



Bank of America Europe Designated Activity Company

Pillar 3 Disclosure

For the Quarter Ended 31 March 2021

Bank of America Europe Designated Activity Company Pillar 3 Disclosure for the Quarter Ended 31 March 2021

1. Overview and Purpose of Document

This document contains the Pillar 3 disclosures as at 31 March 2021 in respect of the capital and risk management of Bank of America Europe Designated Activity Company, ("BofA Europe"), an Irish credit institution. This document provides detail on BofA Europe's available Capital Resources ("Capital Resources") and regulatory defined Pillar 1 Minimum Capital Requirement. It demonstrates that BofA Europe has capital resources in excess of this requirement.

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 2020 on Bank of America's corporate website: https://d1io3yog0oux5.cloudfront.net/_5122eae24e43737ddfababeb7048a05f/bankofamerica/db/874/9409/pdf/31+December+2020+BofA+Europe+Pillar+3.pdf

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") by the European Central Bank ("ECB"). BofA Europe is classified as an Other Systemically Important Institution ("O-SII").

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").

BofA Europe is headquartered in Republic of Ireland with branches in United Kingdom ("U.K."), Belgium, France, Germany, Greece, Italy, the Netherlands, Spain, Sweden, and Switzerland.

As at 31 March 2021, 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 31 March 2021

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 31 March 2021¹



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

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2. Basis of Preparation

The Basel Capital Accords provides a series of international standards for bank regulation commonly known as Basel I, Basel II, and, most recently, Basel III. Basel III was implemented in the European Union ("EU") via the Capital Requirements Directive ("CRD") and the Capital Requirements Regulation ("CRR"), collectively known as the Capital Requirements Directive IV. CRR was subsequently amended by the Capital Requirements Regulation 2 ("CRR2"), with the collective CRD IV requirements being amended by Capital Requirements Directive V ("CRD V"). The CRD IV requirements took effect from 1 January 2014. The CRD V was transposed into Irish law on 22 December 2020 (and became effective from 28 and 29 December 2020 respectively).

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.

The information contained in these disclosures are in line with the disclosure requirements as laid down in Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (CRR), including recent amendments. In December 2016, the European Banking Authority ("EBA") provided a "Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013" ("EBA Guidelines"), EBA/GL/2016/11. All tables included in these disclosures are as at 31 March 2021, with prior quarter end comparable values as at 31 December 2020.

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").

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.

The information contained in these Pillar 3 disclosures may not be directly comparable with the Annual Report and Financial Statements, and the disclosure is not required to be audited by external auditors.

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

Transitional Impact of IFRS9

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 as specified in Article 473a of the CRR. BofA Europe's own funds, capital and leverage ratios already reflect the full impact of IFRS 9.

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.

BofA Europe has chosen not to apply the temporary treatment available in Article 468, or any of the other CRR 'quick fix' articles.

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3. Capital Resources

Capital Resources represent the amount of regulatory capital available to an entity in order to cover all risks. Defined under CRR 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. Euro - US Dollar exchange rate used at quarter end was 1.1725.

The Own funds disclosure template is from Commission Implementing Regulation (EU) No 1423/2013 published on 20 December 2013. The table discloses CET 1 capital: instruments and reserves, CET 1 capital: regulatory adjustments, Tier 2 capital: instruments and provisions, capital ratios and buffers, amounts below the thresholds for deduction (before risk weighting), and applicable caps on the inclusion of provisions in Tier 2.

Total capital as of 1st Quarter 2021 amounted to €11.8B, consisting of a CET1 capital of €10.1B and Tier 2 capital of €1.7B. The increase in Total capital from €11.3B in 4th Quarter 2020 of €0.5B is driven by FX movement on the USD denominated share premium.

Table 1 Regulatory Capital Resources and Ratios Summary

(Euros in Millions)		Q1 2021	Q4 2020
Common Equity Tier 1 Capital: Instruments and Reserves			
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,270	9,825
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
28	Total regulatory adjustments to Common equity Tier1 (CET1)	(202)	(194)
29	Common Equity Tier 1 (CET1) capital	10,067	9,632
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)	10,067	9,632
Tier 2 (T2) capital: Instruments and provisions			
51	Tier 2 (T2) capital before regulatory adjustments	1,706	1,630
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	Tier 2 (T2) capital	1,706	1,630
59	Total capital (TC = T1 + T2)	11,773	11,261
60	Total risk weighted assets	44,227	43,157
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	22.8%	22.3%
62	Tier 1 (as a percentage of risk exposure amount)	22.8%	22.3%
63	Total capital (as a percentage of risk exposure amount)	26.6%	26.1%

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4. Minimum Capital Requirement

BofA Europe is subject to a Minimum Capital Requirement set out in the CRR, as amended by CRR2, 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, as amended by CRD V, buffers and local CBI obligations.

EU OV1 discloses RWAs and regulatory capital requirements broken down by risk types and model approaches compared to the previous quarter-end.

The Minimum Capital Requirement principally comprises of Credit Risk, Counterparty Credit Risk, and Operational Risk requirements.

Table 2 EU OV1 – Overview of RWAs

(Euros in Millions)		RWAs	Minimum capital requirements	RWAs	Minimum capital requirements
		Q1 2021	Q1 2021	Q4 2020	Q4 2020
1	Credit risk (excluding CCR)	34,094	2,727	33,589	2,687
2	Of which the standardised approach	34,094	2,727	33,589	2,687
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	1,471	118	1,341	108
7	Of which mark to market	780	63	786	63
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)	9	1	12	1
	Of which risk exposure amount for contributions to the default fund of a CCP	31	2	34	3
12	Of which CVA	651	52	509	41
13	Settlement risk	0	0	0	0
14	Securitisation exposures in the banking book (after the cap)	3,080	246	2,519	202
14a	Of which: securitisation IRB approach (SEC-IRBA)	0	0	0	0
14b	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	250	20	350	28
14c	Of which: securitisation standardised approach (SEC-SA)	2,830	226	2,169	174
19	Market risk	1,254	100	1,148	92
20	Of which the standardised approach	1,254	100	1,148	92
21	Of which IMA	0	0	0	0
22	Large exposures	0	0	0	0
23	Operational risk	4,328	346	4,560	365
24	Of which basic indicator approach	0	0	0	0
25	Of which standardised approach	4,328	346	4,560	365
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	44,227	3,537	43,157	3,454

Note: In line with Section 4 paragraph 17 of the EBA Guidelines, Rows 14a, 14b, and 14c have been added to disclose the revised securitisation framework.

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4.1. Key Movements in the Quarter

BofA Europe's 1st Quarter 2021 RWA's increased by €1.0B to €44.2B (4th Quarter 2020: €43.2B) primarily driven by higher undrawn exposures across corporate and securitisation counterparties.

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, as amended by the CRR 2, 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 Basel 3 framework introduced a simple, transparent, non-risk based leverage ratio to act as a supplementary measure to the risk-based capital requirements. The Basel Committee is of the view that a simple leverage ratio framework is critical and complementary to the risk-based capital framework and that a credible leverage ratio ensures broad and adequate capture of both the on and off-balance sheet sources of banks' leverage.

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under CRR rules. The requirement for the calculation and reporting of leverage ratios was introduced as part of CRD IV, as amended by CRD V, in 2014 and amended by the European Commission Delegated Act (EU) 2015/62 in 2015.

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.

BofA Europe does not have a binding leverage requirement, however BofA Europe manages its risk of excessive leverage through leverage ratio early warning trigger levels. Limits are calibrated in line with legal entity capacity and ensure that leverage exposure remains within BofA Europe's risk appetite.

BofA Europe's leverage ratio is in excess of the proposed minimum at 13.2%, calculated based on the current CRR exposure measure.

Table 3. Leverage Ratio Summary

(Euros in Millions)	Q1 2021	Q4 2020
20 Tier 1 Capital	10,067	9,632
Total Leverage Ratio Exposures	76,191	70,844
22 Leverage Ratio	13.2%	13.6%
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

BofA Europe's 1st Quarter 2021 leverage ratio decreased to 13.2% (4th Quarter 2020: 13.6%) and was primarily driven by the increase in leverage ratio exposure. The leverage ratio exposure increased by €5.4B to €76.2B (4th Quarter 2020: €70.8B) primarily driven by an increase in central bank deposits due to increased liquidity requirements.

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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 BofA Europe.

6.2 LCR Disclosure Template

Table 4 LCR Disclosure¹

(EUR in Millions)	Total weighted value (average)			
Quarter ending on	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Number of data points used in the calculation of averages	12	12	12	12
Liquidity Buffer	18,804	18,984	19,672	20,413
Total Net Cash Outflows	12,290	12,350	12,629	13,303
Liquidity Coverage Ratio (%)	155%	155%	157%	154%

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

7. Minimum Requirements for Own Funds & 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 and Eligible Liabilities (“MREL”).

Firms that are material subsidiaries of non EU G-SIIs per the CRR definition are required to hold a minimum amount of MREL, BAC is a non EU G-SII and BofA Europe does not meet the definition of a material subsidiary.

For BofA Europe, the institution specific internal MREL requirement has been set by the Single Resolution Board (“SRB”) and will meet the transitional provisions from January 2022.

MREL resources are comprised of qualifying own funds 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 residual maturity of at least one year and being subordinated to other operating liabilities.

Table 6. Key metrics – MREL Requirements

(Euros in Millions)	Q1 2021	Q4 2020
Total MREL Resources Available	13,479	12,891
Total RWA	44,227	43,157
MREL as a percentage of RWA	30.5%	29.9%
Leverage Ratio Exposure Measure	76,191	70,844
MREL as a percentage of Leverage Ratio Exposure Measure	17.7%	18.2%
Excluded Liabilities	43,356	40,847