Bank of America Europe DAC (formerly Bank of America Merrill Lynch International DAC)

Pillar 3 Disclosure

For the Quarter Ended 30 September 2020

1. Overview and Purpose of Document

This document contains the Pillar 3 disclosures as at 30 September 2020 in respect of the capital and risk management of Bank of America Europe DAC (formerly Bank of America Merrill Lynch International DAC) ("BofA Europe"), an Irish credit institution. In accordance with the Capital Requirements Regulation ("CRR") BofA Europe complies with the Pillar 3 requirements on a solo basis.

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.

In accordance with the European Banking Authority ("EBA") guidelines on materiality, proprietary and confidentiality and on disclosure frequency relating to Pillar 3 disclosures ("the Guidelines"), BofA Europe has determined that it is appropriate to disclose the information prescribed by these guidelines on a quarterly basis. This document contains these disclosures, which includes information on capital adequacy, leverage and liquidity.

For further information on BofA Europe's risk management objectives and policies, liquidity and asset encumbrance, please refer to BofA Europe's annual Pillar 3 disclosure for the year ended 31 December 2019 on Bank of America's corporate website: http://investor.bankofamerica.com/static-files/db1f3985-5424-480a-b0c9-5fa42de2c5a7

1.1. BofA Europe

BofA Europe 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"). BofA Europe is classified as an Other Systemically Important Institution ("O-SII").

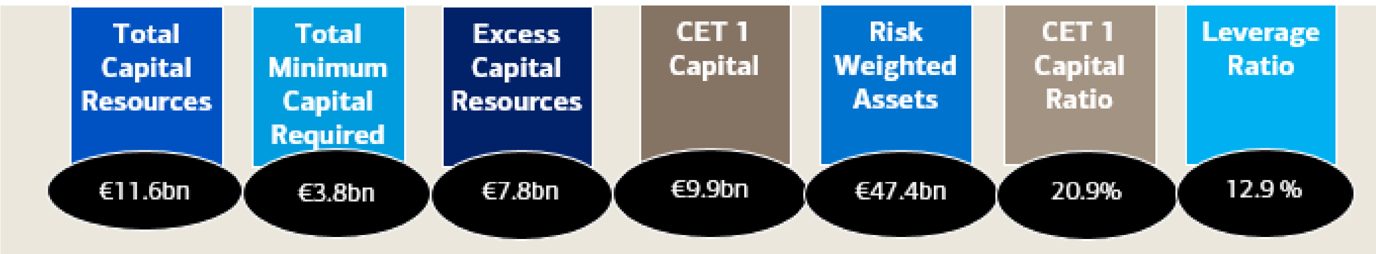
BofA Europe is headquartered in Dublin with branches in Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Paris, Stockholm and Zurich.

BofA Europe is a wholly owned subsidiary of Bank of America N.A. ("BANA") and the ultimate parent continues to be Bank of America Corporation ("BAC"). As at 30 September 2020, BofA Europe was rated by Fitch Ratings, Inc ("Fitch") (AA- / F1+) and by S&P Global ("S&P") (A+/A-1).

1.2. BofA Europe's Capital Position at 30 September 2020

Figure 1 illustrates BofA Europe's key capital metrics. BofA Europe's Capital Resources consist of Common Equity Tier 1 ("CET1") capital and BofA Europe continues to maintain capital ratios and resources significantly in excess of its minimum requirement.

Figure 1. Summary of BofA Europe's Key Metrics as at 30 September 2020[1]



[1]All of BofA Europe's Tier 1 capital is CET1, therefore CET1 Capital Ratio and Tier 1 Capital ratio are the same.

2. Basis of Preparation

BofA Europe's financial statements have been prepared in accordance with the Companies Act 2014, Financial Reporting Standard 100 ("FRS 100") - Application of Financial Reporting Requirements and Financial Reporting Standard 101 ("FRS 101") - Reduced Disclosure Framework. In accordance with these it applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards that have been adopted in the EU ("EU-adopted IFRS").

The information contained in these disclosures has been prepared in accordance with the Capital Requirement Directive, on a solo basis. All tables included in these disclosures are as at 30 September 2020, with prior quarter end comparable values as at 30 June 2020.

In addition, the report does not constitute any form of forward looking record or opinion on BofA Europe. Although the 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. Any financial information included herein is unaudited.

This Pillar 3 disclosure is published on BAC's corporate website: http://investor.bankofamerica.com.

CRR 'Quick Fix'

On 26 June 2020, Regulation (EU) 2020/873 (CRR 'quick fix') was published in the Official Journal of the EU, amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic. The CRR 'quick fix' is part of a series of measures taken by European institutions to mitigate the impact of the COVID-19 pandemic on institutions across EU Member States. In addition to the flexibility already provided in the existing rules, the CRR 'quick fix' introduces certain adjustments to the CRR, including temporary measures, intended, inter alia, to enhance credit flows to companies and households, thereby supporting the EU's economy.

Article 468 of CRR 'quick fix' relates to the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic.

This article introduces a temporary treatment that allows institutions to remove from the calculation of their CET1 items, unrealised gains and losses measured at fair value through other comprehensive income, corresponding to exposures to central governments, to regional governments or to local authorities referred to in Article 115(2) CRR and to public sector entities referred to in Article 116(4) CRR, excluding those financial assets that are credit-impaired, during the period from 1 January 2020 to 31 December 2022. This article replaces the current article that was applicable until 31 of December 2017.

BofA Europe has chosen not to apply this temporary treatment.

3. Capital Resources

Capital Resources represent the amount of regulatory capital available to an entity to cover all risks. Defined under Capital Requirements Directive CRD IV, Capital Resources are designated into two tiers, Tier 1 and Tier 2. Tier 1 capital consists of CET1 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; Tier 2 capital typically consists of subordinated debt and hybrid debt capital instruments.

BofA Europe adopted IFRS9 for the accounting of financial instruments on 1 January 2018. 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, BofA Europe is not applying the transitional arrangements for IFRS9.

BofA Europe's Capital Resources of €11.6bn (Q2 2020: €12.2bn) consist of Tier 1 and Tier 2 capital. All of BofA Europe's Tier 1 capital is made up of CET1, and Tier 2 capital is comprised of subordinated debt. The decrease of €0.6bn is driven by FX movements on the USD denominated share premium.

Table 1 Regulatory Capital Resources and Ratios Summary

	(Euros in Millions)	Q3 2020	Q2 2020
Common Equity Tier 1 Capital: Instruments and Reserves			
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,111	10,574
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
28	Total regulatory adjustments to Common equity Tier1 (CET1)	(216)	(192)
29	Common Equity Tier 1 (CET1) capital	9,895	10,382
Additional Tier 1 (AT1) capital: instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	-
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
44	Additional Tier 1 (AT1) capital	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	9,895	10,382
Tier 2 (T2) capital: Instruments and provisions			
51	Tier 2 (T2) capital before regulatory adjustments	1,708	1,786
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	Tier 2 (T2) capital	1,708	1,786
59	Total capital (TC = T1 + T2)	11,603	12,168
60	Total risk weighted assets	47,383	49,104
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.9%	21.1%
62	Tier 1 (as a percentage of risk exposure amount)	20.9%	21.1%
63	Total capital (as a percentage of risk exposure amount)	24.5%	24.8%

4. Minimum Capital Requirement

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

The Minimum Capital Requirement principally comprises of Credit Risk, Counterparty Credit Risk, and Operational Risk requirements. BofA Europe has a minimum capital requirement of €3.8bn (Q2 2020 €3.9bn) comprising of the risk requirements outlined in Table 2.

Table 2 EU OV1 – Overview of RWAs

		RWAs	Minimum capital requirements	RWAs	Minimum capital requirements
	(Euros in Millions)	Q3 2020	Q3 2020	Q2 2020	Q2 2020
1	**Credit risk (excluding CCR)**	**36,418**	**2,913**	**38,322**	**3,066**
2	Of which the standardised approach	36,418	2,913	38,322	3,066
3	Of which the foundation IRB (FIRB) approach	0	0	0	0
4	Of which the advanced IRB (AIRB) approach	0	0	0	0
5	Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0	0
6	**CCR**	**2,068**	**165**	**1,988**	**159**
7	Of which mark to market	990	79	940	75
8	Of which original exposure	0	0	0	0
9	Of which the standardised approach	0	0	0	0
10	Of which internal model method (IMM)	0	0	0	0
	Of which: comprehensive approach for credit risk mitigation (for SFTs)	14	1	9	1
11	Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0	0
12	Of which CVA	1,064	85	1,039	83
13	**Settlement risk**	**0**	**0**	**0**	**0**
14	**Securitisation exposures in the banking book (after the cap)**	**2,402**	**192**	**2,543**	**203**
15	Of which IRB approach	0	0	0	0
16	Of which IRB supervisory formula approach (SFA)	0	0	0	0
17	Of which internal assessment approach (IAA)	0	0	0	0
18	Of which standardised approach	2,402	192	2,543	203
19	**Market risk**	**1,716**	**137**	**1,254**	**100**
20	Of which the standardised approach	1,716	137	1,254	100
21	Of which IMA	0	0	0	0
22	**Large exposures**	**0**	**0**	**0**	**0**
23	**Operational risk**	**4,779**	**382**	**4,997**	**400**
24	Of which basic indicator approach	0	0	0	0
25	Of which standardised approach	4,779	382	4,997	400
26	Of which advanced measurement approach	0	0	0	0
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**0**	**0**	**0**	**0**
28	**Floor adjustment**	**0**	**0**	**0**	**0**
29	Total	47,383	3,789	49,104	3,928

4.1. Key Movements in the Quarter

BofA Europe's Minimum Capital Requirement decreased by €0.1bn during the quarter. This is driven by a decrease in credit risk (excluding counterparty credit risk). The decrease in credit risk from €3.0bn in Q2 2020 to €2.9bn of €0.1bn is driven by a decrease in exposure to Corporate counterparties across the Global Loan Products line of business.

4.2. Minimum Capital Requirement Approach

BofA Europe has adopted the standardised approach for calculating Counterparty Credit Risk, Credit Risk, Operational Risk and Market Risk Capital Requirements. In order to adhere to the standardised rules set out in the CRR, BofA Europe 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.

5. Leverage Ratio

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. Based on the draft text of the proposal, it is currently expected that these amendments will become effective from the second quarter of 2021. BofA Europe's leverage ratio is in excess of the proposed minimum at 12.9% (Q2 2020 13.4%).

Table 3. Leverage Ratio Summary

	(Euros in Millions)	Q3 2020	Q2 2020
20	Tier 1 Capital	9,895	10,382
	Total Leverage Ratio Exposures	76,469	77,467
22	Leverage Ratio	12.9%	13.4%
Choice on Transitional Arrangements and Amount of Derecognised Fiduciary Items			
EU-23	Choice on Transitional Arrangements for the Definition of the Capital Measure	Fully phased-in	Fully phased-in

6. Liquidity Coverage Ratio ("LCR") Disclosures

6.1. LCR Disclosure Guidelines

BofA Europe is subject to the LCR, which requires BofA Europe 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.

Table 4 discloses average weighted values of the liquidity buffer, total net cash outflows and the LCR of the Company.

6.2 LCR Disclosure Template

BofA Europe is subject to the LCR, which requires BofA Europe 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.

Table 4 discloses average weighted values of the liquidity buffer, total net cash outflows and the LCR of the Company.

Table 4 LCR Disclosure[1]

(Euros in Millions)	Total weighted value (average)			
Quarter ending on	**Q4 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
Liquidity Buffer	16,209	17,536	18,804	18,984
Total Net Cash Outflows	10,576	11,142	12,290	12,350
Liquidity Coverage Ratio (%)	153%	158%	155%	155%

[1]The disclosed values and figures within the liquidity buffer, total net cash outflows, and LCR are simple averages of the preceding twelve LCR monthly reporting observations for each quarter.