralised approach to funding and liquidity management enhances its ability to monitor liquidity requirements, maximise access to funding sources, minimise borrowing costs, and facilitate timely responses to liquidity events.

Bank of America Merrill Lynch International Designated Activity Company

Pillar 3 Disclosure

4. Risk Management, Objectives, and Policy As at 31 December 2019

4.1 BAMLI DAC Risk Framework

BAC has established a risk governance framework (the “Risk Framework”), which serves as the foundation for consistent and effective management of the risks facing BAC and its subsidiaries (including BAMLI DAC). BAMLI DAC annually adopts the Risk Framework and is integrated into the global management structure including risk management and oversight, as adapted to reflect local business, legal and regulatory requirements. The Board of BAMLI DAC adopted the BAC 2020 Risk Framework in March 2020.

The Risk Framework serves as the foundation for consistent and effective management of risks facing BAMLI DAC.

The following section lays out the risk management approach and key risk types for BAMLI DAC.

4.2 Risk Management Approach

Risk is inherent in all business activities. Managing risk well is the responsibility of every employee. Sound risk management enables BAMLI DAC to serve the customers and deliver for the shareholders. If not managed well, risks can result in financial loss, regulatory sanctions and penalties, and damage to BAMLI DAC’s reputation, each of which may adversely impact BAMLI DAC and its ability to execute its business strategy. Managing risk well is fundamental to delivering on the BAMLI DAC’s strategy for responsible growth.

The Risk Framework applies to all employees. It provides an understanding of BAMLI DAC’s approach to risk management and each employee’s responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing BAMLI DAC. The Risk Framework sets forth roles and responsibilities for the management of risk by front line units (“FLUs”), independent risk management, other control functions and Corporate Audit.

The following are the five components of BAMLI DAC’s risk management approach:

- Culture of managing risk well
- Risk appetite and risk limits
- Risk management processes
- Risk data management, aggregation and reporting
- Risk governance

Focusing on these five components allows effective management of risks across the seven key risk types faced by BAMLI DAC, namely: Strategic, Credit, Market, Liquidity, Operational, Compliance, and Reputational risks.

4.2.1 Culture of Managing Risk Well

A culture of managing risk well is fundamental to BAMLI DAC’s core values and our purpose, and how we drive responsible growth. It requires focus on risk in all activities and encourages the necessary mind-set and behavior to enable effective risk management and promote sound risk-taking within BAMLI DAC’s risk appetite. Sustaining a culture of managing risk well throughout the organisation is critical to the success of BAMLI DAC and is a clear expectation of BAMLI DAC’s executive management team and its board.

The following principles form the foundation of BAMLI DAC’s culture of managing risk well:

1. Managing risk well protects BAMLI DAC and its reputation and enables BAMLI DAC to deliver on its purpose and strategy.

2. BAMLI DAC treats customers fairly and acts with integrity to support the long-term interests of its employees, and customers. BAMLI DAC understands that improper conduct, behavior or practices by BAMLI DAC, its employees or representatives could harm BAMLI DAC, the customers, or damage the integrity of the financial markets.
3. Individual accountability and an ownership mind-set are the cornerstones of the Enterprise Code of Conduct and are at the heart of the risk culture.
4. All employees are responsible for proactively managing risk as part of their day-to-day activities through prompt identification, escalation, and debate of risks.
5. While BAMLI DAC employs models and methods to assess risk and better inform BAMLI DAC's decisions, proactive debate and a thorough challenge process lead to the best outcomes.
6. Lines of business and other FLUs are first and foremost responsible for managing all aspects of their businesses, including all types of risk.
7. Independent risk management provides independent oversight and effective challenge, while Corporate Audit provides independent assessment and validation.
8. BAMLI DAC strives to be best-in-class by continually working to improve risk management practices and capabilities.

4.2.2 BAMLI DAC Risk Profile and Appetite

Risk Profile

As at 31 December 2019, BAMLI DAC's total assets prepared in accordance with Irish Companies Law and Generally Accepted Accounting Practices totaled €52.5bn, comprised principally of loans and advances and cash placements with central banks.

BAMLI DAC's largest Counterparty and Credit Risk industry sector based on regulatory capital exposures is Financial and Insurance Activity Companies which represents 43% of exposures, with 95% of BAMLI DAC's Counterparty and Credit Risk requirement based on exposures within EMEA region. The residual maturity of 45% of Counterparty and Credit Risk related exposures is between one and five years, 26% is on demand and 20% is below one year.

BAMLI DAC enters into transactions with affiliated companies in the BAC Group, primarily as a result of its own risk management purposes. BAMLI DAC also typically deposits cash with affiliates, and provides / receives intercompany loans for general liquidity management purposes.

Credit risk is assessed as outlined in section 4.3.2 Credit Risk. The weighted average facility rating for the portfolio aligns to an Investment Grade external rating. Note - 45% of exposure in BAMLI DAC is to counterparties not rated by external rating agencies

BAMLI DAC maintains excess liquidity in order to meet day to day funding requirements, withstand a range of liquidity shocks, safeguard against potential stress events, and meet internal and regulatory requirements.

Risk Appetite and Limits:

BAMLI DAC's Risk Appetite Statement ("RAS"), defines and communicates the amount of capital, earnings or liquidity BAMLI DAC is willing to put at risk to achieve its strategic objectives and business plans, consistent with applicable regulatory requirements. The RAS ensures that BAMLI DAC maintains an acceptable risk profile that is in alignment with its strategic and capital plans. It is designed with the objective of ensuring that it is comprehensive for all key risks, relevant to the BAMLI DAC business and aligned with the risk management practices of BAMLI DAC. The RAS is reviewed and approved by the Board at least annually.

The quantitative and qualitative elements of BAMLI DAC's RAS provide clear, actionable information for taking and managing risk. Training and communication reinforce the importance of aligning risk-taking decisions to applicable aspects of the RAS.

The RAS covers the seven key risk types as defined in the Risk Framework. There are detailed qualitative statements for all of the key risk types within the Risk Framework. In addition to the BAC Risk Framework and BAC RAS, a set of principles is used to guide the selection and approval of suitable Risk Appetite metrics for BAMLI DAC. These principles are practical in nature as well as articulate conceptual points. Each metric has been assessed against these principles. Whilst each metric does not need to satisfy all principles, these principles provide a framework for short-listing and ultimately selecting the most appropriate metrics. In addition, the appropriateness of the metrics and their quantum (for relevant financial risks) are regularly re-assessed throughout the year to ensure that they continue to be aligned to the business and capital plan.

Metrics should be:

- Approved by the BAMLI DAC Board
- Simple, quantifiable (in the case of financial risks) and unambiguous
- Meaningful in the context of BAMLI DAC's risk profile
- Accepted by stakeholders with clear LoB accountability
- Deliverable by the current systems and data capabilities
- Where the metrics are also regulatory requirements the definition is aligned to the appropriate regulation

The performance against the BAMLI DAC risk appetite is reviewed by the BAMLI DAC Management Risk Committee ("MRC"). Limits are regularly monitored by risk management on a more frequent basis. Performance is also reported to the BAMLI DAC Board Risk Committee ("BRC") and Board on a quarterly basis.

The BAMLI DAC CRO oversees the risk appetite management process in order to ensure that excesses are properly escalated, effectively managed and that any required remediation actions are implemented appropriately. When exposures breach trigger and limit levels they are escalated as appropriate to management bodies including the BRC and MRC.

Defining BAMLI DAC's Risk Appetite:

BAMLI DAC's RAS is designed to be consistent with the aggregate risk appetite at the BAC level and is based on several principals:

- Overall Risk Capacity - Overall Capacity to take risk is limited therefore risk prioritisation is critical. Risk capacity informs risk appetite, which is the level and types of risk deemed acceptable to take to achieve business objectives.
- Financial Strength to Absorb Adverse Outcomes - Maintenance of a strong and flexible financial position is essential to weather challenging economic times and take advantage of organic growth opportunities. Therefore, objectives and targets are set for capital and liquidity that permit BAMLI DAC to continue to operate in a safe and sound manner at all times, including during periods of stress. Limits are evaluated under baseline and stressed operating conditions.
- Risk / Reward Evaluation - Risks taken must fit BAMLI DAC's risk appetite and offer acceptable risk-adjusted returns for shareholders.
- Acceptable Risks - BAMLI DAC considers all types of risk including those that are difficult to quantify. Qualitative guidance within the RAS describes our approach to managing such risks throughout BAMLI DAC in a manner

consistent with our culture. For example, actions considered in a line of business that unduly threaten BAMLI DAC's reputation should be escalated and restricted appropriately.

- Skills and capabilities - BAMLI DAC seeks to assume only those risks which it has the skills and capabilities to Identify, Measure, Monitor, and Control ("IMMC").

The quantitative framework for BAMLI DAC's RAS is designed to articulate the risks it will take in pursuit of strategic objectives that are both consistent with BAMLI DAC's financial resources and avoids excessive risk taking. It comprises Board approved limits indicating the amount of risk BAMLI DAC is willing to take.

Risk appetite metrics are expressed on a current year and forward-looking basis, as appropriate, under expected and stressed macroeconomic conditions. In addition, risk appetite metrics and limits related to material concentrations are maintained to ensure appropriate visibility into risks that may manifest themselves across lines of business or risk types as part of ongoing efforts to ensure concentrations are effectively identified, measured, monitored and controlled.

Robust monitoring and reporting processes for Board approved limits are in place, with limit breaches triggering appropriate notification and escalation based on the severity of the breach as defined by magnitude or frequency. Breach resolution plans include a written description of the root causes and how a breach will be resolved. Management and the MRC, BRC and Board monitor risk metrics relative to risk appetite limits and take action as necessary to proactively and effectively manage risk.

Risk appetite is aligned with BAMLI DAC's business model and strategic, capital, and financial operating plans to ensure consistency with its strategy and financial resources. Line of business strategies and risk appetite are also aligned. Ongoing reporting shows performance against the strategic plan, as well as risk appetite breaches for each of the lines of business. Risk appetite is also considered within the Recovery Plan and the New Product Review and Approval Policy and processes, and within decisions around the business model and strategic plan. Managing risk well and embracing the Risk Framework are considered as part of compensation and performance management decisions.

4.2.3 Risk Management Processes

The Risk Framework requires that strong risk management practices are integrated in key strategic, capital, and financial planning processes and day-to-day business processes across BAC, thereby ensuring risks are appropriately considered, evaluated, and responded to in a timely manner.

BAMLI DAC's approach to Risk Management Processes:

- All employees are responsible for proactively managing risk
- Risk considerations are part of all daily activities and decision-making
- BAMLI DAC encourages a thorough challenge process and maintains processes to identify, escalate, and debate risks
- BAMLI DAC utilizes timely and effective escalation mechanisms for risk limit breaches

The FLUs have primary responsibility for managing risks inherent in their businesses. BAMLI DAC follows BAC Risk Management process, referred to as: IMMC as part of its daily activities.

4.2.4 Risk Data Management, Aggregation and Reporting

Effective risk data management, aggregation and reporting is critical to provide a clear understanding of current and emerging risks and enables BAMLI DAC to proactively and effectively manage risk.

Risk Data Management and Reporting Principles:

- Complete, accurate, reliable, and timely data
- Clear and uniform language to articulate risks consistently across the Group
- Robust risk quantification methods
- Timely, accurate and comprehensive view of all material risks, including appropriate levels of disaggregation

Functional risk managers arrange risk reporting to address the requirements of BAMLI DAC Management bodies as appropriate.

4.2.5 Risk Governance

BAMLI DAC's risk governance principles serve as the cornerstone of the risk governance framework. The Code of Conduct, Risk Framework, RAS and strategic plans are overarching documents that are firmly embed in BAMLI DAC's culture of managing risk well in everything it does. The Code of Conduct provides basic guidelines for business practices and professional and personal conduct that all employees are expected to follow. The Risk Framework articulates how BAMLI DAC defines and manages risk. The RAS clearly indicates the risks BAMLI DAC is willing to accept. The strategic plans, for BAMLI DAC, document strategies for the next five year period.

Three Lines of Defence

BAMLI DAC has clear ownership and accountability for managing risk across three lines of defence: FLUs, independent risk management (i.e. Global Risk Management, including Global Compliance and Operational Risk) and Corporate Audit. BAMLI DAC also has control functions outside of FLUs and independent risk management (e.g., Legal and Global Human Resources), that provide guidance and subject matter expertise in support of managing risks it faces.

FLUs	Own and proactively manage all risks in business activities
Independent Risk Management	Oversee risk-taking activities within the FLUs and across BAMLI DAC, and provide independent assessment of effective challenge of risks
Corporate Audit	Provide independent validation through testing of key processes and controls

Corporate Audit

Corporate Audit supports BAMLI DAC's risk governance framework by assessing whether controlling processes and controls over strategic, credit, market, liquidity, operational, compliance, and reputational risks are adequately designed and functioning effectively. This is carried out by conducting independent assessments and validation through testing of key processes and controls.

Corporate Audit resources are used to execute work across all EMEA locations. Team deployments are assessed based on the scale, complexity, and nature of the business and control functions in each location. Corporate Audit prepares an annual audit plan with consideration to external and internal risk factors, risk assessment of a business and legislative and regulatory requirements. The annual planning process directs timely and flexible testing of BAMLI DAC's key risks and risk management processes (inclusive of risk appetite).

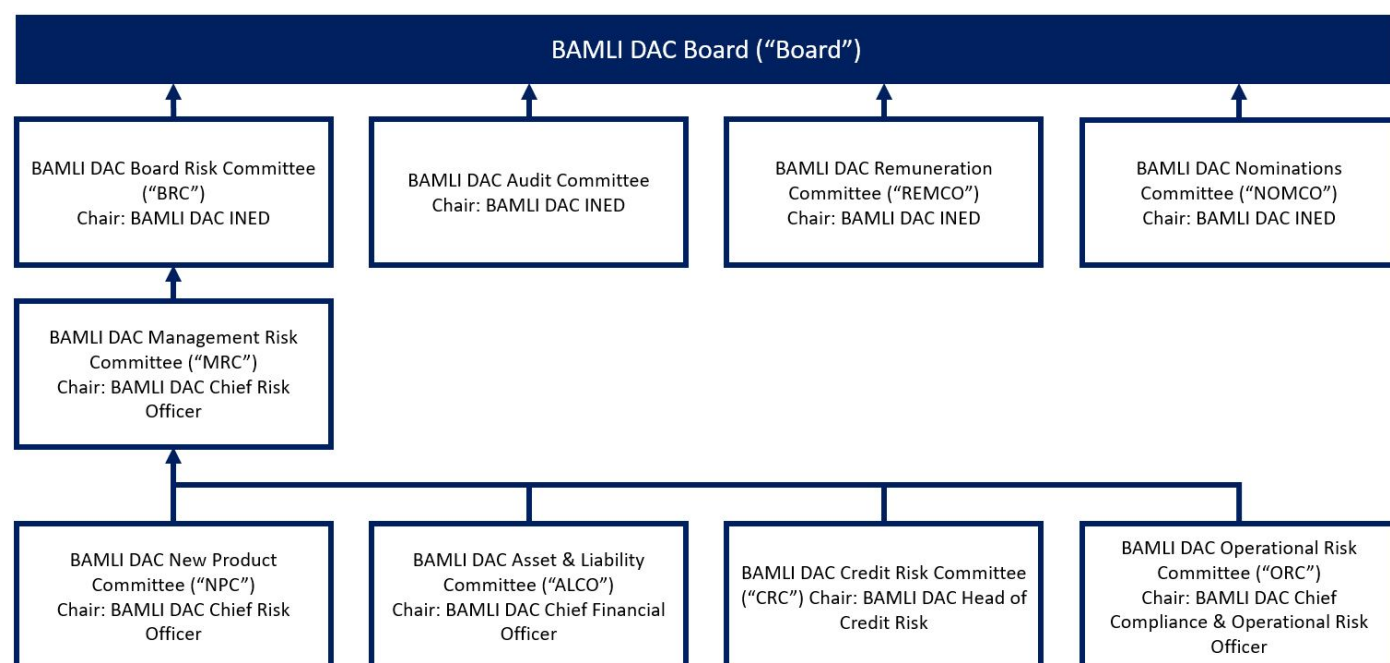
Corporate Audit is not responsible for setting and approving of limits for risks which BAMLI DAC is exposed to. However Corporate Audit conducts reviews, as appropriate, of the controls and monitoring of such limits.

Corporate Audit maintain independence from the BAMLI DAC's Businesses and Governance & Control Functions by reporting directly to the BAMLI DAC Audit Committee of the Board.

Risk Governance Committees

The Board ensures suitable risk management and controls through the BRC, BAMLI DAC Audit Committee, BAMLI DAC Remuneration Committee and BAMLI DAC Nominations Committee of the Board. The Board is supported in its work by a series of Risk Management committees, including the MRC, BAMLI DAC Operational Risk Committee ("BAMLI DAC ORC"), BAMLI DAC New Product Committee ("BAMLI DAC NPC"), BAMLI DAC Asset & Liability Committee ("BAMLI DAC ALCO") and the BAMLI DAC Credit Risk Committee ("BAMLI DAC CRC"). All BAMLI DAC Risk management committees conduct periodic reviews of risk management strategies to ensure their continuing effectiveness.

Figure 4.2.5.F1. Risk Governance Structure



Note: In 2019 the BRC met eight times, the Audit Committee met five times, the MRC met 12 times, the ORC met 11 times, the NPC met nine times, the ALCO met 13 times and the CRC met eight times.

The BRC assists the Board in fulfilling its responsibility for reviewing all BAMLI DAC wide risk-creating activities and to ensure that they are restricted to those activities that can be prudently managed.

The BAMLI DAC Audit Committee assists the Board in fulfilling its oversight responsibilities relating to BAMLI DAC's internal financial controls; the preparation and integrity of BAMLI DAC's financial statements; BAMLI DAC's relationship with its statutory auditor, including pre-approval of any non-audit services; and the performance and independence of BAMLI DAC's Internal Audit and Compliance and Operational Risk.

The MRC reports to the BRC and is responsible for providing management oversight and approval of (or reviewing and recommending to the BRC, the Board or other committees, as appropriate) market risk, credit risk, operational risk (in conjunction with the BAMLI DAC ORC), balance sheet, capital and liquidity management, country risk, stress testing and concentration risk management activities of BAMLI DAC (including any branches and subsidiaries). Its duties also include review of reporting, including regulatory reporting and remediation plans, and to escalate reporting to the BRC, the Board or other committees, as appropriate.

The BAMLI DAC ORC reports to the BAMLI DAC MRC and is responsible for providing management oversight of Operational Risk within the activities of BAMLI DAC.

The BAMLI DAC NPC reports to the BAMLI DAC MRC and is responsible for the review and approval of New Products as defined in the Enterprise New Product Review and Approval policy.

The BAMLI DAC ALCO reports to the BAMLI DAC MRC and is a business-focused forum to achieve effective strategic balance sheet management and responsible growth taking into account regulatory and market conditions. The ALCO supports the execution of the MRC's strategic decision-making through efficient management of financial resources and earnings within the risk appetite.

The BAMLI DAC CRC reports to the BAMLI DAC MRC and is responsible for management oversight of the Credit Risk of BAMLI DAC and escalation of relevant matters to the MRC.

BAMLI DAC Director Selection and Diversity Policy

The Nominations Committee of the BAMLI DAC Board (the “Nominations Committee”) assists the BAMLI DAC Board in fulfilling its oversight relating to the governance of the Board of Directors relating to nominations to the Board, reviewing and reporting to the Board on matters of corporate governance principles applicable to the Company, reviewing and reporting to the Board on senior management talent planning and succession and leading the Board and its committees in their assessments of their performance.

The Nominations Committee, in consultation with the Company’s shareholder, the Company’s Chief Executive Officer (“CEO”) and Chair, identifies and evaluates individual candidates for their qualifications to become directors and recommends qualified candidates to the Board to fill vacancies as the need arises. Before any appointment is made by the BAMLI DAC Board, the Nominations Committee is responsible for evaluating the balance of skills, knowledge, experience and diversity on the Board, and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment. Pursuant to the terms of its charter, the Nominations Committee shall consider the overall knowledge, skills, experience and expertise represented on the BAMLI DAC Board, as well as the qualifications and suitability of each candidate, taking care that appointees have sufficient time available to devote to the position.

Furthermore, the Nominations Committee shall consider candidates from a wide range of backgrounds and consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the BAMLI DAC Board, including, but not limited to gender. In addition, pursuant to the terms of its charter, the Nominations Committee is responsible for deciding on a target for the representation of the underrepresented gender on the BAMLI DAC Board and how to meet it (as required). In February 2019, the Nominations Committee set a minimum requirement of 25% and a target of 30% for the underrepresented gender (women) for the Board. At 31 December 2019 there were 3 women (37.5%) and 5 men on the Board, meeting the target set by the Nominations Committee.

General

All appointments to the BAMLI DAC Board are made in compliance with Bank of America’s Background Check Policy and are subject to successful completion of the following background checks: Identification, Credit, Criminal, Global Sanctions, Media, Directorship, Employment and Education checks, as required and legally permissible. In addition all persons being appointed to the BAMLI DAC Board and Board Committees require preapproval in line with the CBI’s Fitness and Probity Regime, which came into effect in 2011, and related requirements regarding suitability, and must agree to abide with the Fitness and Probity Standards, while they remain on the board.

Board member experience is detailed within individual director biographies in [Appendix 1 - Directors Board Membership](#).

In 2019, there were no changes to the BAMLI DAC CRO, BAMLI DAC Chief Compliance and Operational Risk Officer and BAMLI DAC Head of Corporate Audit.

4.2.6. Risk Declaration

The BAMLI DAC board, supported by the BRC, confirms that the risk management arrangements outlined are adequate to facilitate the management of risk in the context of BAMLI DAC's profile and strategy.

4.3 Key Risk Types

The Risk Management processes outlined above allow BAMLI DAC to manage risks across the seven key risk types; Strategic, Credit, Market, Liquidity, Operational, Compliance, and Reputational. Further details on how risk is managed within BAMLI DAC are given below:

4.3.1 Strategic Risk

Definition

Strategic Risk is the risk that results from incorrect assumptions about external or internal factors, inappropriate business plans (e.g. too aggressive, wrong focus, ambiguous), ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments, in the geographic locations in which BAMLI DAC operates (such as competitor actions, changing customer preferences, product obsolescence, and technology developments).

Strategic Risk Management

Strategic risk is managed by the Executive Management Team through ongoing assessment of risks relevant to BAMLI DAC. This includes regular monitoring of financial and operating performance, earnings and risk profile of the entity. The BAMLI DAC Board receives quarterly updates on the financial health of the entity including forward looking view of the various businesses within BAMLI DAC.

Strategic Risk Governance

The BAMLI DAC Strategic Plan is prepared, reviewed and then signed-off by the BAMLI DAC Board. Strategic issues relating to BAMLI DAC are presented and discussed at the BAMLI DAC BRC and the BAMLI DAC Board. The BAMLI DAC Board is responsible for overseeing the strategic planning process and management's implementation of the resulting strategic plan. The strategic plan is reviewed and approved annually by the BAMLI DAC Board in consideration of the capital plan, financial operating plan and risk appetite. Significant strategic actions, such as capital actions, and recovery plans are reviewed and approved by the BAMLI DAC Board as required. Processes exist to discuss the strategic risk implications of new, expanded or modified businesses, products, services and other strategic initiatives, and to provide formal review and approval where required. In particular, as part of the Risk Identification program, each FLU considers Strategic Risk implications for their businesses and all materials risks are covered for capital and liquidity planning. Independent risk management, Corporate Audit and other control functions provide input, challenge, and oversight to the FLUs.

Strategic Risk Reporting

Strategic Risk is reported to the BAMLI DAC MRC on a monthly frequency as part of the RAS. In addition, Strategic Risk is also reported to the BAMLI DAC BRC and the BAMLI DAC Board on a quarterly frequency. This also includes an assessment of the level of inherent risk, control effectiveness as well as the residual risk outlook. Strategic risk is embedded within every FLUs, and to an extent, the other major risk types can impact strategic risk. Strategic risk metrics account for the aggregate strategic risk faced by BAMLI DAC as the strategic plan is executed. The capital and leverage ratio metrics are set to ensure BAMLI DAC maintains capital commensurate with its risks, maintains capital above regulatory minimums or well-capitalized levels, as applicable, even under adverse scenarios, maintains ready access to funding, meets its obligations to creditors and other counterparties and continues to serve as a credit intermediary.

Transparency around strategic risks is critical to effective risk management. FLUs present regular updates to executive management and the BAMLI DAC Board on their business performance. Updates take into account analyses of performance relative to the strategic plan and risk appetite. Topical presentations are also made to address any developments or additional considerations as it relates to strategic planning or the strategic plan itself. The BAMLI DAC Board use these updates and presentations to ensure that management actions and decisions remain consistent with the strategic plan and risk appetite.

The Strategic Risk metrics are monitored on a weekly basis except the Surplus leverage ratio which is updated quarterly. The Strategic Risk metrics are assessed for appropriateness as part of the broader BAMLI DAC RAS review, as well as the quarterly BAMLI DAC ICAAP updates.

1. Surplus above SREP Capital Requirement
2. Surplus above Overall Capital Requirement
3. Surplus above Resolution Capital Requirement
4. Surplus above CET 1 Ratio
5. Surplus leverage Ratio
6. Large exposure ratios
7. LOB concentration

4.3.2 Credit Risk

Definition

Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations.

Credit risk is created when BAMLI DAC commits to, or enters in to, an agreement with a borrower or counterparty. BAMLI DAC defines credit exposure to a borrower or counterparty as the loss potential arising from loans, leases, derivatives, and other extensions of credit.

The primary source of credit risk for BAMLI DAC is the risk arising from lending activities to its client base which is mainly composed of large international corporates. At 31-Dec-2019 the BAMLI DAC credit portfolio, excluding affiliate and central bank placement, Binding exposure stood at \$66.8B. Placements are primarily to our parent, BANA, and Central Banks located in the EU and Switzerland. The weighted average facility rating aligns to an Investment Grade external rating.

Credit Risk Management Process

BAMLI DAC manages credit risk to a borrower or counterparty based on its risk profile, which includes assessing repayment sources, underlying collateral (if any), and the expected effects of the current and forward-looking economic environment on the borrowers or counterparties. Underwriting, credit management and credit risk limits are proactively reassessed as a borrower's or counterparty's risk profile changes.

BAMLI DAC uses a number of actions to mitigate losses, including increased frequency and intensity of portfolio monitoring for moderate to weak risk profiles, hedging, and transferring management of deteriorated commercial exposures to special asset officers.

Credit risk management includes the following processes:

- Credit origination
- Portfolio management

- Loss mitigation activities

These processes create a comprehensive and consolidated view of BAMLI DAC's credit risks, thus providing executive management with the information required to guide or redirect FLUs and certain legal entity strategic plans, if necessary.

Credit Origination

BAMLI DAC's credit portfolio consists of commercial lending (encompassing drawn and un-drawn corporate and institutional lending facilities to clients) and minimal traded products activities.

BAMLI DAC's credit processes align with BAC's credit policies and credit risk appetite across FLUs, and are compliant with applicable laws and regulations. Credit risk management oversees decisions about the amount of credit to extend to borrowers consistent with BAMLI DAC's credit risk appetite.

When BAMLI DAC is booking new business, the primary focus when granting credit facilities is the capacity to repay rather than placing primary reliance on credit risk mitigants. Borrowers' credit risk profiles continue to be assessed through risk modelling, underwriting, and asset analysis, while considering current and forward-looking views on economic, industry, and borrower outlooks to ensure portfolio asset quality within FLUs remains within approved credit risk limits.

Counterparty Credit Risk ("CCR") in BAMLI DAC arises from the creditworthiness of BAMLI DAC's trading partners and varies by type of transaction. Credit Risk Management manages counterparty risk with specific policies, limits, and controls. In order to determine the potential future credit exposure for derivative contracts, the notional amount is multiplied by prescribed percentages as set out in the CRR.

BAMLI DAC has a clearly-established process in place for approving new credits as well as the amendment, renewal and re-financing of existing credits. Policies and processes for assuming credit risk are well documented without undue reliance on external credit assessments. Credit limits are in place at individual exposure and connected exposure level across all borrowers and counterparties in the portfolio. Based on risk profiles, limits, and tenors are set at the individual counterparty level and aggregate family level. Mark-to-market exposure and potential exposure are measured taking applicable collateral into account. Counterparty concentration limits are also set at country and industry levels. The principle exposure measure for a traded product is potential exposure, which governs pre-settlement exposure and represents a statistical estimate of the 95%-confidence, "worst case" exposure that could be realized over the life of a transaction. For lending-based credit exposures, credit risk is measured as the amount of binding, advised or guidance limits to a counterparty.

Counterparty risk exposures are considered within the context of the broader credit risk portfolio across FLUs and legal entities. Trading exposures with counterparties are accounted for in the assessment of portfolio concentrations so credit decisions reflect complete, accurate, and timely information.

Portfolio Management

Once Credit has been extended, processes are in place to monitor credit risk exposure at both the individual borrower and portfolio levels.

Key credit risk exposures are assessed under both normal and stress scenarios and credit risk is managed primarily through establishing and monitoring limits. Credit risk may be hedged to mitigate exposure and remain within credit risk appetite and return expectations.

Regular portfolio monitoring and reporting and business-specific governance routines, including periodic testing and examinations by Credit Review, which is part of Corporate Audit, enable detection of deteriorating credit trends, development of mitigation strategies and measurement of the effectiveness of actions taken. At the borrower and counterparty level, the risks inherent in ongoing financial performance are reviewed. At the portfolio level, aggregate losses, credit performance, and concentrations in baseline and potential stress scenarios are assessed.

As part of the portfolio management process, loss experience is evaluated compared to expected losses against established credit risk metrics for the entire credit portfolio, including obligor and facility rating distributions for the commercial portfolio. In addition, targeted and portfolio stress testing and scenario analysis are performed and reviewed.

Loss and Credit Risk Mitigation Activities

At times, borrowers and counterparties do not fulfill their obligations and steps are taken to mitigate and manage losses. Dedicated teams and stringent processes are in place to appropriately manage non-performing assets.

BAMLI DAC maintains more than sufficient capital in compliance with all applicable regulatory requirements to absorb unexpected losses. During a credit cycle, BAMLI DAC may experience a concentration of losses and must intensify efforts to mitigate losses, balancing fiduciary responsibilities to protect asset values with BAMLI DAC's principles to serve its customers.

BAMLI DAC maintains policies and processes to apply netting where appropriate and may treat contractual netting agreements as risk-reducing for purposes of EU Capital Requirements Regulations subject to certain conditions.

See Section 2.4.2 Differences between the Financial Statements' Carrying Value Amounts and the Exposure Amounts used for Regulatory Purposes, under subsection Netting Rules, of the Pillar 3 statement for description and extent of netting; as well as A2.T13. EU CCR5 - A Impact of Netting and Collateral Held on Exposures Values, for impact on netting exposures.

BAMLI DAC employs a range of techniques to actively mitigate counterparty credit risk. BAMLI DAC accepts collateral that it is permitted by documentation such as repurchase agreements or a CSA to an International Swap Dealers Association Master Agreement ("ISDA"). For derivatives, required collateral levels may vary depending on the credit quality of the party posting collateral. Generally, collateral is accepted in the form of cash and high grade government securities. For a description of the main types of collateral taken by the institution please see Notes to the Financial Statements for the Year Ended 31 December 2019, section "Collateral held and other credit enhancements", in the BAMLI DAC Annual Report and Financial Statements for the Year Ended 31 December 2019.

BAMLI DAC nets collateral against the applicable derivative fair value where legally enforceable netting agreements are recognised. In order to benefit from close-out netting / enforceability of collateral, written legal opinions are required to confirm (a) (i) the enforceability of close-out netting under a Master Agreement, (ii) enforceability of credit support agreements (if applicable) in the jurisdiction of incorporation of the counterparty in each case for the relevant type of counterparty, (b) where applicable for Uncleared Margin Rules ("UMR") purposes or otherwise, (i) the enforceability of collateral arrangements in respect of BAMLI DAC, the counterparty and the custodian including in the event of bankruptcy, insolvency or other similar proceeding; and (ii) the ability of the collateral provider and collateral taker to recover collateral held by the custodian. Credit risk management will consult with the Legal department to ensure that any necessary capacity and authority matters, country, and enforceability issues and product approvals are addressed.

Policies are in place to value and manage collateral according to its type and risk characteristics.

The Marketable Securities and Other Liquid Collateral Policy establishes criteria for the types of marketable securities and other liquid assets that are acceptable as collateral when there is a reliance on such collateral as the primary or secondary source of repayment. It defines parameters for loan advance rates and maintaining collateral values. It also addresses risk mitigation, documentation, monitoring, control, and compliance with legal and regulatory requirements related to liquid assets securing commercial credits. Business Units have documented processes to comply with this policy and, where monitored less than daily, reduced advance rates may be applied to account for the increased market risk.

The Commercial Real Estate Valuations Policy establishes the requirements for evaluating real estate when taken as collateral. An independent current valuation must be secured prior to transaction closing date of a transaction. Business Units maintain procedures for monitoring collateral values in accordance with the policy and relevant regulatory guidance on review frequency. As a credit deteriorates, there is a need for timely information to assess real estate

collateral and more frequent valuations may be necessary. Leasing exposures operate under policies that outline requirements for residual values to be prudently determined, as well as standards for the frequency of appraisals and inspections.

Daily valuations are carried out on market trading activities such as collateralized Over the Counter ("OTC") derivatives and structured finance trades in support of margining requirements. All requests for non-standard collateral are reviewed and approved through the Non-Standard Collateral Review Process. Collateral Management report and escalate collateral disputes and fails through established routines.

A range of instruments including guarantees, credit insurance, credit derivatives, and securitisation can be used to transfer credit risk from one counterparty to another. Third party guarantees are reviewed by the legal department and must conform to certain standards in order to be recognised as mitigation for credit risk management purposes. The main types of provider of guarantees are banks, other financial institutions, and corporates, the latter typically in support of subsidiaries of their company group. Where CRM is deemed to transfer credit risk, the risk is transferred to a counterparty with higher credit quality than the transferor and typically with investment grade ratings, this exposure is appropriately recorded against the CRM provider.

At a portfolio level BAMLI DAC has a RAS, approved by the Board, which sets quantitative limits on Single-Name exposures, Risk Ratings, Industry and Country. Monitored daily, excesses follow a pre-determined path to internal stakeholders, committees and regulators depending on severity.

At an individual client level internal guidelines set exposure thresholds by Risk Rating, beyond which those clients are considered an exception and subject to heightened management attention. A framework exists for managing client and portfolio concentration - through the use of strategies which include the purchase of Credit Default Swap ("CDS") or other approved products. Such strategies are implemented through means such as a) maximum loss limit framework based on public debt ratings; b) booking election that depend on exposure size, credit profile and availability of liquid hedging options. Hedging is conducted by Global Loan Portfolio Management and is organised as a buy-side trading unit that resides on the public side of the Information Wall.

CRM taken by BAMLI DAC to reduce credit risk may result in credit or market risk concentrations as per section 4.4 Other Risk Considerations. Guarantees that are treated as eligible CRM are marked as an exposure against the guarantor and aggregated with other credit exposure to the guarantor. Limit monitoring at the counterparty level is then used for monitoring of concentrations in line with BAC Enterprise policy. Derivatives exposure will increasingly be routed through Central Counterparty Clearing Houses ("CCPs") in response to regulation changes being phased-in globally.

Credit Risk Governance

BAMLI DAC credit risk is integrated into BAMLI DAC governance structure as described earlier in the document. The credit risk governance structure enables a system of risk escalation, which includes the hierarchy and process to be followed for approvals on an exceptional basis, limit excesses, policy variances, and internally identified issues and emerging risks.

Credit risk policies form an important part of BAMLI DAC's risk governance framework. Policies govern the extension of credit and the management of credit relationships in order to:

- Align day-to-day employee decision-making with the Risk Framework, Risk Appetite and risk management objectives
- Foster understanding and compliance with all relevant laws, rules, regulations, and regulatory guidance
- Describe standards for underwriting and management of credit risk exposures
- Define approval authorities, including authorities for exceptions to policy and higher risk or specialized transactions

Core Credit Policies are supplemented, as needed, by individual Business Unit or Legal Entity policies which contain additional requirements specific to individual Business Unit / Legal Entity needs.

At the FLU level, independent risk management oversees credit risk management processes and governance in accordance with BAMLI DAC's requirements and authority levels. Credit risk teams oversee credit risk management processes in accordance with BAC's subsidiary governance requirements. This includes reporting to various risk governance committees, executive management and boards of directors.

Credit Risk Reporting

Transparency of credit risk is critical to effective risk management. To ensure that appropriate transparency and escalation to Board and senior management, comprehensive and actionable credit risk internal reports are produced, which contain the required granularity of content for each level of seniority.

Regular reporting for management and board committees includes monitoring of credit risk exposure against Board approved Risk Appetite limits, as well as more detailed credit information covering total outstanding volumes, key counterparty exposures, and credit quality trends. Credit risk reporting enables appropriate risk escalation.

4.3.3 Market Risk

Definition

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities or otherwise negatively impact earnings.

Market risk is composed of price risk and interest rate risk:

Price Risk

Price risk is the risk to current or projected financial condition and resilience arising from changes in the value of either trading, investment or Asset Liability Management ("ALM") portfolios. It arises from financial transactions in interest rate, foreign exchange, equity, commodities and credit markets. These transactions are typically subject to daily price movements and are accounted for primarily on a mark-to-market basis, although accrual or hedge-accounted positions that include traded products are also relevant. Price risk includes the credit risk of traded products, e.g. the ability of an issuer to pay amounts due to satisfy contractual cashflows. It also includes market exposure that is contingent upon a counterparty default or a change made prior to maturity of a hedged or accrual accounted position.

Interest Rate Risk

Interest rate risk is the risk to current or projected financial condition and resilience arising when changes in interest rates impact expected future cash flows. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows (repricing risk), from changing rate relationships among different yield curves affecting bank activities (basis risk), from changing rate relationships across the spectrum of maturities (yield curve risk), and from interest-related options embedded in bank products (options risk).

Market Risk Measurement

At the asset and liability level, market risk is assessed by evaluating the impact of individual risk factors on individual exposures. At the aggregate level, price risk is assessed primarily through risk models, including VaR models. BAMLI DAC's aggregate potential economic exposure, as well as earnings and capital sensitivity, to interest rate risk in the banking book is also assessed.

The Joint Supervisory Team ("JST"), which comprises the CBI and ECB, have communicated their 'non-objection' of the use of IMA in BAMLI DAC based on the IMA permission issued by the UK Prudential Regulation Authority to Merrill Lynch International, during a period of 'temporary tolerance.' This permits the temporary use of the following internally developed models in calculating BAMLI DAC's Pillar 1 regulatory capital requirements for market risk: VaR, Stressed VaR, Incremental Risk Charge ("IRC") and Comprehensive Risk Measure ("CRM"). The capital requirement for trading book positions that do not meet the conditions for inclusion within the IMA is calculated using standardised rules.

VaR

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. A single model is used consistently across the trading portfolios.

VaR for regulatory capital calculations ("Regulatory VaR") is equivalent to a 99% confidence level, has a ten-day time horizon and uses 3 years of historic data. Actual ten-day historical moves capture both serial correlation in the market data and non-linearity of exposures.

Stressed VaR for regulatory capital calculations is equivalent to a 99% confidence interval, has a ten-day overlapping holding period and uses a historical window that is calibrated to a continuous 12-month period that maximises the resulting VaR calculation for BAMLI DAC. A scalar is applied to correct for autocorrelation introduced by the use of overlapping holding periods.

VaR is also used for management reporting purposes ("Trading VaR"). Two measures are calculated: a version using three-years of historic data and a version which uses a one-year period in order to reflect more recent market volatility. Both are equivalent to a 99% confidence level and have a one-day holding period.

BAMLI DAC uses a historical simulation approach to calculate VaR. A hypothetical P&L distribution is generated for the current portfolio using time series of historical risk factor changes via Risk Grids / Scenarios and Full Revaluation for benchmarking. While the historical simulation does not require explicit assumptions about the distribution of the underlying market variables, the general mathematical process that governs each risk factor's behaviour is modelled. The Specific Risk of debt positions is captured in the VaR calculation by measuring each issuer's risk using its own history wherever possible.

Where it is not possible, in the case of credit specific risk, the VaR model overlays a parameterized stochastic residual component to capture idiosyncratic risk. VaR calculations are performed for portfolios on a fully integrated basis, so no further assumption regarding correlation is necessary. In order for the VaR model to reflect current market conditions, the historical data is updated on a weekly basis, or more frequently during periods of market stress.

Key differences between the model parameters used for regulatory capital and for internal management purposes are listed in the table below. In particular, regulatory standards require that Regulatory VaR only include the in-scope trading book positions, while Trading VaR also includes out-of-scope trading book positions. The IMA non-objection letter defines which products may be included in the Regulatory VaR calculation.

Table 4.3.3.T1. Summarizing Differences Between the VaR for Regulatory and Management Reporting Purposes

Parameter	BAMLI DAC Regulatory VaR	BAMLI DAC Stressed VaR	BAMLI DAC Trading VaR
Scope	Covered positions as defined by CBI/ ECB non-objection letter	Covered positions as defined by CBI/ ECB non-objection letter	Covered and non-covered positions
Liquidity Horizon (holding period)	10 days (unscaled)	10 days (unscaled)	1 day
Historical window	3 years	Worst 1 year back to 15/01/2007	1 year and 3 years

For positions with insufficient historical data for the VaR calculation, the process for establishing an appropriate proxy is based on fundamental and statistical analysis of the position. This analysis identifies reasonable alternatives that replicate both the expected volatility and correlation to other market risk factors that the missing data would be expected to experience.

BAMLI DAC identifies and assesses any risks that are not adequately captured by its models on at least a quarterly basis and holds additional own funds against those risks as per methodology agreed by the JST.

Incremental Risk Charge

IRC estimates the potential losses, at a 99.9% confidence level, that non-securitised credit products in the trading portfolio might experience over a one-year period of financial stress from defaults, ratings migration and significant basis risk factors. The IRC model captures the incremental risk for products that are covered by credit specific risk approval.

The IRC model utilizes a Monte-Carlo framework to simulate transitions and defaults. Additional risk factors include recovery rates, bond-CDS basis, index-single name basis, index option volatility, and FX. The model assumes a constant-position, so the liquidity horizon is the same as the capital horizon of one year. The transition matrix is sourced from published rating agency data.

The IRC model captures issuer and market concentrations through the multi-factor framework of the model and the fact that the market data is evolved for all users. The asset correlation for each pair of issuers is defined at the sector / region level. The model also captures the negative correlation between default and recovery rate, and the co-movement between the macroeconomic variable and other market driven risk factors.

Comprehensive Risk Measure

BAMLI DAC does not have any positions in scope for CRM and therefore detailed disclosures on CRM have not been provided.

Market Risk Management

FLUs are responsible for managing their risk (for instance through risk mitigating hedging), and any trading, hedging and investment activity is governed by policies which are designed to ensure all regulatory requirements are met. As one of the independent business risk teams in Global Risk Management and, along with other Governance and Control Functions, Global Markets Risk Management is responsible for establishing and overseeing the risk management governance structure for the Businesses which includes policies, limits, standards, controls, metrics and thresholds within the defined enterprise-wide and business-specific RAS.

BAMLI DAC adheres to the Global Markets Market Risk Policy and the Global Markets Market Risk Limits Policy. In addition, the BAMLI DAC Market Risk Policy Supplement specifies additional corporate governance and regulatory requirements beyond those stated in the global policies and is approved by the MRC.

BAMLI DAC manages and monitors its market risk exposures in a way that reflects BAMLI DAC's Risk Framework. Assessing key exposures and setting and monitoring limits to ensure that BAMLI DAC operates within the approved risk appetite are at the core of BAMLI DAC's approach to managing market risk.

Robust monitoring and reporting processes for limits are in place, with limit breaches triggering appropriate notification and escalation. The MRC and BRC review and recommend Risk Appetite limits for approval to the Board. VaR, stress and sensitivity limits are set at various levels of granularity, ensuring extensive coverage of risks as well as accounting for correlations among risk factors.

Stress testing and scenario analysis are performed to capture the potential risk that may arise in severe but plausible events. These stress tests may be hypothetical or historical, and applied to individual instruments or the aggregate BAMLI DAC portfolio.

Market Risk Governance

Market risk is identified, monitored, and controlled by Global Markets Risk Management. The responsibilities of this independent control function include ownership of markets risk policy, calculating aggregated risk measures, establishing and monitoring position limits consistent with risk appetite, conducting daily reviews and analysis of trading inventory, approving material risk exposures and new trades and fulfilling regulatory requirements.

IMA models are continually reviewed, evaluated and enhanced so that they reflect the material risks in the trading portfolio. Global Risk Analytics develops, tests, monitors and documents the IMA models. Model development documentation and testing includes model theoretical framework, assumptions and limitations, model development data, model performance and model implementation. The ongoing monitoring includes outcomes analysis, benchmarking and process verification. Model Risk Management ("MRM"), as an independent control function, conducts model validations following the implementation of a new model or a model change that requires validation, and MRM approval is required before models are used. Model validation includes the following: Documentation Review, Review of Assumptions / Underlying Theory, Implementation Verification, Calibration / Estimation, Convergence and Stability and Stress Tests. In addition, through the Ongoing Monitoring Review and Annual Model Review, MRM periodically reviews the performance of all models. Finally, MRM revalidates all models on a cycle based on the model risk rating.

Changes to IMA models are reviewed and approved prior to implementation and any material changes are reported to management through the appropriate management committees, as well as to the CBI where required.

The effectiveness of the VaR methodology is evaluated and monitored through backtesting, which compares the daily VaR results, utilising a one-day holding period, against actual and hypothetical changes in portfolio value as defined in CRR Article 366. A backtesting overshoot occurs when a trading loss exceeds the VaR for the corresponding day. These overshoots are evaluated to understand the positions and market moves that produced the trading loss in order to ensure that the VaR methodology accurately represents those losses. Exceptions at the legal entity or business level, are documented and reported to the CBI, as appropriate, as part of regulatory reporting processes.

On an annual basis, a stressed IRC is calculated as part of the enterprise regulatory stress testing framework, using a model based scalar. In particular, the impact of default for mark-to-market, as well as capital, purposes is assessed by shocking market observables to levels specified in the internal Severely Adverse scenarios.

The calibration input data for the IRC model is validated through a Qualitative Assessment process. Spreads, recovery rates, and expected loss data is checked for spikes, jumps, and flat data. In order to monitor the model performance at the risk factor level, the simulated risk factor changes for spreads, defaults, and foreign exchange ("FX") are compared against historically observed changes on an annual basis.

Market Risk Reporting

Transparency of market risks is critical to effective risk management. BAMLI DAC produces regular reports on exposure, including VaR, Stress, and Risk Factor sensitivities.

Market risk reports are distributed to senior management within Markets Risk Management and, where appropriate, to relevant stakeholders - including FLUs. Markets Risk Management also contributes to governance committee reports.

Exposures to Interest Rate Risk in the Non Trading Book

Exposures to Interest Rate Risk in the Non Trading Book Interest rate risk represents the most significant market risk exposure to our banking-book balance sheet. Interest rate risk is evaluated and monitored from the perspective of both Earnings at Risk and Economic Value of Equity at least monthly. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

We prepare forward-looking forecasts of Earnings at Risk ("EaR"). The baseline forecast takes into consideration expected future business growth, Asset Liability Management ("ALM") positioning and the direction of interest rate movements as implied by the market-based forward rate paths. We then measure and evaluate the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The EaR forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in order to maintain an acceptable level of exposure to interest rate changes.

Economic Value of Equity ("EVE") is calculated measuring the changes in Net Present Value of interest rate sensitive instruments currently on the Banking Book over their remaining life using a baseline and shocked forward interest rate

paths with the difference between the two representing EVE risk. Non-maturity deposits are analysed based on application of internal modelling assumptions.

Our overall goal is to manage interest rate risk so that movements in interest rates do not significantly adversely affect earnings or capital.

(Euros in Millions)			(Euros in Millions)		
EVE			EaR		
	-100bps	+100bps		-100bps	+100bps
USD	16	-16	USD	-53	15
CHF	1	-1	CHF	-7	9
EUR	72	-68	EUR	3	10
GBP	8	-10	GBP	2	1
Other	1	-1	Other	0	2
Total	91	-95	Total	-56	37

4.3.4 Liquidity Risk

Definition

Liquidity Risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support the businesses and customers, under a range of economic conditions.

Liquidity Risk Management

The BAMLI DAC Liquidity Risk Policy ("LRP") defines the approach to managing BAMLI DAC's liquidity, aligned to group processes and tailored to meet BAMLI DAC's business mix, strategy, activity profile, risk appetite, and regulatory requirements and is approved by the BAMLI DAC Board. The BAMLI DAC MRC reviews and recommends Risk Appetite Limits to the BAMLI DAC BRC, which in turn reviews and recommends to the Board for approval.

The primary objective of liquidity risk management is to ensure that BAMLI DAC can meet expected or unexpected cash flow and collateral needs while continuing to support its businesses and customers under a range of economic conditions. Consistent with the Risk Framework, the main components to achieve BAMLI DAC's liquidity risk management objectives include:

1. Clear accountability residing with FLUs for the liquidity risk inherent in their activities;
2. Management of BAMLI DAC's liquidity and funding activities by Treasury;
3. Independent oversight of FLUs activities by Global Risk Management ("GRM");
4. Maintaining sufficient liquidity buffers which are readily convertible to cash for use by BAMLI DAC if necessary during periods of significant liquidity stress;
5. Ensuring appropriate diversification of funding tenors and sources considering BAMLI DAC's asset profile and legal entity structure;
6. Transferring the economic costs and benefits of liquidity risk to the appropriate lines of business through the Funds Transfer Pricing ("FTP") process; and
7. Maintaining a contingent funding plan that allows BAMLI DAC to react across all market and economic conditions.

The BAMLI DAC LRP further describes the Liquidity Risk roles and responsibilities including requirements for liquidity risk limits, stress testing, analytics and reporting, and recovery and resolution planning.

All lines of business in BAMLI DAC are categorized as FLUs; in addition, certain areas within control functions are also categorized as FLUs. For Example, Treasury is a FLU responsible for managing BAMLI DAC's liquidity and funding position.

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

GRM, a second line of defence, oversees the risk management governance structure, establishes liquidity risk policies, reports and monitors all liquidity risk related limits, provides effective challenge and an independent view of BAMLI DAC's liquidity risk management processes. GRM is also accountable for providing timely and accurate liquidity risk reporting on the liquidity risks of BAMLI DAC. Global Compliance and Operational Risk and the Enterprise Independent Testing group, both divisions of GRM, provide independent monitoring and testing of compliance with laws, regulations, directives, and guidance that impact liquidity risk management.

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

Treasury is responsible for identifying and managing liquidity risks inherent in its activities, including ensuring a prudent level, composition and placement of liquidity at BAMLI DAC. The liquidity buffer, or Global Liquidity Sources ("GLS"), is comprised of diversified assets that are readily convertible to cash for use by BAMLI DAC during stressed market conditions. The size of BAMLI DAC's liquidity buffer considers liquidity stress tests under different scenarios which are based on market-wide and idiosyncratic assumptions over different time horizons.

BAMLI DAC monitors its LCR and holds a sufficient liquidity buffer of HQLA to meet peak net cash outflows during the first 30 days of a defined liquidity stress event as defined by EU Commission's Delegated Act on LCR. Treasury is responsible for managing BAMLI DAC's HQLA, which is prescribed by the LCR rule and substantially similar to the BAMLI DAC's GLS.

BAMLI DAC applies liquidity stress scenarios to evaluate the sensitivity of its liquidity profile, inform the adequacy and size of the liquidity buffer and as a tool to identify vulnerabilities to market-wide and idiosyncratic events. Liquidity stress scenarios are re-evaluated at least annually and as often as conditions warrant. These scenarios consider potential vulnerabilities identified through the BAMLI DAC's risk identification process and cover a range of time horizons.

Treasury and GRM work together to design liquidity stress scenarios, and with FLUs to develop models, methodologies, and assumptions for use in liquidity stress testing.

GRM ensures liquidity stress testing processes are sufficient for the size, complexity, activities, capital structure and risk profile of BAMLI DAC.

Liquidity stress testing models, methodologies and assumptions may consider empirical evidence, regulatory prescription, industry studies, relevant historical experience and management judgment. The methodologies and assumptions behind the BAMLI DAC liquidity stress testing approach, as well as the procedures to run the process, are formally documented. The BAMLI DAC MRC reviews and approves the key methodologies and assumptions used in the BAMLI DAC internal liquidity stress tests at least annually.

Internal liquidity stress tests are performed by Treasury for BAMLI DAC. Results are reviewed by GRM and reported to BAMLI DAC MRC, at least quarterly. Additional scenarios may be employed by Treasury and other FLUs or GRM to support efforts to identify, understand or manage the liquidity risk associated with business activities.

Treasury, in partnership with the various lines of business, produces frequent cash flow projections for BAMLI DAC and its lines of business, as appropriate. These forecasts are used for corporate and resolution planning, as well as funding and liquidity management activities and vary according to frequency, granularity and time horizons covered. Treasury maintains documentation of processes and methodologies for liquidity forecasting, cash flow projections, and funding plans.

Treasury is responsible for monitoring collateral which may be used to raise liquidity or funding for BAMLI DAC. Global Banking and Markets Operations ("GB and GM Ops") supports and monitors collateral activities managed by Treasury and Global Markets.

Consistent with the BAMLI DAC's strategic objectives, it is important to understand the liquidity value of both assets and liabilities generated by BAMLI DAC's lines of business to ensure businesses are charged for assets and credited for liabilities and effectively pay for the gap between the term of their assets and liabilities. FTP is a key component of effective liquidity risk management by attributing liquidity costs (or benefit), including those arising from contingent exposures, under normal and stressed conditions, for all material business lines, products and activities. GRM provides independent risk oversight of FTP and Contingency FTP ("CFTP") methodologies, assumptions and processes.

FLUs offer appropriate products and services aligned with BAMLI DAC's strategic plans and risk appetite. It is the responsibility of the FLU Executive, Treasury, GRM and appropriate control functions, to review new products and evaluate the liquidity costs, benefits, and risks of each new product that could have a significant impact on BAMLI DAC's liquidity risk profile and ensure each new product is within BAMLI DAC's risk appetite prior to formal approval through a New Product forum or committee.

Treasury, in conjunction with the Enterprise Scenario Planning and Execution ("ESPE") team, will develop and maintain a BAMLI DAC Recovery Plan that details management's strategy to address potential liquidity shortfalls in a stress event. GRM will review and provides input to the BAMLI DAC Recovery Plans. Coordination across BAMLI DAC is necessary for successful liquidity management during challenging market environments and the BAMLI DAC Recovery Plan incorporates the required elements to manage BAMLI DAC through stressed market conditions.

Treasury has also established a BAMLI DAC Contingency Funding Plan ("BAMLI DAC CFP") which highlights the requirements of BAMLI DAC's management and governance committees in the event of a stress scenario. The BAMLI DAC CFP also includes key metrics that facilitate the identification of liquidity stress, contingency funding actions and roles and accountabilities, including those of BAMLI DAC's management and independent risk management. GRM also reviews and provides input to the BAMLI DAC CFP.

Liquidity Risk Governance

The BAMLI DAC Board provides oversight of BAMLI DAC's liquidity risk profile and at least annually, approves the BAMLI DAC RAS, which sets forth the level of liquidity risk that BAMLI DAC may assume in connection with the BAMLI DAC Strategic and Capital Plan through the BAMLI DAC ICAAP and BAMLI DAC ILAAP. The BAMLI DAC Board periodically reviews the liquidity risk-management strategies, policies, and procedures described in the BAMLI DAC RiAS and the BAMLI DAC LRP.

The BAMLI DAC BRC is responsible for overseeing BAMLI DAC's overall risk framework, performance against the risk appetite and the BAMLI DAC CEO, BAMLI DAC CRO and senior management's identification of, measurement of, monitoring of and control of key risks. At least quarterly senior management reports on BAMLI DAC's liquidity risk profile and liquidity risk appetite to the BAMLI DAC BRC.

The BAMLI DAC MRC provides management oversight of liquidity risk of BAMLI DAC's activities. The BAMLI DAC MRC is responsible for holistic risk management, including an integrated evaluation of risk, earnings, capital and liquidity. The BAMLI DAC MRC reports utilization against the BAMLI DAC RAS to the BAMLI DAC BRC and the BAMLI DAC Board, at least quarterly.

GRM is responsible for maintaining a liquidity risk limits framework to ensure that the entity is managed within its liquidity risk appetite. Liquidity risk limits are classified as:

- BAMLI DAC Board-owned Risk Appetite
- BAMLI DAC MRC-owned Management Level Appetite Limits
- Non-Risk Appetite Limits
- Early Warning Indicators

Limits are monitored and reported daily and a clear escalation path to BAMLI DAC Senior Management, BAMLI DAC ALCO, BAMLI DAC MRC, BAMLI DAC BRC, and the BAMLI DAC Board by limit category and breach type exists.

Liquidity Risk Reporting

Daily liquidity reporting enables liquidity risk monitoring and appropriate risk escalation, which includes defined protocols for limit breaches and emerging risks and issues. Regular liquidity risk reports are sent to the BAMLI DAC Board, BAMLI DAC BRC, and BAMLI DAC Senior Management.

The Liquidity Risk metrics, below, have been proposed to be included in the BAMLI DAC RAS. The limits and triggers for the Liquidity Risk metrics are assessed for appropriateness as part of the broader BAMLI DAC RAS review as well as the quarterly BAMLI DAC ILAAP updates. Daily reporting and monitoring is in place for all liquidity metrics (except funding risk ratio, which is reported monthly).

1. Internal Liquidity Stress Test ("ILST") Combined 30-D
2. Liquidity Coverage Ratio
3. Net Stable Funding Ratio
4. Long Term Funding
5. Inter-group Funding Limit
6. Affiliate Debt Buyback
7. Overall Unencumbered Business Assets
8. Unencumbered Business HQLA

4.3.5 Compliance and Operational Risk

Definition

BAMLI DAC operates in a highly regulated environment. The complexity and volume of BAMLI DAC's products, services and customers mean BAMLI DAC is subject to numerous laws, rules, and regulations that define the regulatory requirements that it must satisfy across the jurisdictions in which it operates. Changes to existing products and services, new product innovations in delivery of services, expanding markets, and changes to the technology infrastructure create changes to BAMLI DAC's operational risk profile that must be anticipated and managed to mitigate adverse impacts to BAMLI DAC.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of BAMLI DAC arising from the failure of BAMLI DAC to comply with the requirements of applicable laws, rules and regulations and internal policies and procedures. BAMLI DAC is committed to the highest level of compliance and has no appetite for violations of legislative or regulatory requirements. We seek to anticipate and assess compliance risks to our core businesses and respond to these risks effectively should they materialize. While we strive to prevent compliance violations in everything we do, we cannot fully eliminate compliance risk, but manage it by establishing risk management processes to reduce exposure to financial loss, reputational harm or regulatory sanctions.

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. We have designed an operational risk management programme, that incorporates and documents the process for identifying, measuring, monitoring, controlling and reporting operational risk information to executive management and the BAMLI DAC Board of Directors, or appropriate board-level committees. We manage operational risk by establishing permissible thresholds to reduce exposure to financial loss, reputational harm or regulatory sanctions.

BAMLI DAC adopts the Standardised Approach for calculating Pillar 1 regulatory capital requirements for Operational Risk. As part of the annual ICAAP, the adequacy of the Pillar 1 regulatory capital requirement is assessed via scenario analysis and stress testing that considers the material Compliance and Operational Risks documented within the BAMLI DAC Risk Self Assessment.

Compliance and Operational Risk Management

BAMLI DAC is committed to maintaining strong compliance and operational risk management practices across all FLUs and control functions. We manage compliance and operational risk through an integrated set of controls and processes to address external and internal risks, including a complex and dynamic regulatory environment and the evolving products, services and strategies of the FLUs and control functions. Every employee has a responsibility to understand these risks and identify, mitigate and escalate compliance and operational risk and issues.

FLUs and control functions are first and foremost responsible for managing all aspects of their businesses, including their compliance and operational risk. FLUs and control functions are required to understand their business processes and related risks and controls, including third party dependencies, the related regulatory requirements, and monitor and report on the effectiveness of the control environment. In order to actively monitor and assess the performance of their processes and controls, they must conduct comprehensive quality assurance activities and identify issues and risks to remediate control gaps and weaknesses. FLUs and control functions must also adhere to operational risk appetite limits to meet strategic, capital and financial planning objectives. Finally, FLUs and control functions are responsible for the proactive identification, management, and escalation of compliance and operational risks across BAMLI DAC. When third party capabilities are required to support our processes, products, and services, we manage third party risk with the similar level of accountability as if managed internally.

BAMLI DAC has combined the Compliance and Operational Risk management control functions into a single integrated function under common leadership. This combination allows the BAMLI DAC to bring professionals with complementary subject matter expertise together to assess business processes. It also gives a broader view of the key compliance and operational risks facing the businesses and control functions, with the ability to develop coverage plans to address risk more holistically, aggregate quantitative and qualitative data across the two disciplines and provide greater visibility into systemic issues in business activities so that critical risks are understood and adequately controlled.

In regard to conduct risk, we have established protocols and structures so that conduct risk is governed and reported across BAMLI DAC. To enable appropriate and effective oversight of conduct risk, conduct-related information is evaluated by FLUs and control functions, and escalated to management, EU Conduct Risk Council or board governance routines as appropriate. BAMLI DAC has no tolerance for violations of conduct policies and procedures and while we strive to prevent conduct violations in everything we do, we cannot fully eliminate such risks. When potential employee misconduct is detected, we gather relevant information to evaluate the findings and take the appropriate disciplinary action. Furthermore, we evaluate trends and themes to determine whether any additional remedial actions or control improvements are needed.

The BAMLI DAC Compliance and Operational Risk officer leads the combined organisation, which, together with the FLUs and control functions, has responsibility for knowing what it means to conduct BAMLI DAC's daily activities within the limits of the compliance and operational risk appetites. Global Compliance and Operational Risk sets enterprise wide policies and standards and provides independent challenge and oversight to the FLUs and control functions. The Compliance and Operational Risk teams comprise subject matter experts who understand the front to back processes and controls by which BAMLI DAC delivers products and services, understand applicable laws, rules, and regulations and know whether the processes and controls are operating effectively. These teams independently assess compliance and operational risk, monitor business activities and processes, determine and develop tests to be conducted by the Enterprise Independent Testing unit, and report on the state of the control environment. Compliance and Operational

Risk also collaborates with other control functions to provide additional support for specific remediation efforts (e.g. Risk Mitigation Programmes) and shares responsibility with the FLUs, Global Risk Management and other control functions for mitigating risks, such as reputational risks and risks associated with improper conduct.

In addition, teams in Compliance and Operational Risk cover areas, such as Financial Crimes and Information Security / Cybersecurity, that affect multiple FLUs or control functions. These horizontal teams are responsible for, among other things, reviewing the FLUs and control functions risk management practices related to these specific areas to gauge the effectiveness and consistency of the controls across business units, monitoring losses and reporting and overseeing processes for accuracy and adherence to the Compliance and Operational Risk standards.

Compliance and Operational Risk Governance

Compliance and Operational Risk employs a governance structure to escalate material risks and issues, as well as the changes to BAMLI DAC's compliance and operational risk policies and procedures. The BAMLI DAC Operational Risk Committee ("ORC") reports to the Management Risk Committee and to the boards or appropriate board level committees. The goal of having this governance structure is to drive accountability for risk management, including decision making, oversight, and escalation, at all levels throughout BAMLI DAC.

Compliance and Operational Risk issues in BAMLI DAC are reviewed at the MRC, Audit Committee, BRC, and Board. The BAMLI DAC Operational Risk Committee reports to the MRC and is responsible for providing management oversight of Operational Risk within the activities of BAMLI DAC.

Compliance and Operational Risk Identification and Reporting

Compliance and Operational Risks which require heightened transparency and escalation to management and/or BAMLI DAC governance committees are referred to as identified risks. Identified risks which meet or exceed minimum materiality thresholds as outlined in the Risk Identification sub-section (under the BAMLI DAC ICAAP Risk Management chapter), will be designated material risks. All identified risk are documented in the BAMLI DAC Risk ID Inventory and all material Compliance and Operational Risks are further documented in the BAMLI DAC Risk Self Assessment process.

Compliance and Operational Risk reporting and escalation to senior management and the Board is critical to ensuring a clear understanding of current and emerging risks across BAMLI DAC, as well as whether we are operating within Risk Appetite so we can promptly take action to address out of tolerance risks.

Reporting includes results of compliance and operational risk assessments, monitoring and testing results, and other compliance and operational metrics. To support decision making within management routines and governance committees, significant compliance and operational risks and issues are escalated to management-level committees, board-level committees, and the Board of Directors.

BAMLI DAC establishes and monitors operational risk appetite metrics for Non-Litigation Operational Losses, Residual Risk Level & Direction, Past Due Issues, Performance of Outsourced Services, Potential Information Security Events, Top Tier Business & Technical Recovery Tests Successful, Availability of Unified Critical Application List Systems, High Residual Risk Model Use Breaches and Financial Crimes.

BAMLI DAC is committed to the highest level of compliance and has no appetite for violations of legislative or regulatory requirements and no separate compliance risk appetite metrics were set, with compliance risk being managed by establishing risk management processes to reduce our exposure to financial loss, reputational harm or regulatory sanctions.

4.3.6 Reputational Risk

Definition

Reputational risk is the potential risk that negative perceptions of BAMLI DAC's conduct or business practices will adversely affect its profitability or operations through an inability to establish new or maintain existing customer / client relationships or otherwise impact relationships with key stakeholders, including regulators, employees, and the community.

Reputational Risk can stem from many of BAMLI DAC's activities, including those related to the management of the strategic, operational, or other risks, as well as the overall financial position. As a result, BAMLI DAC's evaluates the potential impact to the reputation within all of the risk categories and throughout the risk management process.

Reputational Risk Management

BAMLI DAC's manages reputational risk through established policies and controls in the business and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

At the BAC Enterprise level, reputational risk is reviewed by the Enterprise Risk Committee and the Management Risk Committee, which provide primary oversight of reputational risk. Additionally, top reputational risks are reviewed by the GRM Leadership team and the BAC board.

For the EU region there is a specialist committee, the EU Reputational Risk Committee, whose charter includes consideration of reputational risk issues and to provide guidance and approvals for activities that represent specific Reputational Risks which have been referred for discussion by other current control frameworks or lines of business. Reputational Risk items relating to BAMLI DAC are considered as part of the EU Reputational Risk Committee.

Activities will be escalated to EU Reputational Risk Committee for review and approval where elevated levels of Reputational Risk are present, examples of activities include;

- Business activities that present significant legal, regulatory, or headline risk
- Violations of, or deviations from, BAC policies
- Concerns about customer / client identity or integrity, money laundering, potential criminal activity or potential violations of economic sanctions requirements, such as direct or indirect terrorist financing or operation of an account for or on behalf of a sanctioned country, company or person
- Business activities that have a particular accounting, finance or tax treatment as a material objective
- Business activities that raise the possibility that BAC might have an undisclosed or significant conflict of interest
- Business activities from which BAC expects to receive disproportionate compensation compared with the services provided, investments made and / or risks assumed
- Business activities which due to their nature or due to the current or historic reputation of any of the parties involved, might reflect adversely on BAMLI DAC's reputation or suggest the need for close scrutiny
- Business activities that present the risk of creating information or security breaches or consumer privacy issues including public disclosure of information
- Business activities that may present environmental or social risks due to actions by BAMLI DAC or any of the parties involved.

- Business activities or practices that may follow longstanding industry practice where there is the potential for a shift in public sentiment such that the business activity or practice might now or in the future be perceived as unfair, improper or unethical
- Business activities that are similar to other activities in BAMLI DAC or another firm that have caused reputational harm
- Any potential reputational risk associated with the introduction, modification or discontinuation of products, services, lines of business or delivery channels
- Any reputational risk concerns that are specific to the business, region or the markets in which the business operates

Ultimately, to ensure that Reputational Risk is mitigated through regular business activity, awareness of Reputational Risk is integrated into the overall governance process, as well as incorporated into the roles and responsibilities for employees.

Given the nature of Reputational Risk, BAC does not set quantitative limits for the level of acceptable risk. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

Reputational Risk Governance

BAC has an appropriate organisational and governance structure in place to ensure strong oversight at both the Enterprise and business levels.

The EU Reputational Risk Committee membership consists of executive representation from Markets, Global Corporate and Investment Banking and control functions (Legal, Compliance and Risk). The committee is co-chaired by the EU President and EU CRO. The EU Reputational Risk Committee charter requires that a majority of members must be present, including a co-chair and all control functions, in order for meetings to proceed. Items requiring increased attention may be escalated from the EU Reputational Risk Committee to the Global Reputational Risk Committee as appropriate.

Reputational Risk items relating to BAMLI DAC are reported to the Board on a quarterly basis.

Reputational Risk Reporting

The reporting of reputational risk issues is captured as part of the management routines for the EU Reputational Risk Committee. Issues that are identified and presented for discussion as part of the meeting logistics are included in reporting. Tracking of items presented to EU Reputational Risk Committee is maintained through reporting which provides detail such as description of the reputational risk issue, geographical jurisdiction of the issue, reason for escalation and decision reached by EU Reputational Risk Committee and which legal entity the issue relates to. Summary reporting of the EU Reputational Risk Committee issues is provided to the EU, UK & CEEMEA Regional Risk Committee on a quarterly basis as part of the control function support papers.

4.4 Other Risk Considerations

The risk management approach outlined in 4.2 Risk Management Approach also allows BAMLI DAC to manage the other risk considerations set out below.

Wrong-Way Risk

Wrong-way risk exists when there is adverse correlation between the counterparty's probability of default and the market value of the underlying transaction and / or the collateral. Examples of wrong-way risk include, but are not limited to, situations that involve a counterparty that is a resident and / or incorporated in an emerging market entering into a transaction to sell non-domestic currency in exchange for its local currency; a trade involving the purchase of an equity put option from a counterparty whose shares are the subject of the option; or the purchase of credit protection from a counterparty who is closely associated with the credit default swap reference entity.

BAC uses a range of policies and reporting to identify and monitor wrong-way risk across the portfolio. The Correlation and Concentration Risk Policy describes the governance, limits framework, approval requirements and roles and responsibilities for the management of wrong-way risk exposures. Forums have been established to review potential situations of wrong-way risk, and depending on the nature of the wrong way risk, Risk Management may require pre-trade approval or apply various portfolio limits. In keeping with BAC's Risk Management Framework, several processes exist to control and monitor wrong-way risk including reviews at the BAC Global Markets Risk Committee and BAC Credit Risk Committee.

Equities Exposure in the Non-Trading Book

No detailed disclosures are made in respect of equity exposures in the non-trading book as the information provided by such disclosures is not regarded as material.

Climate Change

Bank of America Corporation has long recognised the importance of addressing climate change. In alignment with more than 190 countries, BAC support the Paris Climate Agreement and its efforts to limit global temperatures from rising more than 1.5°C. BAC was also an early supporter of the Task Force on Climate-related Financial Disclosures. European regulatory developments related to climate change and other Environmental, Social, and Governance (ESG) factors are being closely monitored. From a risk management perspective, work has been undertaken at an enterprise level to assess the impacts of climate risk across all risk types, and to identify gaps and recommend improvements in risk management practices. These recommended enhancements will be implemented enterprise-wide and at a legal-entity level where relevant.

Coronavirus

Direct and indirect effects of the coronavirus outbreak are impacting the global economy, markets, and the Company's counterparties and clients. The Company cannot predict the coronavirus's potential future direct or indirect effects; however, the Company is taking actions to mitigate the impacts on the Company. The coronavirus's effects could have a material negative impact on the Company's future results of operations, assets and liabilities.

Impact of a Credit Rating Downgrade on OTC Collateral

The full impact of a credit rating downgrade on BAMLI DAC depends on numerous factors, including (1) the type and severity of any downgrade; and (2) the reaction of counterparties, customers, and investors who face BAMLI DAC.

Based on the terms of various over-the-counter derivatives contracts and other trading agreements, a rating downgrade may result in BAMLI DAC posting additional collateral to counterparties or counterparties choosing to

unwind or terminate specific transactions. In either case, BAMLI DAC could experience liquidity outflows or the loss of funding sources. The materiality of such events will depend on whether the downgrade affects long-term or short-term credit ratings, as well as whether credit ratings drop by one or more levels.

The potential impact of a credit rating downgrade on collateral is monitored continuously and factored into BAMLI DAC's internal liquidity stress testing and regulatory liquidity requirements. As of 31 December 2019, BAMLI DAC was in excess of both internal and regulatory liquidity requirements, with a one-notch and two-notch downgrade scenario resulting in nil and EUR 1m of incremental additional outflows, respectively.

Securitisation

Securitisation risk is defined as the risks arising from securitisation transactions in relation to which institutions are originator, sponsor or investor, including reputational risks, such as arise in relation to complex structures, or products.

BAMLI DAC securitisation risk is managed through a comprehensive review approach that is enforced through existing policies and procedures. All securitisations are monitored on an ongoing basis, including:

- i. Weekly monitoring of maturities, amortization, LOB / asset class limits, etc.
- ii. Monthly examination of ABSF lending portfolio which includes deal specific performance metrics, utilisation vs. commitment, review of residual value performance, etc.
- iii. Annual reviews of all facilities highlighting any changes in transaction structure, collateral quality, underwriting criteria, risk rating, etc.

BAMLI DAC does not have any re-securitisation exposure.

Following a review of the securitisation portfolio, BAMLI DAC does not deem there to be any other risks which the portfolio is exposed to which are not already mitigated through rigorous adherence to existing policies and procedures.

New Products

BAMLI DAC is committed to offering products and services that are appropriate, are aligned with BAMLI DAC's strategic plans and risk appetite and comply with applicable laws and regulations in the jurisdiction(s) in which they are offered.

BAMLI DAC complies with the BAC New Product Review and Approval Policy, which establishes requirements designed to identify and mitigate risks associated with New Products. This Policy requires that New Products be assessed across all risk categories, including consistency with Risk Appetite, prior to product implementation.

BAMLI DAC's New Products Committee ("NPC") reports to the the MRC, and is responsible for the review and approval of New Products as defined in the Enterprise New Product Review and Approval policy.

Under this Policy businesses are required to develop and maintain a New Product review and approval process and related procedures that address the identification, review, approval, and monitoring, including post implementation review of New Products and meets pre-defined minimum requirements in respect of Governance, Risk Assessment, Post Implementation review, reporting, and required documentation.

Bank of America Merrill Lynch International Designated Activity Company

Pillar 3 Disclosure

5. Further Detail on Capital Requirement, Capital Resources, Leverage, Securitisation, and Capital Buffers

As at 31 December 2019

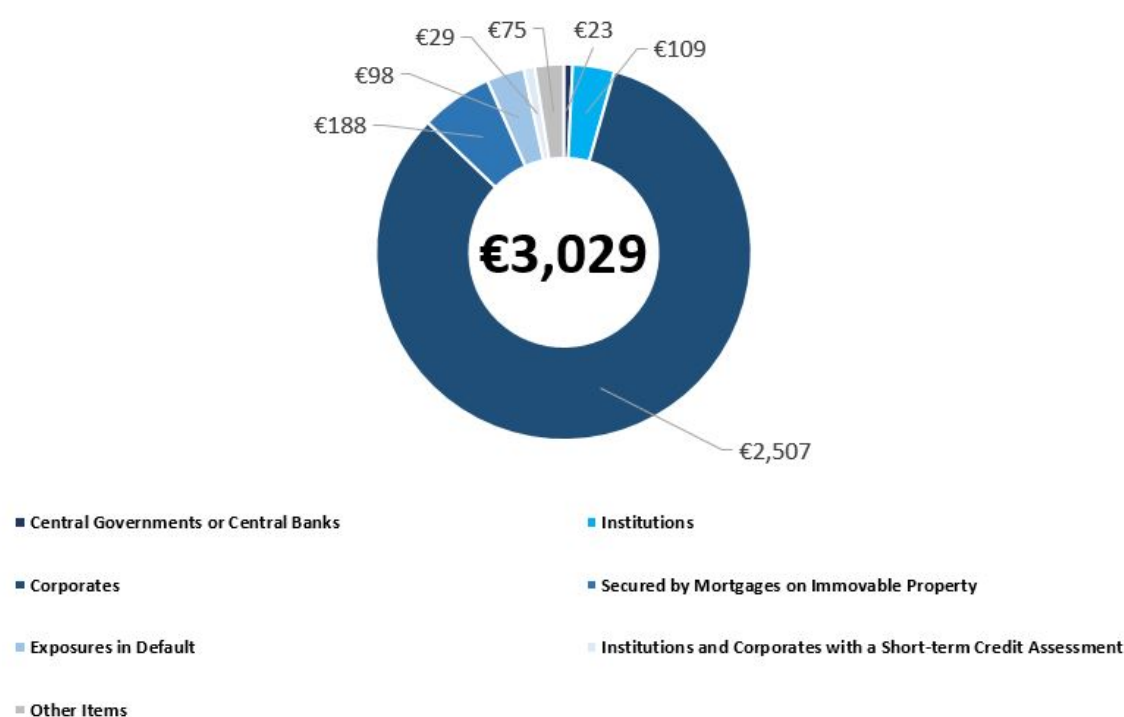
5.1 Minimum Capital Requirement Summary

BAMLI DAC's Minimum Capital Requirement is principally comprised of credit risk, counterparty credit risk, and operational risk requirements.

BAMLI DAC's credit risk exposure is largely comprised of exposure to corporate clients in EMEA. Further details can be found in Section 5.3 Counterparty and Credit Risk.

BAMLI DAC's market risk capital requirement is principally driven by capital requirements on Position Risk. Further detail on Market Risk can be found in Section 5.4 Market Risk.

Figure 5.1.F1. Minimum Capital Requirement Detail: Counterparty and Credit Risk Exposure (Euros in millions)



5.2 Additional Detail on Minimum Requirements for Own Funds and Eligible Liabilities

As part of amendments to the CRR which were published in the Official Journal of the EU as Regulation (EU) 2019/876, the international standard to meet a minimum amount of Total Loss Absorbing Capacity ("TLAC") became effective for certain types of Investment Firms and Credit Institutions in June 2019. In the CRR this is referred to as Minimum Requirements for Own Funds & Eligible Liabilities ("MREL").

Firms that are material subsidiaries of a non-EU Global Systemically Important Institution ("G-SII") per the CRR definition are required to hold a minimum amount of MREL.

MREL resources are comprised of qualifying capital resources and eligible liabilities. In order for liabilities that are not capital resources to qualify as eligible, they must meet certain criteria such as having a minimum residual maturity of at least one year, and being subordinated to other operating liabilities.

As at 31st December 2019, BAMLI DAC has not issued any eligible liabilities, and therefore total MREL resources is equal to Tier 1 capital and Tier 2 capital.

5.3 Counterparty and Credit Risk

Counterparty and Credit Risk is the risk of loss arising from a borrower or counterparty failing to meet its financial obligations. Counterparty and Credit Risk requirements are derived from risk-weighted exposures, determined using the standardised approach. BAMLI DAC has Counterparty and Credit Risk exposure as a result of loans and advances, derivative trades, securities financing transactions, and other trading and non-trading book exposures.

BAMLI DAC measures counterparty and credit risk exposure on derivatives using a mark-to-market method, defined as mark-to-market plus a notional add-on.

The following section provides detailed information on BAMLI DAC's regulatory Counterparty and Credit Risk exposures. All exposures, unless stated otherwise, are post CRM and the application of credit conversion factors.

5.3.1 Counterparty and Credit Risk by Type

Tables 5.3.1.T1. and 5.3.1.T2. (EU CRB-D) sets out the exposure by industry distribution for each exposure class for BAMLI DAC for the current period (31st December 2019) and the prior period (31st December 2018). The majority of risk weighted exposures for BAMLI DAC are in respect of transactions with Corporates. The ratings of counterparties are derived by referring to external credit ratings provided by Moody's, Fitch, and S&P for all exposure classes.

A credit quality assessment ("CQS") is a scale as set out in CRD IV. This mapping table is provided by the EBA and can be accessed through the following link:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1799&from=EN>

The CQS is derived using External Credit Assessment Institutions ("ECAIs") which include Moody's, Fitch, and S&P, where available.

The key movements in the period are mainly driven by Financial and Insurance Activities, Wholesale and Retail Trade and Accommodation and Food Services.

Table 5.3.1.T1. EU CRB-D – Concentration of Exposures by Industry or Counterparty Types

	Q4 2019																			
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	u
	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
(Euros in Millions)																				
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB approach																				
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	8,153	—	—	—	1,954	—	—	—	—	10,107
Regional governments or local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	—	—	—	2
International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	—	—	—	—	—	—	—	2,322	—	—	37	—	—	—	—	—	2,359
Corporates	1	1,282	14,017	3,041	156	394	4,434	2,481	1,519	4,571	17,290	583	1,533	2,571	—	43	106	556	10	54,588
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	193	—	1,501	1,158	—	—	—	—	—	—	—	2,852
Exposures in default	—	—	211	75	—	47	83	7	11	35	237	198	82	—	—	—	—	—	—	986
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	—	—	100	140	—	4	15	1	19	78	671	5	38	61	—	—	—	—	—	1,132
Collective investments undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other exposures	—	7	47	—	—	4	45	45	—	19	685	—	8	16	—	—	9	—	—	885
Total standardised approach	1	1,289	14,375	3,256	156	449	4,577	2,534	1,742	4,703	30,861	1,944	1,661	2,685	1,954	43	115	556	10	72,911
Total	1	1,289	14,375	3,256	156	449	4,577	2,534	1,742	4,703	30,861	1,944	1,661	2,685	1,954	43	115	556	10	72,911

Table 5.3.1.T2. EU CRB-D Prior – Concentration of Exposures by Industry or Counterparty Types

(Euros in Millions)	Q4 2018																			
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	u
	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water Supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB approach																				
Central governments or central banks	—	—	—	—	—	—	8	—	—	—	10,062	—	—	—	1,679	—	—	—	—	11,749
Regional governments or local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Public sector entities	—	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	1
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	—	—	—	2
International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Institutions	—	—	—	—	—	—	—	—	—	—	1,663	—	—	27	—	—	—	—	—	1,690
Corporates	1	1,090	13,392	2,864	192	463	2,743	2,284	540	3,685	14,592	853	1,008	2,521	12	50	165	689	8	47,152
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	190	—	849	2,263	—	6	—	—	—	—	—	3,308
Exposures in default	—	—	107	100	—	38	76	16	13	33	179	74	16	53	—	—	—	—	—	705
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Claims on institutions and corporates with a short-term credit assessment	—	10	108	6	—	4	11	2	18	73	421	2	35	4	—	—	—	—	—	694
Collective investments undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Equity	—	—	—	—	—	—	—	—	—	—	157	—	—	—	—	—	—	—	—	157
Other exposures	—	—	11	—	—	25	51	—	—	43	295	9	4	2	—	2	10	2	—	454
Total standardised approach	1	1,100	13,618	2,970	192	530	2,889	2,303	761	3,834	28,220	3,201	1,063	2,613	1,691	52	175	691	8	65,912
Total	1	1,100	13,618	2,970	192	530	2,889	2,303	761	3,834	28,220	3,201	1,063	2,613	1,691	52	175	691	8	65,912

5.3.2 Counterparty and Credit Exposure Geographic Distribution and Maturity Profile Detail

Further analysis of BAMLI DAC showing the geographical distribution is in Tables 5.3.2.T1. and 5.3.3.T2. (EU CRB-C) for the current period (31st December 2019) and the prior period (31st December 2018). The geographical distribution is reported by analysing the residence of the counterparty and is further analysed to show the breakdown by exposure class. The majority of BAMLI DAC exposure sits within EMEA. The movement in geographical distribution in the year is driven by Corporates in EMEA, predominately in United Kingdom, France, Netherlands and Germany.

The maturity profile of BAMLI DAC's exposures is set out in Tables 5.3.2.T3. and 5.3.2.T4. (EU CRB-E) for the current period (31st December 2019) and the prior period (31st December 2018). The movement in residual maturity in the period is driven by a shift in Central Governments or Central Banks exposures from less than one year to on demand.

Bank of America Merrill Lynch International Designated Activity

Company - Pillar 3 Disclosure for the Year Ended 31 December 2019

Table 5.3.2.T1. EU CRB-C - Geographical Breakdown of Exposures

(Euros in Millions)	Q4 2019																					
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v
	Net value																					
	EMEA	UNITED KINGDOM	FRANCE	NETHERLANDS	GERMANY	LUXEMBOURG	SWITZERLAND	BELGIUM	SPAIN	IRELAND	ITALY	SWEDEN	SAUDI ARABIA	OTHER COUNTRIES	AMERICAS	UNITED STATES	CAYMAN ISLANDS	OTHER COUNTRIES	ASIA	CHINA	OTHER COUNTRIES	TOTAL
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB approach																						
Central governments or central banks	10,107	1,331	1,337	1,422	4	—	1,830	2,390	20	1,230	30	—	399	113	—	—	—	—	—	—	—	10,107
Regional governments or local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Multilateral development banks	2	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2
International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	1,678	270	106	150	56	—	—	99	—	42	—	—	—	954	231	227	—	4	450	374	75	2,359
Corporates	52,509	13,362	7,507	5,400	5,070	3,514	2,474	1,067	2,353	1,313	2,638	1,101	742	5,968	1,870	667	601	602	209	—	209	54,588
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Secured by mortgages on immovable property	2,852	28	359	109	66	1,253	—	—	531	—	233	153	—	120	—	—	—	—	—	—	—	2,852
Exposures in default	979	341	124	67	5	7	65	—	138	—	65	—	—	166	7	7	—	—	—	—	—	986
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	354	282	51	4	10	—	—	—	6	—	—	2	—	—	773	772	—	1	5	—	5	1,132
Collective investments undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other exposures	848	61	99	36	25	26	—	—	90	434	—	24	—	53	37	37	—	—	—	—	—	885
Total standardised approach	69,329	15,677	9,583	7,188	5,236	4,800	4,369	3,556	3,138	3,019	2,966	1,280	1,141	7,374	2,918	1,710	601	607	664	374	289	72,911
Total	69,329	15,677	9,583	7,188	5,236	4,800	4,369	3,556	3,138	3,019	2,966	1,280	1,141	7,374	2,918	1,710	601	607	664	374	289	72,911

Other Countries in EMEA are Turkey, Austria, Jersey, South Africa, Denmark, United Arab Emirates, Guernsey, Qatar, Norway, Finland, Russia, Portugal, Israel, Isle Of Man, Czech Republic, Mauritius, Liechtenstein, Slovakia, Bahrain, Liberia, Poland, Cyprus, Hungary, Greece, Romania, Malta, Morocco, Slovenia, Georgia.
Other Countries in Americas are Bermuda, The Virgin Islands, Mexico, Canada, Panama, Chile.
Other Countries in Asia are Singapore, Japan, The Marshall Islands, Australia, India, Hong Kong, New Zealand, Malaysia, Indonesia, Korea.

Bank of America Merrill Lynch International Designated Activity

Company - Pillar 3 Disclosure for the Year Ended 31 December 2019

Table 5.3.2.T2. EU CRB-C Prior – Geographical Breakdown of Exposures

(Euros in millions)	Q4 2018																					
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v
	Net Value																					
	EMEA	UNITED KINGDOM	FRANCE	NETHERLANDS	GERMANY	SWITZERLAND	SPAIN	LUXEMBOURG	BELGIUM	IRELAND	ITALY	SWEDEN	UNITED ARAB EMIRATES	JERSEY	OTHER COUNTRIES	AMERICAS	UNITED STATES	CAYMAN ISLANDS	OTHER COUNTRIES	ASIA	CHINA	TOTAL
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB approach	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Central governments or central banks	11,749	1,109	2,555	2,549	7	2,379	6	—	2,541	103	17	—	—	—	483	—	—	—	—	—	—	11,749
Regional governments or local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector entities	1	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—	1
Multilateral development banks	2	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2
International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	1,166	209	105	—	50	—	—	—	1	66	1	—	—	—	733	261	261	—	—	263	262	1,690
Corporates	45,017	11,870	5,626	3,417	4,514	1,680	2,224	2,687	976	1,879	1,890	1,629	1,103	1,010	4,512	2,120	474	1,114	532	15	—	47,152
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Secured by mortgages on immovable property	3,308	60	281	286	100	—	1,206	881	—	9	217	18	—	75	176	—	—	—	—	—	—	3,308
Exposures in default	704	89	79	78	5	—	218	11	22	—	75	—	—	11	115	1	1	—	—	—	—	705
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	209	96	2	3	4	1	2	—	22	21	2	5	—	—	50	484	483	—	1	1	—	694
Collective investments undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity	157	157	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	157
Other exposures	398	57	6	30	15	—	44	2	—	178	—	40	—	—	26	56	56	—	—	—	—	454
Total standardised approach	62,711	13,649	8,654	6,363	4,695	4,060	3,700	3,581	3,562	2,256	2,202	1,692	1,103	1,096	6,096	2,922	1,275	1,114	533	279	262	65,912
Total	62,711	13,649	8,654	6,363	4,695	4,060	3,700	3,581	3,562	2,256	2,202	1,692	1,103	1,096	6,096	2,922	1,275	1,114	533	279	262	65,912

Other Countries in EMEA are Saudi Arabia, Turkey, South Africa, Guernsey, Denmark, Finland, Austria, Qatar, Norway, Greece, Portugal, Israel, Isle Of Man, Slovakia, Bahrain, Mauritius, Poland, Hungary, Oman, Czech Republic, Cyprus, Russia, Monaco, Morocco, Liberia, Slovenia, Kuwait, Bulgaria, Saint Martin (French Part), Liechtenstein, Romania, Malta, Georgia.

Other Countries in Americas are Bermuda, The Virgin Islands, Mexico, Canada, Panama, Brazil, Chile.

Other Countries in Asia are Singapore, Japan, The Marshall Islands, Australia, India, Hong Kong, New Zealand, Malaysia, Indonesia, Thailand, Korea.

BAMLI DAC's Counterparty and Credit Risk exposure values at the end of 2019 by residual maturity and exposure class are also provided.

The majority of BAMLI DAC's Credit Risk exposure matures in less than five years.

Table 5.3.2.T3. EU CRB-E – Maturity of Exposures

	Q4 2019					
	a	b	c	d	e	f
	Net Exposure Value					
	On demand	Less than or equal to 1 year	Greater than 1 year, less than or equal to 5 years	Greater than 5 years	No stated maturity	Total
<i>(Euros in millions)</i>						
Central governments or central banks	—	—	—	—	—	—
Institutions	—	—	—	—	—	—
Corporates	—	—	—	—	—	—
Retail	—	—	—	—	—	—
Equity	—	—	—	—	—	—
Total IRB approach	—	—	—	—	—	—
Central governments or central banks	8,150	1,550	404	3	—	10,107
Regional governments or local authorities	—	—	—	—	—	—
Public sector entities	—	—	—	—	—	—
Multilateral development banks	—	—	—	—	—	—
International organisations	—	—	—	—	—	—
Institutions	211	714	871	—	—	1,796
Corporates	175	3,742	12,215	1,981	303	18,416
Retail	—	—	—	—	—	—
Secured by mortgages on immovable property	—	324	1,742	109	—	2,175
Exposures in default	32	155	379	99	—	665
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	353	256	—	—	151	760
Collective investments undertakings	—	—	—	—	—	—
Equity	—	—	—	—	—	—
Other exposures	—	—	—	—	524	524
Total standardised approach	8,921	6,741	15,611	2,192	978	34,443
Total	8,921	6,741	15,611	2,192	978	34,443

Table 5.3.2.T4. EU CRB-E – Maturity of Exposures

	Q4 2018					
	a	b	c	d	e	f
	Net exposure value					
	On demand	Less than or equal to one year	Greater than 1 year, less than or equal to 5 years	Greater than 5 years	No stated maturity	Total
<i>(Euros in millions)</i>						
Central governments or central banks	—	—	—	—	—	—
Institutions	—	—	—	—	—	—
Corporates	—	—	—	—	—	—
Retail	—	—	—	—	—	—
Equity	—	—	—	—	—	—
Total IRB approach						
Central governments or central banks	—	11,246	493	11	—	11,750
Regional governments or local authorities	—	—	—	—	—	—
Public sector entities	—	—	1	—	—	1
Multilateral development banks	—	—	1	—	—	1
International organisations	—	—	—	—	—	—
Institutions	4	903	301	—	—	1,208
Corporates	71	2,832	12,751	1,795	411	17,860
Retail	—	—	—	—	—	—
Secured by mortgages on immovable property	—	—	2,057	1,251	—	3,308
Exposures in default	61	41	256	165	—	523
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	—	359	—	—	50	409
Collective investments undertakings	—	—	—	—	—	—
Equity	157	—	—	—	—	157
Other exposures	—	—	—	—	186	186
Total standardised approach	293	15,381	15,860	3,222	647	35,403
Total	293	15,381	15,860	3,222	647	35,403

5.3.3 Counterparty and Credit Exposure Total and Average Exposures

Tables 5.3.3.T1. and 5.3.3.T2. (EU CRB-B) shows the total and average net amount of exposures for BAMLI DAC for the current period (31st December 2019) and the prior period (31st December 2018).

Average net exposures over the period is the key movement compared to the prior period. On 1 December 2018 a Cross Border Merger ("CBM") was completed with Bank of America Merrill Lynch International Ltd ("BAMLI Ltd"). The prior period average net exposure for the period was calculated as the average of three periods of BAMLI DAC exposure pre-CBM and one period post-CBM. For 2019, the average net exposure over the period is calculated as four periods post-CBM.

Table 5.3.3.T1. EU CRB-B – Total and Average Net Amount of Exposures

(Euros in Millions)		Q4 2019	
		a	b
		Net value of exposures at the end of the period	Average net exposures over the period
1	Central governments or central banks	—	—
2	Institutions	—	—
3	Corporates	—	—
4	<i>Of which: Specialised lending</i>	—	—
5	<i>Of which: SMEs</i>	—	—
6	Retail	—	—
7	<i>Secured by real estate property</i>	—	—
8	<i>SMEs</i>	—	—
9	<i>Non-SMEs</i>	—	—
10	<i>Qualifying revolving</i>	—	—
11	<i>Other retail</i>	—	—
12	<i>SMEs</i>	—	—
13	<i>Non-SMEs</i>	—	—
14	Equity	—	—
15	Total IRB approach	—	—
16	Central governments or central banks	10,107	11,734
17	Regional governments or local authorities	—	—
18	Public sector entities	—	8
19	Multilateral development banks	2	2
20	International organisations	—	—
21	Institutions	2,359	2,138
22	Corporates	54,588	54,830
23	<i>Of which: SMEs</i>	39	31
24	Retail	—	—
25	<i>Of which: SMEs</i>	—	—
26	<i>Secured by mortgages on immovable property</i>	2,852	2,946
27	<i>Of which: SMEs</i>	—	—
28	Exposures in default	986	852
29	Items associated with particularly high risk	—	—
30	Covered bonds	—	—
31	Claims on institutions and corporates with a short-term credit assessment	1,132	1,512
32	Collective investments undertakings	—	—
33	Equity	—	121
34	Other exposures	885	922
35	Total standardised approach	72,911	75,065
36	Total	72,911	75,065

Table 5.3.3.T2. EU CRB-B Prior – Total and Average Net Amount of Exposures

(Euros in Millions)		Q4 2018	
		a	b
		Net value of exposures at the end of the period	Average net exposures over the period
1	Central governments or central banks	—	—
2	Institutions	—	—
3	Corporates	—	—
4	<i>Of which: Specialised lending</i>	—	—
5	<i>Of which: SMEs</i>	—	—
6	Retail	—	—
7	<i>Secured by real estate property</i>	—	—
8	<i>SMEs</i>	—	—
9	<i>Non-SMEs</i>	—	—
10	<i>Qualifying revolving</i>	—	—
11	<i>Other retail</i>	—	—
12	<i>SMEs</i>	—	—
13	<i>Non-SMEs</i>	—	—
14	Equity	—	—
15	Total IRB approach	—	—
16	Central governments or central banks	11,749	3,833
17	Regional governments or local authorities	—	—
18	Public sector entities	1	—
19	Multilateral development banks	2	1
20	International organisations	—	—
21	Institutions	1,690	426
22	Corporates	47,152	11,961
23	<i>Of which: SMEs</i>	—	1
24	Retail	—	—
25	<i>Of which: SMEs</i>	—	—
26	<i>Secured by mortgages on immovable property</i>	3,308	827
27	<i>Of which: SMEs</i>	—	—
28	Exposures in default	705	176
29	Items associated with particularly high risk	—	—
30	Covered bonds	—	—
31	Claims on institutions and corporates with a short-term credit assessment	694	435
32	Collective investments undertakings	—	—
33	Equity	157	39
34	Other exposures	454	129
35	Total standardised approach	65,912	17,828
36	Total	65,912	17,828

¹ Average net exposures over the prior period is calculated as the average of 3 periods BAMLI DAC exposure pre CBM and 1 period post CBM.

5.3.4 Credit Quality of Assets

A financial asset is past due if there is a legal obligation to make a payment and the payment is compulsory and not paid.

Non-performing exposures are:

- a. Material exposures which are more than 90 days past-due and/or
- b. Exposures where the borrower is assessed as “unlikely to pay” (“UTP”) its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.

The materiality threshold used to determine whether an exposure is considered as material is the higher of a threshold of €500 past due or 1% of the outstanding amount owed by a borrower.

Once the legal obligation for a mandatory payment has been established, the counting of days past due starts as soon as any amount of principal, interest or fee has not been paid at the date when it was due.

BAMLI DAC bases its assessment of unlikeliness to pay on guidance issued by the ECB in 2017. It classifies an exposure as NPE if specific “hard” triggers are in evidence and there is no strong mitigant in place. It assesses specific “soft” triggers of unlikeliness to pay as part of its credit assessment process.

BAMLI DAC considers exposures to have ceased being Non-Performing Exposures, i.e. be re-designated as performing, when all of the following conditions are met:

- a. the exposure is not considered as impaired or defaulted;
- b. the situation of the borrower has improved to the extent that full repayment, according to the original or when applicable the modified conditions, is likely to be made;
- c. the borrower does not have any amount past-due by more than 90 days;
- d. three months have passed since the exposure was designated as non-performing/defaulted in line with the criteria for the return to a non-defaulted status as set out in the 2016 EBA Guidelines on the application of the definition of default.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- a. Significant financial difficulty of the borrower or issuer;
- b. A breach of contract such as a default or past due event;
- c. The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e. The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Any exposure which is deemed to be in default per the CRD IV definition is deemed to be Non-Performing. The Company treats non-performing exposures as defaulted exposures for provisioning, capital and financial reporting purposes. Loans that are restructured / modified or forborne are assessed as to whether they are reported as performing or non-performing.

Restructured / modified assets and forborne exposures are usually impaired unless specific criteria have been met.

Expected credit loss ("ECL") are reported as general credit risk adjustment in Table A2.T16 EU CR2-A in Appendix 2.

Table 5.3.4.T1. EU CR1-A – Credit Quality of Exposures by Exposure Class and Instrument

		Q4 2019						
		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
		Defaulted exposures	Non-defaulted exposures					
(Euros in millions)								
1	Central governments or central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	—	—	—	—	—	—	—
4	Of which: Specialised lending	—	—	—	—	—	—	—
5	Of which: SMEs	—	—	—	—	—	—	—
6	Retail	—	—	—	—	—	—	—
7	Secured by real estate property	—	—	—	—	—	—	—
8	SMEs	—	—	—	—	—	—	—
9	Non-SMEs	—	—	—	—	—	—	—
10	Qualifying revolving	—	—	—	—	—	—	—
11	Other retail	—	—	—	—	—	—	—
12	SMEs	—	—	—	—	—	—	—
13	Non-SMEs	—	—	—	—	—	—	—
14	Equity	—	—	—	—	—	—	—
15	Total IRB approach	—	—	—	—	—	—	—
16	Central governments or central banks	—	10,107	—	—	—	—	10,107
17	Regional governments or local authorities	—	—	—	—	—	—	—
18	Public sector entities	—	—	—	—	—	—	—
19	Multilateral development banks	—	2	—	—	—	—	2
20	International organisations	—	—	—	—	—	—	—
21	Institutions	—	2,359	—	3	—	(1)	2,356
22	Corporates	—	54,588	—	93	—	6	54,495
23	Of which: SMEs	—	39	—	—	—	—	39
24	Retail	—	—	—	—	—	—	—
25	Of which: SMEs	—	—	—	—	—	—	—
26	Secured by mortgages on immovable property	—	2,852	—	3	—	1	2,849
27	Of which: SMEs	—	—	—	—	—	—	—
28	Exposures in default	986	—	—	34	110	(2)	952
29	Items associated with particularly high risk	—	—	—	—	—	—	—
30	Covered bonds	—	—	—	—	—	—	—
31	Claims on institutions and corporates with a short-term credit assessment	—	1,132	—	—	—	(1)	1,132
32	Collective investments undertakings	—	—	—	—	—	—	—
33	Equity	—	—	—	—	—	—	—
34	Other exposures	—	885	—	—	—	—	885
35	Total standardised approach	986	71,925	—	133	110	2	72,778
36	Total	986	71,925	—	133	110	2	72,778
37	Of which: loans	665	26,023	—	79	110	(20)	26,609
38	Of which: Debt securities	—	1,403	—	—	—	—	1,403
39	Of which: Offbalance-sheet exposures	322	38,467	—	54	—	23	38,735

Table 5.3.4.T2. EU CR1-A Prior – Credit Quality of Exposures by Exposure Class and Instrument

(Euros in millions)		Q2 2019						
		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted					
								(a+b-c-d)
1	Central governments or central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	—	—	—	—	—	—	—
4	Of which: Specialised lending	—	—	—	—	—	—	—
5	Of which: SMEs	—	—	—	—	—	—	—
6	Retail	—	—	—	—	—	—	—
7	Secured by real estate property	—	—	—	—	—	—	—
8	SMEs	—	—	—	—	—	—	—
9	Non-SMEs	—	—	—	—	—	—	—
10	Qualifying revolving	—	—	—	—	—	—	—
11	Other retail	—	—	—	—	—	—	—
12	SMEs	—	—	—	—	—	—	—
13	Non-SMEs	—	—	—	—	—	—	—
14	Equity	—	—	—	—	—	—	—
15	Total IRB approach							
16	Central governments or central banks	—	12,585	—	—	—	—	12,585
17	Regional governments or local authorities	—	—	—	—	—	—	—
18	Public sector entities	—	10	—	—	—	—	10
19	Multilateral development banks	—	2	—	—	—	—	2
20	International organisations	—	—	—	—	—	—	—
21	Institutions	—	2,112	—	4	—	3	2,108
22	Corporates	—	55,692	—	87	—	15	55,605
23	Of which: SMEs	—	41	—	—	—	—	41
24	Retail	—	—	—	—	—	—	—
25	Of which: SMEs	—	—	—	—	—	—	—
26	Secured by mortgages on immovable property	—	2,892	—	1	—	—	2,890
27	Of which: SMEs	—	—	—	—	—	—	—
28	Exposures in default	896	—	—	37	57	—	859
29	Items associated with particularly high risk	—	—	—	—	—	—	—
30	Covered bonds	—	—	—	—	—	—	—
31	Claims on institutions and corporates with a short-term credit assessment	—	1,478	—	1	—	1	1,478
32	Collective investments undertakings	—	—	—	—	—	—	—
33	Equity	—	158	—	—	—	—	158
34	Other exposures	—	1,010	—	—	—	22	1,010
35	Total standardised approach	896	75,940	—	130	57	41	76,705
36	Total	896	75,940	—	130	57	41	76,705
37	Of which: loans	629	23,879	—	99	57	29	24,409
38	Of which: Debt securities	—	2,306	—	—	—	—	2,306
39	Of which: Offbalance-sheet exposures	267	38,463	—	31	—	12	38,699

5.4 Market Risk

Summary

Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, credit spreads, or other risks. BAMLI DAC has established trading book guidelines which set out the policies and procedures for the overall management of the trading book in accordance with the requirements of CRD IV.

Table 5.4.T5. presents a breakdown of BAMLI DAC's Market Risk under the standardised approach and Table 5.4.T1. presents a breakdown of BAMLI DAC's Market Risk under the IMA. Table 5.3.1.T2. shows a reconciliation of movements in RWAs under the IMA for BAMLI DAC's Market Risk. Further detail on the components follows the tables.

5.4.1 Internal Market Risk Models

Table 5.4.T1. EU MR2-A Market Risk Under IMA

(Euros in millions)		Q4 2019	
		a	b
		RWAs	Capital Requirements
1	VaR (higher of values a and b)	131	10
(a)	Previous day's VaR (Article 365(1) of the CRR (VaRt-1))	—	3
(b)	Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR	—	10
2	SVaR	476	38
(a)	Latest SVaR (Article 365(2) of the CRR (SVaRt-1))	—	9
(b)	Average of the SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366 of the CRR)	—	38
3	IRC	514	41
(a)	Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 of the CRR)	—	41
(b)	Average of the IRC number over the preceding 12 weeks	—	40
4	Comprehensive risk measure	—	—
(a)	Most recent risk number for the correlation trading portfolio (Article 377 of the CRR)	—	—
(b)	Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	—	—
(c)	8% of the own funds requirement in the standardised approach on the most recent risk number for the correlation trading portfolio (Article 338(4) of the CRR)	—	—
5	Other	164	13
6	Total	1,285	102

Table 5.4.T2. EU MR2-B RWA Flow Statements of Market Risk Exposures under IMA

(Euros in millions)		Q4 2019						
		a	b	c	d	e	f	g
		VaR	SVaR	IRC	CRM	Other	Total RWAs	Total capital requirements
1	RWAs at previous quarter end	—	—	—	—	—	—	—
1a	Regulatory adjustment	—	—	—	—	—	—	—
1b	RWAs at the previous quarter-end (end of the day)	—	—	—	—	—	—	—
2	Movement in risk levels	—	—	—	—	—	—	—
3	Model updates/changes	—	—	—	—	—	—	—
4	Methodology and policy	34	118	514	—	164	831	66
5	Acquisitions and disposals	—	—	—	—	—	—	—
6	Foreign exchange movements	—	—	—	—	—	—	—
7	Other	—	—	—	—	—	—	—
8a	RWAs at the end of the reporting period (end of the day)	34	118	514	—	164	831	66
8b	Regulatory adjustment	96	357	—	—	—	454	36
8	RWAs at the end of the reporting period	131	476	514	—	164	1,284	103

Table 5.4.T3. EU MR3 – IMA Values for Trading Portfolios

		Q4 2019
(Euros in millions)		a
VaR (10 day 99%)		
1	Maximum value	4
2	Average value	3
3	Minimum value	2
4	Period end	3
SVaR (10 day 99%)		—
5	Maximum value	15
6	Average value	11
7	Minimum value	9
8	Period end	9
IRC (99.9%)		—
9	Maximum value	41
10	Average value	40
11	Minimum value	39
12	Period end	41
Comprehensive risk capital charge (99.9%)		—
13	Maximum value	—
14	Average value	—
15	Minimum value	—
16	Period end	—

The CBI and ECB have communicated their 'non-objection' of the use of IMA in BAMLI DAC based on the IMA permission issued by the PRA to Merrill Lynch International, during a period of 'temporary tolerance.' This permits the temporary use of internally developed Market Risk models for the purposes of calculating BAMLI DAC's Pillar 1 regulatory capital requirements.

For further details on the following internally developed models, please refer to Section 4.3.3.: VaR, Stressed VaR, Incremental Risk Charge ("IRC") and Comprehensive Risk Measure ("CRM").

Risks Not in VaR ("RNIvS") are Market Risks that are not adequately captured in the internal models. BAMLI DAC will identify and assess any risks that are not adequately captured by its models on at least a quarterly basis and hold additional own funds against those risks as per methodology agreed with the CBI and ECB.

Backtesting

The VaR methodology is evaluated through a daily backtesting process, which compares the daily VaR results, utilizing a one-day holding period, against a comparable subset of trading Profit and Loss ("P&L").

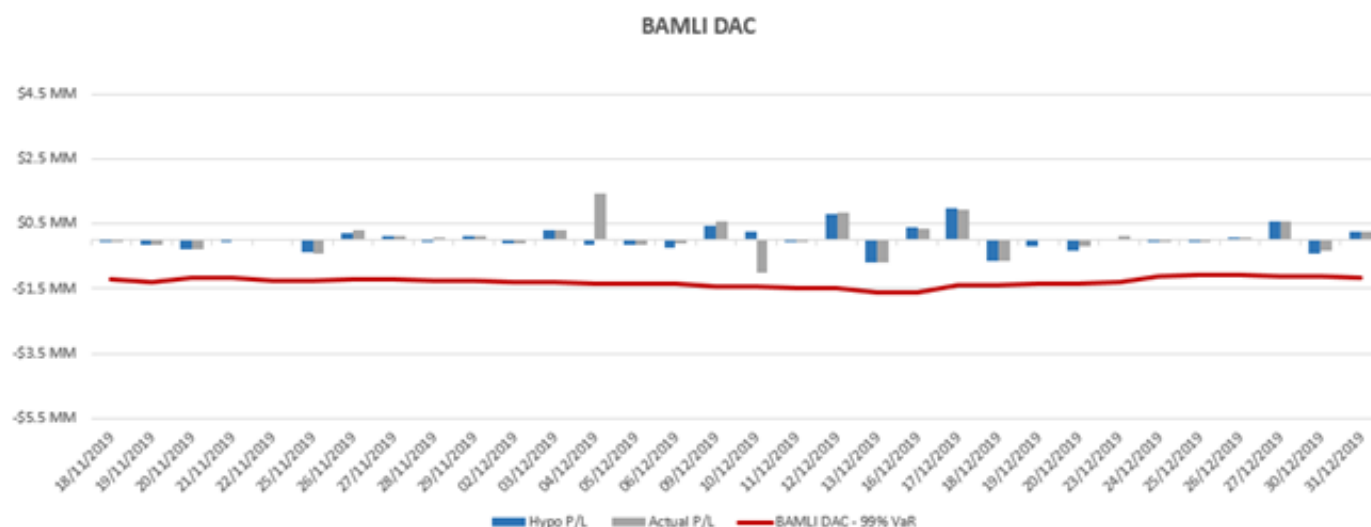
As required by the CRR, backtesting uses the 'Hypothetical' and 'Actual' definitions of the P&L. Hypothetical P&L is the P&L from the move in the value of the portfolio on the current day assuming unchanged positions from the end of the previous day. Actual P&L and Hypothetical P&L exclude fees, commissions and net interest income.

A backtesting overshooting occurs when a trading loss on day N exceeds the VaR value of the portfolio on day N-1. These overshoots are evaluated to understand the positions and market moves that produced the trading loss and to ensure that the VaR methodology accurately represents those losses.

The number of backtesting overshootings observed can differ from the statistically expected number of overshootings for a number of reasons. When this occurs, analysis is done to assess the model's performance.

There have been no downside overshootings during the period from 18 November to 31 December 2019 (i.e. since IMA activation) on either hypothetical or actual P&L backtesting.

Table 5.4.T4. EU MR4 – Comparison of VaR estimates with Gains / Losses



Please note that the above graph is given in USD as BAMLI DAC is a USD functional entity and performs backtesting in USD. The actual and hypothetical P&L shown in the above graph is only for positions covered by the VaR model and not for the entirety of BAMLI DAC. The VaR measure shown is for regulatory VaR uses a three year look-back period and one day holding period. Capital requirements covered by the VaR model (Pillar 1 capital requirements for VaR and Stressed VaR) total 67.90% of BAMLI DAC's Pillar 1 capital requirements for market risk and 2.48% of BAMLI DAC's total Pillar 1 capital requirements.

5.4.2 Capital Requirements under the Standardised Approaches

In BAMLI DAC, regulatory capital required is calculated on traded debt instruments that are not part of the scope of the internal models permission granted by the CBI. The requirement is split into two components: General Market Risk and Specific Risk:

- General market risk is based on a portfolio by currency basis. Positions are grouped by maturity ranging from maturity of less than one month to maturity of greater than 20 years, with a corresponding weighting applied depending on the maturity band.
- Specific risk looks at each security in terms of type of issuer (corporate / government), credit quality, and maturity.

FX Market Risk

FX Market Risk Requirement is the regulatory capital requirement calculated on the open net foreign currency exposure of the balance sheet.

Table 5.4.T5. presents a breakdown of BAMLI DAC's market risk under the standardised approach which is made up of the following:

Table 5.4.T5. EU MR1 – Market risk under the standardised approach

(Euros in millions)		Q4 2019	
		a	b
		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	440	35
2	Equity risk (general and specific)	—	—
3	Foreign exchange risk	168	13
4	Commodity risk	—	—
	Options	—	—
5	Simplified approach	—	—
6	Delta-plus method	—	—
7	Scenario approach	—	—
8	Securitisation (specific risk)	—	—
9	Total	608	48

Table 5.4.T6. EU MR1 Prior – Market risk under the standardised approach

(Euros in Millions)		Q2 2019	
		a	b
		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	592	47
2	Equity risk (general and specific)	—	—
3	Foreign exchange risk	110	9
4	Commodity risk	—	—
	Options	—	—
5	Simplified approach	—	—
6	Delta-plus method	—	—
7	Scenario approach	—	—
8	Securitisation (specific risk)	—	—
9	Total	702	56

5.5 Securitisation

5.5.1 Securitisation Activities

BAMLI DAC acts as an investor in securitisations and its exposures to securitisations are held in the non-trading book. The majority of BAMLI DAC's exposure consists of loans to Special Purpose Entities ("SPE") that are held as loans on the balance sheet, typically enhanced to an investment grade level. Where BAMLI DAC acts as derivative counterparty to a securitisation, the derivatives are typically interest rate swaps. No detailed disclosures are made in respect of derivative exposures as the information provided by such disclosure is not regarded as material.

BAMLI DAC further holds a portfolio of senior mortgage loans ("Retention Loans") in order to comply with risk retention requirements under Article 405 of the CRR in relation to commercial mortgage-back securitisations ("CMBS") originated by BAMLI DAC. Retention Loans generally represent loans where BAMLI DAC has underwritten a commercial real estate loan to a customer and then sells that loan to a SPE in a CMBS. BAMLI DAC, as original lender, retains, on an ongoing basis, a material net economic interest of not less than 5% pari passu interest in the original loan in accordance with the risk retention requirements under CRR Article 405.

BAMLI DAC acted as originator for four new securitisations in 2019 (four originations in 2018). The total value of the loans sold to SPEs was €1.0bn (2018: €1.3bn) with a gain on the sales of €14m (2018: €18m). The total amount of outstanding securitised exposures at 31 December 2019 was €2.6bn (2018 €2.1bn).

As at 31 December 2019 BAMLI DAC had no re-securitisation or synthetic exposures, did not act as a sponsor to securitisations, did not have any exposures to securitisations which are subject to early amortisation treatment and did not have any impaired or past due securitised assets. Furthermore, BAMLI DAC did not have any assets awaiting securitisation as at 31 December 2019 and did not deduct from Common Equity Tier 1 capital the exposure value of securitisations subject to a 1,250% risk weight.

In its role as investor in non-trading book securitisations, BAMLI DAC principally acts as the senior lender to SPEs engaged in securitisation activity. BAMLI DAC facilitates the process by financing the SPEs acquisition of underlying assets. Details of the underlying assets are outlined below in Table 5.3.2.T4.

5.5.2 Regulatory Capital Treatment

BAMLI DAC uses the Standardised Approach to calculate the capital requirements on its securitisation and CMBS positions. This approach uses rating agency credit ratings to determine risk weights. BAMLI DAC uses ratings from three ECAs, Moody's, S&P, and Fitch.

Regulation (EU) 2017/2402 and Regulation (EU) 2017/2401 were published in the official journal of the EU in December 2017 implementing a new securitisation framework in the EU and setting out prudential requirements for credit institutions and investment firms. The regulations applied from 1 January 2019.

In respect of securitisations the securities of which were issued before 1 January 2019, BAMLI DAC continued to apply the provisions set out in Part Three, Title II, Chapter 5 and Article 337 of the CRR until 31 December 2019, as required under the transitional provisions of the new regulations.

5.5.3 Accounting Treatment

5.5.3.1 Consolidation

BAMLI DAC accounts for its interests in SPEs in accordance with IFRS 10: Consolidated Financial Statements which establishes the criteria for when one entity is deemed to control another entity. IFRS 10 defines control as follows: "an investor controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". In assessing control all relevant factors are considered including qualitative and quantitative aspects.

The consolidation analysis is reassessed whenever there is a change in the substance of the relationship between BAMLI DAC and an SPE, for example, when the nature of BAMLI DAC's involvement or the governing rules, contractual arrangements or capital structure of the SPE change. Further, the full population is reassessed every quarter-end. The review process includes all stakeholders, including FLUs.

BAMLI DAC currently does not have SPE exposure that meets the consolidation requirements of IFRS 10.

5.5.3.2 De-Recognition

Whether the transfer of assets to an SPE in a securitisation transaction is treated as a sale or financing depends on whether the derecognition requirements of IFRS9 - Financial Instruments are met.

The 'derecognition' criteria are satisfied if:

- Substantially all the risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or

- BAMLI DAC neither transfers nor retains substantially all the risks and rewards of ownership, and has not retained control, in which case the assets are derecognised in their entirety and BAMLI DAC recognises separately as assets or liabilities any rights and obligations created or retained in the transfer, otherwise if BAMLI DAC has retained control, the assets continue to be recognised to the extent of BAMLI DAC's continuing involvement.

Transactions where derecognition of the assets transferred to a SPE has occurred are treated as sales or partial sales of those assets. The difference between the carrying amount of the assets transferred and the consideration received is recorded in current period net operating income.

Assets that have been transferred to an unconsolidated SPE which fail the 'derecognition' requirements in IFRS 9 are treated as financing arrangements and will remain on BAMLI DAC's balance sheet, with a corresponding liability recognised for the proceeds received. These assets are classified as trading assets and the corresponding liabilities are classified as Creditors: Amounts falling due after one year. The assets are measured at fair value through P&L and the liabilities at amortised cost or fair value through profit and loss ("P&L") under a fair value option election.

BAMLI DAC's retained interests in securitisation transactions are valued in accordance with BAMLI DAC's Accounting Policies, as set out in the Financial Statements. These interests mainly comprise of loans, which are classified as loans and advances to customers or trading assets and measured at amortised cost or fair value through profit or loss. BAMLI DAC does not provide non-contractual financial support to the SPEs.

5.5.4 Securitisation Exposures

The following tables provide a summary of the types of securitisation within BAMLI DAC as at 31 December 2019.

Table 5.5.4.T1. SEC 1: Securitisation Exposures in the Banking Book

		Q4 2019								
		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
(Euros in Millions)										
1	Retail (total)	—	—	—	—	—	—	1,169	—	—
2	Residential mortgages	—	—	—	—	—	—	1,169	—	—
3	Wholesale (total)	81	—	—	—	—	—	5,374	—	—
4	Of which:									
5	Leasing	—	—	—	—	—	—	2,788	—	—
6	Commercial mortgages	81	—	—	—	—	—	183	—	—
7	Other assets	—	—	—	—	—	—	1,037	—	—
8	Trade receivables	—	—	—	—	—	—	177	—	—
9	Consumer loans	—	—	—	—	—	—	1,189	—	—

Table 5.5.4.T2. SEC 1: Prior Securitisation exposures in the banking book

		Q2 2019								
		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
(Euros in Millions)										
1	Retail (total)	—	—	—	—	—	—	977	—	—
2	Residential mortgages	—	—	—	—	—	—	977	—	—
3	Wholesale (total)	24	—	—	—	—	—	5,030	—	—
4	Of which:									
5	Leasing	—	—	—	—	—	—	2,360	—	—
6	Commercial mortgages	24	—	—	—	—	—	987	—	—
7	Other assets	—	—	—	—	—	—	943	—	—
8	Trade receivables	—	—	—	—	—	—	168	—	—
9	Consumer loans	—	—	—	—	—	—	559	—	—
10	Loans to corporates or SMEs	—	—	—	—	—	—	13	—	—

Table 5.5.4.T3. SEC 3 Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

		Q4 2019																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure Values (by risk weight bands)					Exposure Values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20%	>20% to 50%	>50% to 100%	>100% to <1250% RW	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
(Euros in Millions)																		
1	Total exposures	—	—	33	47	—	—	—	81	—	—	—	131	—	—	—	11	—
2	Traditional securitisation	—	—	33	47	—	—	—	81	—	—	—	131	—	—	—	11	—
3	Of which securitisation	—	—	33	47	—	—	—	81	—	—	—	131	—	—	—	11	—
4	Of which retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Of which wholesale	—	—	33	47	—	—	—	81	—	—	—	131	—	—	—	11	—
6	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Of which retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Table 5.5.4.T4. SEC 3 Prior - Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or sponsor

		Q2 2019																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20%	>20% to 50%	>50% to 100%	>100% to <1250% RW	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%
(Euros in Millions)																		
1	Total exposures	—	—	24	—	—	—	—	24	—	—	—	24	—	—	—	2	—
2	Traditional securitisation	—	—	24	—	—	—	—	24	—	—	—	24	—	—	—	2	—
3	Of which securitisation	—	—	24	—	—	—	—	24	—	—	—	24	—	—	—	2	—
4	Of which retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Of which wholesale	—	—	24	—	—	—	—	24	—	—	—	24	—	—	—	2	—
6	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Securitisations where BAMLI DAC acts as originator has increased in the period as a result of three new originations in the H2 2019.

Table 5.5.4.T5. SEC 4 Securitisation exposures in the banking book and associated capital requirements - bank acting as investor

		Q4 2019																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands)					Exposure values				RWA (by regulatory approach)				Capital charge after cap			
							(by regulatory approach)											
		≤20%	>20% to 50%	>50% to 100%	>100% to <1250% RW	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
(Euros in Millions)																		
1	Total exposures	776	1,452	4,277	—	38	—	—	6,542	—	—	—	5,435	—	—	—	435	—
2	Traditional securitisation	776	1,452	4,277	—	38	—	—	6,542	—	—	—	5,435	—	—	—	435	—
3	Of which securitisation	776	1,452	4,277	—	38	—	—	6,542	—	—	—	5,435	—	—	—	435	—
4	Of which retail underlying	—	—	1,169	—	—	—	—	1,169	—	—	—	1,169	—	—	—	93	—
5	Of which wholesale	776	1,452	3,108	—	38	—	—	5,374	—	—	—	4,266	—	—	—	341	—
6	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Of which retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Table 5.5.4.T6. SEC 4 - Prior Securitisation exposures in the banking book and associated capital requirements - bank acting as investor

(Euros in Millions)		Q2 2019																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands)					Exposure values				RWA (by regulatory approach)				Capital charge after cap			
							(by regulatory approach)											
		≤20%	>20% to 50%	>50% to 100%	>100% to <1250% RW	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	12.5	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%
1	Total exposures	1,360	87	4,521	—	38	—	—	6,007	—	—	—	5,252	—	—	—	420	—
2	Traditional securitisation	1,360	87	4,521	—	38	—	—	6,007	—	—	—	5,252	—	—	—	420	—
3	Of which securitisation	1,360	87	4,521	—	38	—	—	6,007	—	—	—	5,252	—	—	—	420	—
4	Of which retail underlying	—	—	977	—	—	—	—	977	—	—	—	977	—	—	—	78	—
5	Of which wholesale	1,360	87	3,544	—	38	—	—	5,030	—	—	—	4,275	—	—	—	342	—
6	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Of which retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

5.6 Capital Buffers

The CCYB was introduced through CRD IV and is defined as the amount of CET1 capital BAMLI DAC must hold in accordance with CRD IV as implemented by the CBI. The CCYB is equal to BAMLI DAC's total risk exposure amount multiplied by the weighted average of the CCYB rates that apply to exposures in the jurisdictions where BAMLI DAC's relevant credit exposures are located.

The aim of the CCYB is to achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. The CCYB requirements may also help to limit the build-up of credit in jurisdictions in the first place, by raising the cost of credit and dampening its demand. Thus jurisdictions will be required to monitor credit growth in relation to measures such as GDP and assess whether growth is excessive and leading to the build-up of system-wide risk. Based on this assessment a CCYB, ranging from 0% to 2.5% of risk weighted assets, may be put in place for specified jurisdictions.

Under CRD IV, BAMLI DAC should face the same CCYB rates as domestic institutions on its cross-border exposures under the international reciprocation process. On the 5th of July 2018 the CBI announced the Irish CCYB rate would increase from 0% to 1% effective from the 5th of July 2019. In terms of other jurisdictions for 2019, the CBI automatically reciprocates the CCYB rates of the countries listed in Table 5.6.T1.

Table 5.6.T1. Geographical distribution of credit exposure relevant for the calculation of the countercyclical buffer

(Euros in millions)

	General Credit Exposures		Trading Book Exposures		Securitisation Exposures		Own Funds Requirements					
	Exposure value for SA	Exposure value for IRB	Sum of long and short positions of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	of which: General credit exposures	of which: Trading book exposures	of which: securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate ¹
	10	20	30	40	50	60	70	80	90	100	110	120
Breakdown by Country												
UNITED KINGDOM	8806	—	38	—	2611	—	666	3	172	842	25.02%	1%
FRANCE	4558	—	12	—	845	—	281	1	37	319	9.47%	0.25%
NETHERLANDS	4075	—	21	—	388	—	290	2	31	323	9.60%	0%
GERMANY	3435	—	17	—	—	—	243	1	—	244	7.26%	0%
SPAIN	2647	—	72	—	—	—	218	8	—	226	6.71%	0%
LUXEMBOURG	2561	—	51	—	936	—	204	4	63	271	8.06%	0%
ITALY	2065	—	—	—	39	—	155	—	2	157	4.68%	0%
SWITZERLAND	1554	—	—	—	—	—	109	—	—	109	3.25%	0%
IRELAND	1298	—	—	—	1217	—	98	—	127	225	6.69%	1.0%
SWEDEN	939	—	16	—	—	—	75	2	—	77	2.29%	2.5%
JERSEY	742	—	—	—	177	—	61	—	3	64	1.90%	0%
SAUDI ARABIA	635	—	—	—	—	—	51	—	—	51	1.51%	0%
BELGIUM	635	—	—	—	400	—	43	—	9	52	1.54%	0%
CAYMAN ISLANDS	566	—	—	—	—	—	45	—	—	45	1.35%	0%
UNITED ARAB EMIRATES	508	—	—	—	—	—	22	—	—	22	0.65%	0%
AUSTRIA	481	—	2	—	—	—	38	—	—	38	1.14%	0%
DENMARK	449	—	3	—	—	—	40	—	—	40	1.20%	1%
TURKEY	411	—	—	—	—	—	33	—	—	33	0.98%	0%
BERMUDA	329	—	—	—	—	—	26	—	—	26	0.78%	0%
GUERNSEY	310	—	—	—	—	—	27	—	—	27	0.80%	0%
UNITED STATES	286	—	23	—	—	—	18	2	—	20	0.60%	0%
QATAR	269	—	—	—	—	—	14	—	—	14	0.42%	0%
SOUTH AFRICA	241	—	—	—	—	—	20	—	—	20	0.59%	0%
NORWAY	190	—	1	—	—	—	8	—	—	8	0.25%	2.5%
FINLAND	158	—	—	—	10	—	13	—	2	14	0.43%	0%
RUSSIAN FEDERATION	144	—	—	—	—	—	12	—	—	12	0.34%	0%
VIRGIN ISLANDS, BRITISH	107	—	—	—	—	—	9	—	—	9	0.25%	0%
Other Countries	879	—	28	—	—	—	73	2	—	76	2.25%	6%
Total	39278	—	284	—	6623	—	2892	25	446	3364	100%	

Other Countries Include Portugal, Singapore, Slovakia, Israel, Isle Of Man, Mauritius, Mexico, Czech Republic, Bahrain, Poland, Liberia, Liechtenstein, Cyprus, Hungary, Marshall Islands, Greece, Romania, Malta, Canada, Morocco and Australia.

Table 5.6.T2. Amount of institution-specific countercyclical capital buffer

(Euros in millions)

	Amount of institution-specific countercyclical capital buffer
Total risk exposure amount	51,732
Institution-specific CCYB rate	0.42%
Institution-specific CCYB requirement	219

5.7 Capital Resources

The below table shows a reconciliation between the accounting balance sheet values and the regulatory capital values of the items included in BAMLI DAC's Capital Resources.

BAMLI DAC adopted IFRS9 for the accounting of financial instruments. The introduction of the expected credit loss ("ECL") model did not result in a material adjustment to equity as at the date of adoption of IFRS9. For this reason, BAMLI DAC is not applying the transitional arrangements for IFRS9. The Euro : US Dollar exchange rate used at year end was 1.1234.

Table 5.7.T1. Regulatory Capital Resources & Reconciliation to Accounting Balance Sheet

<i>(Euros in Millions)</i>	Q4 2019
Balance per Audited Financial Statements	
Ordinary Share Capital	29
Share Premium	8,065
Foreign exchange reserve	12
Capital Contribution	56
Accumulated other comprehensive income	(54)
Retained earnings	2,437
Adjustments to Balance Sheet Items for Regulatory Own Funds	
Debit Valuation Adjustment	(1)
Prudential Valuation Adjustment	(52)
Other intangible assets	—
Tier 1 Capital	10,492
Tier 2 Capital	1,780
Total Capital Resources (net of deductions)	12,272

Table 5.7.T2. Capital Instrument Features

Capital Instruments Main Features		1	2	3
		CET1	T2	T2
1	Issuer	Bank of America Merrill Lynch International DAC	Bank of America Merrill Lynch International DAC	Bank of America Merrill Lynch International DAC
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	Private Placement	Private Placement
3	Governing law(s) of the instrument	Irish	English	English
Regulatory Treatment				
4	Transitional CRR rules	CET1	T2	T2
5	Post-transitional CRR rules	CET1	T2	T2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with full voting rights	Subordinated Loan	Subordinated Loan
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	\$32 million comprising nominal	\$1 billion	\$1 billion
9	Nominal amount of instrument	32,067,011 issued shares @ \$1.00	\$1 billion	\$1 billion
9a	Issue price	32,067,011 @ \$1.00	\$1 billion	\$1 billion
9b	Redemption price	N/a	\$1 billion	\$1 billion
10	Accounting classification	Shareholders equity	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	Original allotment Jan 1996 Subsequent allotments Sep 2006 and Mar 2007 and Sep 2017 and Dec 2018	5/23/2016	3/22/2017
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	5/23/2027	3/22/2028
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/a	No issuer call date. However, may repay before maturity in the event of a Tax Event or a Capital Disqualification Event, subject to prior supervisory approval.	No issuer call date. However, may repay before maturity in the event of a Tax Event or a Capital Disqualification Event, subject to prior supervisory approval.
16	Subsequent call dates, if applicable	N/a	N/a	N/a
Coupons / Dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/a	3 month LIBOR plus 176bps per annum	3 month LIBOR plus 133bps per annum
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No

Bank of America Merrill Lynch International Designated Activity

Company - Pillar 3 Disclosure for the Year Ended 31 December 2019

Capital Instruments Main Features		1	2	3
		CET1	T2	T2
22	Noncumulative or cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/a	N/a	N/a
25	If convertible, fully or partially	N/a	N/a	N/a
26	If convertible, conversion rate	N/a	N/a	N/a
27	If convertible, mandatory or optional conversion	N/a	N/a	N/a
28	If convertible, specify instrument type convertible into	N/a	N/a	N/a
29	If convertible, specify issuer of instrument it converts into	N/a	N/a	N/a
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/a	N/a	N/a
32	If write-down, full or partial	N/a	N/a	N/a
33	If write-down, permanent or temporary	N/a	N/a	N/a
34	If temporary write-down, description of write-up mechanism	N/a	N/a	N/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated liability noted in column 2-3	All liabilities except the subordinated liabilities	All liabilities except the subordinated liabilities
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/a	N/a	N/a

(') Insert 'N/A' if the question is not applicable

Table 5.7.T3. Own Funds Disclosure Template

(Euros in Millions)		Amount at Disclosure Date
Common Equity Tier 1 Capital: Instruments and Reserves		
1	Capital instruments and the related share premium accounts	8,150
	of which: Ordinary shares with full voting rights	29
	of which: Share premium	8,065
	of which: Capital contribution	56
2	Retained earnings	2,437
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(42)
3a	Funds for general banking risk	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,545
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(52)
8	Intangible assets (net of related tax liability) (negative amount)	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1)
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	(53)
29	Common Equity Tier 1 (CET1) capital	10,492
45	Tier 1 capital (T1 = CET1 + AT1)	10,492
Tier 2 (T2) capital: Instruments and provisions		
46	Capital instruments and the related share premium accounts	1,780
51	Tier 2 (T2) capital before regulatory adjustments	1,780
Tier 2 (T2) capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 (T2) capital	
58	Tier 2 (T2) capital	1,780
59	Total capital (TC = T1 + T2)	12,272
60	Total risk weighted assets	51,732
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.3%
62	Tier 1 (as a percentage of risk exposure amount)	20.3%
63	Total capital (as a percentage of risk exposure amount)	23.7%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.4%
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	0.4%
67	of which: systemic risk buffer requirement	0.0%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.3%
Amounts below the thresholds for deduction (before risk weighting)		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	36
Applicable caps on the inclusion of provisions in Tier 2		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	472

No restrictions have been applied to the calculation of own funds.

There are no own funds items or adjustments that are subject to pre-regulation (EU) No 575 / 2013 treatment or prescribed residual amount of regulation (EU) No 575 / 2013 in BAMLI DAC.

5.8 Leverage

5.8.1 Leverage Approach

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under the CRR rules.

The leverage ratio is monitored in line with regulatory requirements. Exposure is typically managed through a combination of mechanisms including risk appetite limits, collateralisation, and netting arrangements.

As at 31 December 2019, BAMLI DAC does not have any derecognised fiduciary items.

5.8.2 Additional Detail on Leverage Ratio

Table 5.8.2.T1. Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

(Euros in Millions)		Q4 2019
1	Total assets as per financial statements	52,506
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	—
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	—
4	Adjustments for derivative financial instruments	(1,082)
5	Adjustments for securities financing transactions (SFTs)	—
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	18,828
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	—
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	—
7	Other adjustments	417
8	Total leverage ratio exposure	70,669

Table 5.8.2.T2. Leverage Ratio Common Disclosure

(Euros in Millions)		Q4 2019
	On-Balance Sheet Exposures (excluding derivatives and SFTs)	
1	On-balance Sheet Items (excluding Derivatives, SFTs and fiduciary assets, but including Collateral)	46,376
2	Asset Amounts Deducted in Determining Tier 1 Capital	(53)
3	Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	46,323
	Derivative Exposures	
4	Replacement Cost Associated with Derivatives Transactions (net of Eligible Cash Variation Margin)	1,333
5	Add-on Amounts for PFE Associated with Derivatives Transactions (Mark-to-Market method)	402
EU-5a	Exposure Determined under Original Exposure Method	—
6	Gross-up for Derivatives Collateral provided where deducted from the Balance Sheet Assets pursuant to the Applicable Accounting Framework	—
7	(Deductions of Receivables Assets for Cash Variation Margin provided in Derivatives Transactions)	(1,114)
8	(Exempted CCP leg of Client-Cleared Trade Exposures)	—
9	Adjusted Effective Notional Amount of Written Credit Derivatives	—
10	(Adjusted Effective Notional Offsets and Add-On Deductions for Written Credit Derivatives)	—
11	Total Derivative Exposure	621
	Securities Financing Transaction Exposures	—
12	Gross SFT Assets (With No Recognition of Netting), after Adjusting for Sales Accounting Transactions	4,897
13	(Netted Amounts of Cash Payables and Cash Receivables of Gross SFT Assets)	—
14	Counterparty Credit Risk Exposure for SFT Assets	—
EU-14a	Derogation For SFTs: Counterparty Credit Risk Exposure in accordance with Article 429B (4) and 222 of Regulation (Eu) NO. 575/2013	—
15	Agent Transaction Exposures	—
EU-15a	(Exempted CCP Leg of Client-Cleared SFT Exposure)	—
16	Total Securities Financing Transaction Exposures	4,897
	Off-Balance Sheet Exposures	
17	Off-balance Sheet Exposures at Gross Notional Amount	39,450
18	Adjustments for Conversion to Credit Equivalent Amounts	(20,622)
19	Total Off-Balance Sheet Exposures	18,828
	Exempted Exposures	
EU-19a	(Exemption of Intragroup Exposures (Solo Basis) in accordance with Article 429(7) of Regulation (EU) NO. 575/2013 (On And Off Balance Sheet))	—
EU-19b	(Exposures Exempted in accordance with Article 429 (14) of Regulation (EU) NO. 575/2013 (On And Off Balance Sheet))	—
	Capital and Total Exposures	
20	Tier 1 Capital	10,492
21	Exposures of Financial Sector Entities According to Article 429(4) Second Subparagraph of Regulation (EU) NO. 575/2013	—
	Total Leverage Ratio Exposures	70,669
	Leverage Ratio	
22	Leverage Ratio	14.9%
EU-23	Choice on Transitional Arrangements and Amount of Derecognised Fiduciary Items	
EU-24	Choice on Transitional Arrangements for the Definition of the Capital Measure	Fully phased-in
	Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) No 575/2013	—

Table 5.8.2.T3. Split of On-Balance Sheet Exposures (Excluding Derivatives and SFTs)

<i>(Euros in Millions)</i>		Q4 2019
EU-1	Total on-balance sheet exposures (excluding derivatives and STFs), of which:	45,262
EU-2	Trading book exposures	585
EU-3	Banking book exposures, of which:	44,669
EU-4	Covered bonds	—
EU-5	Exposures treated as sovereigns	10,107
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	1
EU-7	Institutions	6,451
EU-8	Secured by mortgages of immovable properties; of which	2,175
EU-9	Retail exposures	—
EU-10	Corporate	18,416
EU-11	Exposures in default	665
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6,855

5.8.3 Management of Risk of Excessive Leverage

The BAMLI DAC Board sets a leverage ratio Risk Appetite Limit at an appropriate level above the expected regulatory minimum (calculated in accordance with CRR Article 429). BAMLI DAC is required to maintain this ratio at all times.

Leverage ratio metrics are monitored and reviewed for consistency with the Strategic Plan and Risk Appetite Statement ("RAS"), and are reviewed quarterly by the Board. This will include actual reported leverage ratio, compared against the Board's Risk Appetite Limit and regulatory minimums, and also against peer firms' reported ratios from time to time. The Leverage Ratio reinforces the risk based requirements and limits the build-up of excessive leverage.

A breach of the ratio will trigger protocols set out in the BAMLI DAC Capital Management Policy, where specific governance, escalation, and management actions are set out at various trigger levels that align with the Board risk appetite and recovery plan indicators.

Excessive Leverage ratio is also managed through Regulatory Capital Management Reports. The following metrics are monitored:

- Tier 1 Capital Ratio
- Excess over CET 1 Risk Appetite Trigger
- Total Capital Ratio
- Excess over Total Capital Risk Appetite Trigger

Comprehensive risk management of excessive leverage is achieved through Board risk appetite framework and quarterly Board oversight, with clear management actions in the event of a limit breach as set out in the Capital Management Policy.

Bank of America Merrill Lynch International Designated Activity Company Pillar 3 Disclosure

6. Additional Information on Remuneration Disclosure
As at 31 December 2019

6.1 Remuneration Disclosure

The BAMLI DAC remuneration disclosure, made in accordance with Article 450 of the Capital Requirements Regulation No 575/2013, is separately published on BAC's corporate website (<http://investor.bankofamerica.com>) and should be deemed part of the Pillar 3 Disclosure for BAMLI DAC.

Bank of America Merrill Lynch International Designated Activity Company

Pillar 3 Disclosure

7. Appendices

As at 31 December 2019

Appendix 1 - Directors Board Membership and Experience

		No. Of Directorships	
		Total	Excluding non-commercial and counting group appointments as one
David Guest	Mr Guest is a Non-Executive Director and Risk Committee Chair of Greenval Insurance DAC, Non-Executive Director of MMS Multi Market Services Ireland DAC and MMS Multi Euro Services DAC. In addition, he is an Independent Non-Executive Director and Chair of the Audit Committee up until 13 December 2019 of Bank of America Merrill Lynch International DAC. Mr Guest is the Chair of Northern Trust Fiduciary Services (Ireland) Limited and Vera Financial DAC. He is a former Country Manager with ABN AMRO in Ireland and brought considerable expertise in banking and financial services to the Board, in addition to a strong focus on corporate governance. Prior to becoming Country Manager, he established and developed an international treasury management business for ABN AMRO in the newly established International Financial Services Centre in Dublin. Mr Guest received a waiver from the European Banking Authority on 10 May 2019 to hold one additional non-executive directorship beyond the four permitted under Article 79(7) of the Statutory Instrument No. 158/2014 - European Union (Capital Requirements) Regulations and Article 91(3) of the CRD IV for the period to 31 December 2019. He is a Chartered Director with the Institute of Directors in Ireland.	6	5
Independent Non-Executive Director			
Sally James	Ms James has practiced law in both England and the United States, and has held senior legal roles within the investment banking sector in London and Chicago, including Managing Director and EMEA General Counsel for UBS Investment Bank from 2001 to 2008. Ms. James's previous directorships included six years as a Non-Executive Director and Chair of the Risk Committee of UBS Limited from 2009 to 2015. Ms James currently serves as a Senior Independent Non-Executive Director for Rotork plc and Moneysupermarket.com Group plc and is an Independent Non-Executive Director for Hermes Fund Managers Limited. Ms James is an Independent Non-Executive Director and Chairs the Nominations and Remuneration Committees of Bank of America Merrill Lynch International DAC.	4	4
Independent Non-Executive Director			
Nick Jordan	Mr Jordan has over 35 years' experience as an executive banking professional, and has held several senior leadership positions within the Royal Bank of Canada and the Royal Bank of Scotland (RBS). He has most recently worked within risk management as a Chief Risk Officer, Chief Credit Officer and Board Member of the RBS Corporate Banking Business. He is an experienced Independent Non-Executive Director and has considerable experience within the energy, transport and infrastructure industries. Mr Jordan was appointed as an Independent Non-Executive Director and Chair of the Board Risk Committee of Bank of America Merrill Lynch International DAC on 2 October 2019, and also serves as a member of the Audit Committee. Additionally, he serves as an Independent Non-Executive Chairman, Chair of the Nominations Committee and member of the Risk and Remuneration Committees of Hanley Economic Building Society and as an Independent Non-Executive Director of Hanley Financial Services Limited and Hanley Mortgage Service Limited. Mr Jordan is also an Independent Non-Executive Director for Nordisk Renting AB and a Director for 1624 Limited.	6	3
Independent Non-Executive Director			
Rose McHugh	Ms McHugh has extensive knowledge of the Irish financial sector with over 35 years' experience in the industry. She was appointed as an Independent Non-Executive Director of Bank of America Merrill Lynch Internal DAC on 13 December 2019, and is the Chair of the Audit Committee and a member of the Remuneration and Nominations Committees. Ms McHugh serves as a Non-Executive Director, Chair of the Audit Committee and member of the Risk Committee for Irish Life Group Ltd, Irish Life Investment Managers Ltd, Setanta Asset Management Ltd and Canada Irish Life Holding Company Ltd. She is also a Non-Executive Director and a member of the Audit and Risk Committees for Irish Life Assurance plc. Ms McHugh also serves as a Non-Executive Director for Xiu Lan Properties Ltd, Xiu Lan Riverside Hotel Ltd, Xiu Lan Hotels Ltd and Xiu Lan Golf & Leisure Ltd. In addition, Ms McHugh serves as a Non-Executive Director of Hesscroft Ltd, a Non-Executive Director and Chair of the Audit Committee of Irish Music Rights Organisation CLG and is the Non-Executive Chair of Crawford Art Gallery Cork.	13	4
Independent Non-Executive Director			
John G Murphy	Mr Murphy is an Independent Non-Executive Director of Bank of America Merrill Lynch International DAC, BofAML Securities Europe DAC and Bank of America Custodial Services (Ireland) Limited. Mr Murphy is an Independent Non-Executive Director of CNP Europe Life DAC, CNP Santander Insurance Europe DAC and CNP Santander Insurance Life DAC and is additionally a Non-Executive Director of Long Stone Asset Holdings Limited. He is currently a Non-Executive Director of GDAC Investments Limited, a private investment vehicle, set up for the sole purpose of managing Mr Murphy's private economic interests, and is a Non-Executive Director of Triple Crest Limited and Fermat Point Limited which form part of this group of companies. He was formerly the Country Manager / CEO of the HypoVereinsbank group operations in Ireland between 1989 and 2000. Between 2000 and 2002 Mr Murphy led a project team to establish a European Corporate Bank for Intel Corporation. He was Group Finance Director of the Jacob Fruitfield Food Group between 2002 and 2007 and is a Fellow of the Institute of Chartered Accountants in Ireland, a Certified Financial Planner and member of the Institute of Taxation and the Institute of Directors in Ireland.	10	3
Independent Non-Executive Director			
Shannon Lilly	Joined Bank of America in 2005. Mr Lilly is the Strategic Asset and Liability Management Executive for Bank of America and a member of the Treasury leadership team. Mr Lilly was appointed as a Group Non-Executive Director of Bank of America Merrill Lynch International DAC on 4 October 2019, and serves as an Executive Director and Deputy CEO of BofA Securities Europe S.A. He is responsible for the finance, risk, compliance, global technology and operations, human resources and legal functions in his capacity as Deputy CEO. In addition, Mr Lilly is a Non-Executive Director of Merrill Lynch B.V.	3	1
Group Non-Executive Director			

		No. Of Directorships	
		Total	Excluding non-commercial and counting group appointments as one
Bruce Thompson	Joined Bank of America in 1996, Mr. Thompson has held a number of senior positions within the firm; as Chief Risk Officer in 2010, and subsequently as Chief Financial Officer in 2011, a position he held until 2015. Mr. Thompson was appointed as Vice Chairman of Bank of America in 2016. He is Chief Executive Officer and Executive Director of Bank of America Merrill Lynch International DAC and Non-Executive Director of BofA Securities Europe SA. Mr. Thompson is a member of the Darden School Foundation Board of Trustees at the University of Virginia serving on the Audit/Finance Committee, and is a member of the Board of Trustees of Allegheny College in Meadville, PA., serving on the Executive Committee.	4	1
Chief Executive Officer and Executive Director			
George Carp	Joined Bank of America in 1998. Mr. Carp is a qualified auditor (CPA) and FINRA professional with over 35 years of professional experience in the Financial Services Industry. Over his long career Mr. Carp has continuously been involved in financial planning and analysis. First as an auditor for EY specialising in auditing broker-dealers and large multi-national Banking organisations, to later being a Legal Entity Controller for a section 20 broker-dealer, and then for the last 20 years covering Bank of America GBAM Finance in a variety of senior roles in financial planning and analysis. Mr. Carp is the Chief Financial Officer and Executive Director of Bank of America Merrill Lynch International DAC.	1	1
Chief Financial Officer and Executive Director			
Anne Finucane	Joined Bank of America in 2004, Ms Finucane is Vice Chairman of Bank of America Corporation and was Global Chief Strategy and Marketing Officer. Since joining the firm she has held a number of senior roles and is a member of the Company's executive management committee, she continues to lead globally on capital deployment, public policy, and environmental, social and governance. Ms Finucane is Chair of Bank of America Merrill Lynch International DAC and Group Non-Executive Director of BofA Securities Europe S.A. She is also a Group Non-Executive Director of Bank of America Charitable Foundation, Inc. She is a Non-Executive Director Carnegie Hall Society, Inc., National September 11 Memorial & Museum at the World Trade Centre Foundation, Inc., Brigham and Women's Hospital, Inc., Special Olympics, Inc., The Ireland Funds and Partners Healthcare System, Inc. Ms Finucane is an Independent Non-Executive Director of CVS Health Corp.	10	2
Chair and Group Non-Executive Director			

Appendix 2 – Supplementary Disclosure Templates

Table A2.T1. EU CR3 CRM Techniques – Overview

	Q4 2019				
	a	b	c	d	e
	Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
<i>(Euros in Millions)</i>					
Total loans	39,514	8,080	2,186	6,243	9
Total debt securities	1,713	266	—	—	266
Total exposures	41,227	8,346	2,186	6,243	275
Of which defaulted	986	—	—	—	—

Table A2.T2. EU CR3 CRM Techniques Prior – Overview

	Q2 2019				
	a	b	c	d	e
	Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
<i>(Euros in Millions)</i>					
Total loans	40,963	6,763	2,823	6,754	9
Total debt securities	2,977	252	—	—	252
Total exposures	43,940	7,015	2,823	6,754	261
Of which defaulted	896	—	—	—	—

Table A2.T3. EU CR5 – Standardised Approach

(Euros in millions)		Q4 2019																	
		Risk weight																Total	Of which unrated
		Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	9,556	—	—	—	399	—	—	—	—	116	—	36	—	—	—	—	10,107	116
2	Regional governments or local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	97
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	—	—	—	569	—	607	—	—	948	—	—	—	—	—	—	2,124	827
7	Corporates	—	—	—	—	912	—	5,838	—	—	27,762	317	—	—	—	—	—	34,830	18,868
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	—	2,351	—	—	—	—	—	—	2,351	2,351
10	Exposures in default	—	—	—	—	—	—	—	—	—	—	818	—	—	—	—	—	818	648
11	Higher-risk categories	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	686	—	99	—	—	173	—	—	—	—	—	—	958	—
14	Collective investment undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
16	Other items	—	—	—	—	—	—	—	—	—	777	108	—	—	—	—	—	885	747
17	Total	9,556	—	—	—	2,566	—	6,544	—	—	32,127	1,243	36	—	—	—	—	52,073	23,654

Table A2.T4. EU CR5 Prior – Standardised Approach

(Euros in millions)		Q2 2019																	
		Risk weight																Total	Of which unrated
		Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Others		
1	Central governments or central banks	12,009	—	—	—	395	—	—	—	—	104	—	77	—	—	—	—	12,585	104
2	Regional governments or local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	10	—	—	—	—	1	—	—	—	—	—	—	11	10
4	Multilateral development banks	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	1
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	—	—	—	417	—	664	—	—	837	—	—	—	—	—	—	1,918	714
7	Corporates	—	—	—	—	530	—	3,894	—	—	30,250	270	—	—	—	—	—	34,944	20,492
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	—	2,810	—	—	—	—	—	—	2,810	2,810
10	Exposures in default	—	—	—	—	—	—	—	—	—	—	736	—	—	—	—	—	736	653
11	Higher-risk categories	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	809	—	70	—	—	50	—	—	—	—	—	—	929	—
14	Collective investment undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Equity	—	—	—	—	—	—	—	—	—	—	—	158	—	—	—	—	158	158
16	Other items	—	—	—	—	—	—	—	—	—	946	63	—	—	—	—	—	1,009	926
17	Total	12,010	—	—	—	2,161	—	4,628	—	—	34,998	1,069	235	—	—	—	—	55,101	25,868

The main movement in the period is driven by 0% risk weight exposures with Central Governments or Central Banks as a result of a reduction in cash placements with Central Banks at year end

Table A2.T5. EU CCR1 Analysis of CCR Exposure by Approach

(Euros in Millions)	Q4 2019						
	a	b	c	d	e	f	g
	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		1,371	742			1,084	727
Original exposure	—					—	—
Standardised approach		—			—	—	—
IMM (for derivatives and SFT's)				—	—	—	—
Of which securities financing transactions				—	—	—	—
Of which derivatives and long settlement transactions				—	—	—	—
Of which from contractual crossproduct netting				—	—	—	—
Financial collateral simple method (for SFTs)				—	—	—	—
Financial collateral comprehensive method (for SFTs)						44	9
VaR for SFTs						—	—
Total		1,371	742			1,128	736

Table A2.T6. EU CCR2 CVA Capital Charge

(Euros in Millions)	Q4 2019	
	a	b
	Exposure value	RWA
1 Total portfolios subject to the advanced method	—	—
2 (i) VaR component (including the 3× multiplier)		—
3 (ii) SVaR component (including the 3× multiplier)		—
4 All portfolios subject to the standardised method	953	860
5 Based on the original exposure method	—	—
6 Total subject to the CVA capital charge	—	—

Table A2.T7. EU CCR2 Prior CVA Capital Charge

(Euros in Millions)	Q2 2019	
	a	b
	Exposure value	RWA
1 Total portfolios subject to the advanced method	—	—
2 (i) VaR component (including the 3× multiplier)		—
3 (ii) SVaR component (including the 3× multiplier)		—
4 All portfolios subject to the standardised method	840	1,478
5 Based on the original exposure method	—	—
6 Total subject to the CVA capital charge	—	—

CVA RWA decreased in the period driven by additional CVA hedge trades booked in H2 2019.

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Table A2.T8 EU CCR3 Standardised Approach – CCR Exposures by Regulatory Portfolio and Risk

(Euros in Millions)		Risk weight												Total	Of which unrated
Exposure classes		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Deducted		
1	Central Governments or Central Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Regional Governments or Local Authorities	—	—	—	—	—	75	—	—	296	—	—	—	371	97
3	Public Sector Entities	—	—	—	—	—	110	—	—	—	—	—	—	110	—
4	Multilateral Development Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	International Organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	24	—	—	31	415	—	—	—	—	—	—	471	25
7	Corporates	—	—	—	—	—	40	—	—	99	—	—	—	139	44
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Institutions and Corporates with a Short-term Credit Assessment	—	—	—	—	53	7	—	—	1	—	—	—	61	—
10	Other Items	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Total	—	24	—	—	84	647	—	—	396	—	—	—	1,152	166

Table A2.T9. EU CCR5-B Composition of Collateral for Exposures to CCR

(Euros in Millions)	Q4 2019					
	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	596	—	1,114	—	4,994	—
Total	596	—	1,114	—	4,994	—

Table A2.T10. EU CCR5-B Prior Composition of Collateral for Exposures to CCR

(Euros in millions)	Q2 2019					
	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	585	—	1,209	—	5,378	—
Total	585	—	1,209	—	5,378	—

Table A2.T11. EU CR4 – Standardised Approach – Credit Risk Exposure and CRM Effects

(Euros in Millions)	Exposure classes	Q4 2019					
		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	10,107	—	10,107	—	286	3%
2	Regional governments or local authorities	—	—	—	—	—	100%
3	Public sector entities	—	—	—	—	—	100%
4	Multilateral development banks	—	2	—	—	—	0%
5	International organisations	—	—	—	—	—	0%
6	Institutions	1,796	563	1,795	329	1,365	64%
7	Corporates	18,416	36,172	18,416	16,413	31,339	90%
8	Retail	—	—	—	—	—	0%
9	Secured by mortgages on immovable property	2,175	677	2,175	175	2,351	100%
10	Exposures in default	665	322	665	154	1,227	150%
11	Higher-risk categories	—	—	—	—	—	0%
12	Covered bonds	—	—	—	—	—	0%
13	Institutions and corporates with a short-term credit assessment	760	372	760	198	359	38%
14	Collective investment undertakings	—	—	—	—	—	0%
15	Equity	—	—	—	—	—	0%
16	Other items	523	361	523	361	938	106%
17	Total	34,442	38,469	34,441	17,630	37,867	73%

Table A2.T12. EU CR4 Prior – Standardised Approach – Credit Risk Exposure and CRM Effects

(Euros in millions)		Q2 2019					
		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	12,585	—	12,585	—	375	3%
2	Regional governments or local authorities	—	—	—	—	—	100%
3	Public sector entities	10	—	10	—	2	24%
4	Multilateral development banks	1	1	1	—	—	0%
5	International organisations	—	—	—	—	—	0%
6	Institutions	1,626	487	1,627	292	1,253	65%
7	Corporates	19,234	36,458	19,234	15,709	32,708	94%
8	Retail	—	—	—	—	—	0%
9	Secured by mortgages on immovable property	2,758	134	2,758	51	2,810	100%
10	Exposures in default	629	267	629	108	1,105	150%
11	Higher-risk categories	—	—	—	—	—	0%
12	Covered bonds	—	—	—	—	—	0%
13	Institutions and corporates with a short-term credit assessment	438	1,040	438	492	248	27%
14	Collective investment undertakings	—	—	—	—	—	0%
15	Equity	158	—	158	—	395	250%
16	Other items	666	344	666	344	1,041	103%
17	Total	38,105	38,731	38,106	16,996	39,936	72%

The main movement in the period is driven by on-balance sheet exposures with Central Governments or Central Banks as a result of a reduction in cash placements with Central Banks at year end

Table A2.T13. EU CCR5-A Impact of Netting and Collateral Held on Exposures Values

(Euros in Millions)		Q4 2019				
		a	b	c	d	e
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
			Applied		Used	
1	Derivatives	2,217	24	2,193	233	1,960
2	SFTs	4,896	—	4,896	4,853	43
3	Cross-product netting	—	—	—	—	—
4	Total	7,113	24	7,089	5,086	2,003

Table A2.T14. EU CCR6 Credit Derivatives Exposure

	Q4 2019		
	a	b	c
	Credit Derivative Hedges		Other Credit Derivatives
(Euros in millions)	Protection Bought	Protection Sold	
Notionals			
Single-name credit default swaps	1,658	30	—
Index credit default swaps	—	—	—
Total return swaps	92	—	—
Credit options	—	—	—
Other credit derivatives	—	—	—
Total notionals	1,750	30	—
Fair values			
Positive fair value (asset)	32	—	—
Negative fair value (liability)	34	—	—

Table A2.T15. EU CCR6 Prior Credit Derivatives Exposure

	Q2 2019		
	a	b	c
	Credit Derivative Hedges		Other Credit Derivatives
(Euros in millions)	Protection Bought	Protection Sold	
Notionals			
Single-name credit default swaps	1,830	—	—
Index credit default swaps	—	—	—
Total return swaps	109	—	—
Credit options	—	—	—
Other credit derivatives	—	—	—
Total notionals	1,939	—	—
Fair values			
Positive fair value (asset)	45	—	—
Negative fair value (liability)	41	—	—

Table A2.T16. EU CR2-A – Changes in the Stock of General and Specific Credit Risk Adjustments

(Euros in Millions)		Q4 2019	
		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance	—	129
2	Increases due to amounts set aside for estimated loan losses during the period	—	38
3	Decreases due to amounts reversed for estimated loan losses during the period	—	(40)
4	Decreases due to amounts taken against accumulated credit risk adjustments	—	(23)
5	Transfers between credit risk adjustments	—	—
6	Impact of exchange rate differences	—	—
7	Business combinations, including acquisitions and disposals of subsidiaries	—	—
8	Other adjustments ¹	—	29
9	Closing balance	—	133
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	—	—
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	—	—

1: Other adjustments include changes due to update in the methodology used for estimation of credit risk adjustments

Table A2.T17. EU CR2-A Prior – Changes in the Stock of General and Specific Credit Risk Adjustments

(Euros in Millions)		Q2 2019	
		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance	—	89
2	Increases due to amounts set aside for estimated loan losses during the period	—	78
3	Decreases due to amounts reversed for estimated loan losses during the period	—	(38)
4	Decreases due to amounts taken against accumulated credit risk adjustments	—	—
5	Transfers between credit risk adjustments	—	—
6	Impact of exchange rate differences	—	—
7	Business combinations, including acquisitions and disposals of subsidiaries	—	—
8	Other adjustments ¹	—	—
9	Closing balance	—	129
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	—	—
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	—	—

Table A2.T18. CR2-B – Changes in the Stock of Defaulted and Impaired Loans and Debt Securities

		Q4 2019
		a
(Euros in Millions)		Gross carrying value defaulted exposures
1	Opening balance	670
2	Loans and debt securities that have defaulted or impaired since the last reporting period	294
3	Returned to non-defaulted status	—
4	Amounts written off	(66)
5	Other changes	(80)
6	Closing balance	818

The majority of other charges include decrease in unfunded commitments

Table A2.T19. CR2-B Prior – Changes in the Stock of Defaulted and Impaired Loans and Debt Securities

		Q2 2019
		a
(Euros in Millions)		Gross carrying value defaulted exposures
1	Opening balance	463
2	Loans and debt securities that have defaulted or impaired since the last reporting period	226
3	Returned to non-defaulted status	—
4	Amounts written off	(23)
5	Other changes	4
6	Closing balance	670

The majority of other charges include increase in unfunded commitments

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Table A2.T20. NPE Template 1 - Credit Quality of Forborne Exposures

	Q4 2019							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		
			Of which defaulted	Of which impaired				Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
<i>(Euros in Millions)</i>								
Loans and advances	182	305	305	305	(5)	(15)	168	104
<i>Central banks</i>	—	—	—	—	—	—	—	—
<i>General governments</i>	—	—	—	—	—	—	—	—
<i>Credit institutions</i>	—	—	—	—	—	—	—	—
<i>Other financial</i>	13	114	114	114	(1)	(2)	46	41
<i>Non-financial corporations</i>	169	191	191	191	(4)	(13)	122	63
<i>Households</i>	—	—	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—	—
Loan commitments given	75	37	37	37	—	—	—	—
Total	257	342	342	342	(5)	(15)	168	104

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Table A2.T21. NPE Template 1 Prior - Credit Quality of Forborne Exposures

	Q2 2019							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		
			Of which defaulted	Of which impaired				Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
<i>(Euros in Millions)</i>								
Loans and advances	251	340	340	340	(5)	(30)	210	87
<i>Central banks</i>	—	—	—	—	—	—	—	—
<i>General governments</i>	—	—	—	—	—	—	—	—
<i>Credit institutions</i>	—	—	—	—	—	—	—	—
<i>Other financial</i>	16	113	113	113	—	(3)	10	10
<i>Non-financial corporations</i>	235	227	227	227	(5)	(27)	200	77
<i>Households</i>	—	—	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—	—
Loan commitments given	104	108	108	108	(2)	—	—	—
Total	355	448	448	448	(7)	(30)	210	87

Table A2.T22. NPE Template 3 - Credit Quality of Performing and Non-performing Exposures by Past Due Days

		Q4 2019											
		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
			Not past due or past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past due or are past due < 90 days	Past due > 90 days < 180 days	Past due > 180 days < 1 year	Past due > 1 year < 2 years	Past due > 2 year < 5 years	Past due > 5 year < 7 years	Past due > 7	Of which defaulted
(Euros in Millions)													
1	Loans and advances	46,925	46,922	3	497	497	—	—	—	—	—	—	497
2	Central banks	8,150	8,150	—	—	—	—	—	—	—	—	—	—
3	General governments	511	511	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	12,428	12,428	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	12,846	12,846	—	151	151	—	—	—	—	—	—	151
6	Non-financial corporations	12,991	12,988	3	346	346	—	—	—	—	—	—	346
7	Of which SME's	16	16	—	—	—	—	—	—	—	—	—	—
8	Households	—	—	—	—	—	—	—	—	—	—	—	—
9	Debt securities	1,402	1,402	—	—	—	—	—	—	—	—	—	—
10	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
11	General governments	1,402	1,402	—	—	—	—	—	—	—	—	—	—
12	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
15	Off-balance-sheet exposures	39,128			321								—
16	Central banks	—			—								—
17	General governments	—			—								—
18	Credit institutions	778			—								—
19	Other financial corporations	12,107			44								—
20	Non-financial corporations	26,243			277								—
21	Households	—			—								—
22	Total	87,455	48,324	3	818	497	—	—	—	—	—	—	497

Table A2.T23. NPE Template 3 Prior - Credit Quality of Performing and Non-performing Exposures by Past Due Days

		Q2 2019											
		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
			Not past due or past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past due or are past due < 90 days	Past due > 90 days < 180 days	Past due > 180 days < 1 year	Past due > 1 year < 2 years	Past due > 2 year < 5 years	Past due > 5 year < 7 years	Past due > 7	Of which defaulted
(Euros in Millions)													
1	Loans and advances	49,837	49,753	84	403	403	—	—	—	—	—	—	403
2	Central banks	9,690	9,690	—	—	—	—	—	—	—	—	—	—
3	General governments	494	494	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	9,806	9,806	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	15,851	15,845	6	134	134	—	—	—	—	—	—	134
6	Non-financial corporations	13,996	13,917	78	269	269	—	—	—	—	—	—	269
7	Of which SME's	20	20	—	—	—	—	—	—	—	—	—	—
8	Households	—	—	—	—	—	—	—	—	—	—	—	—
9	Debt securities	2,306	2,306	—	—	—	—	—	—	—	—	—	—
10	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
11	General governments	2,306	2,306	—	—	—	—	—	—	—	—	—	—
12	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
15	Off-balance-sheet exposures	39,335			267								—
16	Central banks	—			—								—
17	General governments	5			—								—
18	Credit institutions	646			—								—
19	Other financial corporations	11,828			34								—
20	Non-financial corporations	26,856			234								—
21	Households	—			—								—
22	Total	91,478	52,059	84	670	403	—	—	—	—	—	—	403

Table A2.T24. NPE Template 4 - Performing and Non-performing Exposures and Related Provisions

		Q4 2019														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulat ed partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performin g exposures	On non-performin g exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
(Euros in millions)																
1	Loans and advances	46,925	46,367	558	497	—	497	(56)	(36)	(21)	(25)	—	(25)	(8)	14,817	150
2	Central banks	8,150	8,150	—	—	—	—	—	—	—	—	—	—	—	—	—
3	General governments	511	511	—	—	—	—	—	—	—	—	—	—	—	186	—
4	Credit institutions	12,428	12,428	—	—	—	—	(3)	(3)	—	—	—	—	—	181	—
5	Other financial corporations	12,846	12,658	188	151	—	151	(23)	(13)	(10)	(7)	—	(7)	(3)	5,912	46
6	Non-financial corporations	12,991	12,621	371	346	—	346	(31)	(20)	(11)	(18)	—	(18)	(5)	8,537	104
7	Of which SME's	16	—	17	—	—	—	—	—	—	—	—	—	—	—	—
8	Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Debt securities	1,402	1,402	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	General governments	1,402	1,402	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Off-balance-sheet exposures	39,128	38,600	529	321	—	321	(45)	(33)	(12)	(9)	—	(9)	—	—	—
16	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
18	Credit institutions	778	778	—	—	—	—	—	—	—	—	—	—	—	—	—
19	Other financial corporations	12,107	11,785	322	44	—	44	(21)	(14)	(7)	(3)	—	(3)	—	—	—
20	Non-financial corporations	26,243	26,036	207	277	—	277	(23)	(19)	(5)	(7)	—	(7)	—	—	—
21	Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
22	Total	87,455	86,369	1,087	818	—	818	(101)	(69)	(33)	(34)	—	(34)	(8)	14,817	150

Table A2.T25. NPE Template 4 Prior - Performing and Non-performing Exposures and Related Provisions

(Euros in millions)		Q2 2019														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulat ed partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performin g exposures	On non-performin g exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	49,837	48,589	1,248	403	—	403	(65)	(24)	(41)	(34)	—	(34)	(36)	13,386	238
2	Central banks	9,690	9,690	—	—	—	—	—	—	—	—	—	—	—	—	—
3	General governments	494	494	—	—	—	—	—	—	—	—	—	—	—	181	—
4	Credit institutions	9,806	9,806	—	—	—	—	(5)	(5)	—	—	—	—	(13)	157	—
5	Other financial corporations	15,851	15,289	562	134	—	134	(26)	(8)	(17)	(5)	—	(5)	(23)	3,400	92
6	Non-financial corporations	13,996	13,309	687	269	—	269	(35)	(11)	(24)	(29)	—	(29)	—	9,647	146
7	Of which SME's	20	6	14	—	—	—	—	—	—	—	—	—	—	—	—
8	Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Debt securities	2,306	2,306	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	General governments	2,306	2,306	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Off-balance-sheet exposures	39,335	38,311	1,024	267	—	267	(28)	(12)	(16)	(3)	—	(3)	—	—	—
16	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	General governments	5	5	—	—	—	—	—	—	—	—	—	—	—	—	—
18	Credit institutions	646	646	—	—	—	—	—	—	—	—	—	—	—	—	—
19	Other financial corporations	11,828	11,415	413	34	—	34	(10)	(3)	(7)	(2)	—	(2)	—	—	—
20	Non-financial corporations	26,856	26,245	611	234	—	233	(18)	(8)	(9)	(1)	—	(1)	—	—	—
21	Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
22	Total	91,478	89,206	2,272	670	—	670	(93)	(36)	(57)	(37)	—	(37)	(36)	13,386	238

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Table A2.T26. NPE Template 9 - Collateral Obtained by Taking Possession and Execution Processes

		Q4 2019	
		a	b
		Collateral obtained by taking possession	
(Euros in Millions)		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	—	—
2	Other than PP&E	—	—
3	Residential immovable property	—	—
4	Commercial Immovable property	—	—
5	Movable property (auto, shipping, etc.)	—	—
6	Equity and debt instruments	—	—
7	Other	—	—
8	Total	—	—

Table A2.T27. CR1-B - Credit Quality of Exposures by Industry and Counterparty Type

(Euros in millions)		Q4 2019						
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures				charges of the period	(a+b-c-d)
1	Agriculture, forestry and fishing	—	1	—	—	—	—	1
2	Mining and quarrying	—	1,289	—	3	(21)	(3)	1,286
3	Manufacturing	209	14,165	—	26	—	9	14,348
4	Electricity, gas, steam and air conditioning supply	75	3,182	—	5	—	1	3,252
5	Water Supply	—	156	—	—	—	—	156
6	Construction	47	403	—	7	(5)	3	443
7	Wholesale and retail trade	83	4,494	—	10	—	1	4,567
8	Transport and storage	7	2,527	—	2	—	—	2,532
9	Accommodation and food service activities	11	1,730	—	1	—	1	1,740
10	Information and communication	35	4,668	—	9	—	(1)	4,694
11	Financial and insurance activities	239	30,622	—	53	(14)	9	30,808
12	Real estate activities	198	1,746	—	4	—	2	1,940
13	Professional, scientific and technical activities	82	1,580	—	5	—	4	1,657
14	Administrative and support service activities	—	2,684	—	5	(70)	(23)	2,679
15	Public administration and defence, compulsory social security	—	1,954	—	—	—	—	1,954
16	Education	—	43	—	—	—	—	43
17	Human health services and social work activities	—	115	—	1	—	1	114
18	Arts, entertainment and recreation	—	556	—	2	—	—	554
19	Other services	—	10	—	—	—	—	10
20	Total	986	71,925	—	133	(110)	4	72,778

Table A2.T28. CR1-B Prior - Quality of Non-performing by Geography

		Q2 2019						
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures				charges of the period	(a+b-c-d)
(Euros in millions)								
1	Agriculture, forestry and fishing	—	1	—	—	—	—	1
2	Mining and quarrying	—	1,448	—	6	(21)	(1)	1,442
3	Manufacturing	105	13,721	—	17	—	7	13,809
4	Electricity, gas, steam and air conditioning supply	75	3,930	—	4	—	1	4,001
5	Water Supply	—	155	—	—	—	—	155
6	Construction	37	224	—	4	—	(7)	257
7	Wholesale and retail trade	70	4,341	—	9	—	1	4,402
8	Transport and storage	15	2,760	—	2	—	1	2,773
9	Accommodation and food service activities	11	703	—	—	—	—	714
10	Information and communication	26	4,301	—	10	—	(2)	4,317
11	Financial and insurance activities	261	31,773	—	46	(13)	13	31,988
12	Real estate activities	77	2,601	—	2	—	2	2,676
13	Professional, scientific and technical activities	106	2,758	—	1	—	—	2,863
14	Administrative and support service activities	113	2,994	—	26	(23)	25	3,081
15	Public administration and defence, compulsory social security	—	2,900	—	—	—	—	2,900
16	Education	—	48	—	—	—	—	48
17	Human health services and social work activities	—	175	—	—	—	—	175
18	Arts, entertainment and recreation	—	692	—	2	—	—	690
19	Other services	—	415	—	—	—	—	415
20	Total	896	75,940	—	129	(57)	40	76,707

Table A2.T29. CR1-C - Credit quality of exposures by geography

(Euros in millions)		Q4 2019						
		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures				charges of the period	(a+b-c-d)
1	EMEA	979	68,349	—	129	(110)	5	69,199
2	United Kingdom	341	15,335	—	35	(81)	(18)	15,641
3	France	124	9,459	—	17	—	9	9,566
4	Netherlands	67	7,121	—	12	—	2	7,176
5	Germany	5	5,231	—	8	—	2	5,228
6	Luxembourg	7	4,793	—	9	—	5	4,791
7	Switzerland	65	4,304	—	2	—	—	4,367
8	Belgium	—	3,555	—	1	—	1	3,554
9	Spain	138	3,001	—	9	—	5	3,130
10	Ireland	—	3,019	—	1	—	(1)	3,018
11	Italy	65	2,902	—	7	—	(4)	2,960
12	Sweden	—	1,280	—	3	—	1	1,277
13	Saudi Arabia	—	1,141	—	—	—	—	1,141
14	Other countries	167	7,208	—	25	(29)	3	7,350
15	Americas	7	2,913	—	4	—	(1)	2,916
16	United States	7	1,704	—	—	—	—	1,711
17	Cayman Islands	—	601	—	3	—	(2)	598
18	Other countries	—	608	—	1	—	1	607
19	Asia	—	663	—	—	—	—	663
20	China	—	374	—	—	—	—	374
21	Other countries	—	289	—	—	—	—	289
22	Total	986	71,925	—	133	(110)	4	72,778

Table A2.T30. CR1-C Prior - Credit quality of exposures by geography

		Q2 2019						
		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures				charges of the period	(a+b-c-d)
(Euros in millions)								
1	EMEA	895	72,322	—	124	(57)	43	73,093
2	United Kingdom	238	15,338	—	52	(35)	26	15,524
3	France	92	9,342	—	8	—	1	9,426
4	Netherlands	74	7,956	—	10	—	1	8,020
5	Germany	5	7,261	—	6	—	4	7,260
6	Luxembourg	10	6,525	—	3	—	(3)	6,532
7	Switzerland	63	3,917	—	2	—	1	3,978
8	Belgium	—	3,539	—	—	—	—	3,539
9	Spain	183	3,693	—	4	—	1	3,872
10	Ireland	—	2,967	—	2	—	1	2,965
11	Italy	70	2,361	—	11	—	(3)	2,420
12	Sweden	—	1,199	—	2	—	2	1,197
13	Saudi Arabia	—	1,010	—	—	—	—	1,010
14	Other countries	160	7,214	—	22	(22)	10	7,352
15	Americas	1	3,184	—	5	—	(3)	3,180
16	United States	1	1,611	—	—	—	—	1,612
17	Cayman Islands	—	943	—	5	—	(2)	938
18	Other countries	—	630	—	—	—	(1)	630
19	Asia	—	434	—	—	—	—	434
20	China	—	372	—	—	—	—	372
21	Other countries	—	62	—	—	—	—	62
22	Total	896	75,940	—	129	(57)	40	76,707

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Glossary

ABS	Asset-Backed Securities
AT1	Additional Tier 1
BAC	Bank of America Corporation
BAMLI DAC	Bank of America Merrill Lynch International Designated Activity Company
BAMLI DAC CRO	BAMLI DAC Chief Risk Officer
BAMLI DAC ORC	BAMLI DAC Operational Risk Committee
BAMLI Ltd	Bank of America Merrill Lynch International Limited
BANA	Bank of America, National Association
BRC	Board Risk Committee
Capital Resources	BAMLI DAC's Capital Resources
CBI	Central Bank of Ireland
CBM	Cross Border Merger
CCR	Counterparty Credit Risk
CCYB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CMBS	Commercial mortgage-backed securities
CMP	Capital Management Policy
COREP	Common Reporting
CQS	Credit Quality Step
CRD IV	Capital Requirements Directive IV
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulations
CSA	Credit Support Annexes
CVA	Credit Valuation Adjustment
DVA	Debit Valuation Adjustment
EBA	European Banking Authority
ECAIs	External Credit Assessment Institutions
EMEA	Europe, Middle East & Africa
EMEA CRO	EMEA Chief Risk Officer
EU	European Union
FINREP	Financial Reporting
Fitch	Fitch Ratings, Inc
FLU	Front Line Unit
FX	Foreign Exchange
GDP	Gross Domestic Product
GM & GB	Global Markets and Global Banking
GRM	Global Risk Management
G-SII	Global Systemically Important Institution
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards

IMA	Internal Models Approach
IMMC	Identify, Measure, Monitor, and Control
ISDA	International Swap Dealers Association Master Agreement
JST	Joint Supervisory Team
LCR	Liquidity Coverage Ratio
Moody's	Moody's Investors Service, Inc
MRC	Management Risk Committee
O-SII	Other Systemically Important Institution
OTC	Over the Counter
PRA	UK Prudential Regulation Authority
RAS	Risk Appetite Statement
Risk Framework	BAC's Risk Governance Framework
RSA	Risk Self-Assessment
RTS	Regulatory Technical Standard
RWAs	Risk Weighted Assets
S&P	Standard & Poor's Financial Services LLC
SFT	Securities Financing Transaction
SPE	Special Purpose Entities
SREP	Supervisory Review and Evaluation Process
SSM	Single Supervisory Mechanism
The Policy	BAMLI DAC's Pillar 3 disclosure policy
UMR	Uncleared Margin Rules
VaR	Value at Risk