ML UK Capital Holdings Limited

Including Merrill Lynch International

Pillar 3 Disclosure

For the Quarter Ended 31 March 2023

1. Overview and Purpose of Document

This document contains certain Pillar 3 disclosures for the quarter ended 31 March 2023 of ML UK Capital Holdings Limited ("MLUKCH"), its sole operating subsidiary Merrill Lynch International ("MLI" or "the Company") and its other non-operating subsidiaries (together "the Group" or "the MLUKCH Group").

MLUKCH's ultimate parent company is Bank of America Corporation ("BAC" or "the Enterprise") and it acts predominantly as the holding company for MLI. In accordance with the Capital Requirements Regulation ("CRR") MLUKCH complies with the Pillar 3 requirements on a consolidated basis.

The information contained herein predominantly relates to MLI as the sole operating subsidiary of MLUKCH. For further information on MLI's risk management objectives and policies, liquidity and asset encumbrance, please refer to the MLUKCH Group annual Pillar 3 disclosure for the year ended 31 December 2022 on BAC's corporate website:

http://investor.bankofamerica.com

1.1 ML UK Capital Holdings

The MLUKCH Group is supervised on a consolidated basis in the UK by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The principal activity of MLUKCH is to act as a holding company for MLI. MLUKCH also acts as a holding company for a small number of non-operating subsidiaries.

MLUKCH is not itself a risk taking entity and the risk is booked in its operating subsidiary MLI, where the business is managed.

1.2 Merrill Lynch International

MLI is a wholly owned subsidiary of MLUKCH. MLI's ultimate parent is BAC. MLI is BAC's largest operating subsidiary outside of the US and serves the core financial needs of global corporations and institutional investors.

MLI's head office is in the United Kingdom with branches in Dubai and Qatar along with a representative office in Zurich. MLI is authorised by the PRA and regulated by the FCA and PRA.

As at 31 March 2023, MLI was rated by Fitch Ratings Inc. ("Fitch") (AA / F1+) and Standard & Poor's ("S&P") (A+ / A-1).

1.3 Other Entities

Other entities, although consolidated into the Group, are not separately disclosed in this document on the grounds of materiality.

2. Basis of Preparation

The Basel Capital Accords provide 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").

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.

MLI and MLUKCH disclosures have been designed to meet the current laws, rules and regulations, of which this is primarily made up of the PRA Rulebook, however any reference to an EU regulation, including to Binding Technical Standards and Guidelines, is a reference to the U.K. on-shored version of that regulation, unless otherwise stated.

The information contained in these Pillar 3 disclosures has been prepared in accordance with the requirements of Part Eight of the CRR.

It therefore does not constitute any form of financial statement of MLUKCH or its subsidiaries, or of the wider Enterprise, and as such, is not prepared in accordance with International Financial Reporting Standards ("IFRS") or Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Therefore the information contained in these 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.

In addition, the report does not constitute any form of contemporary or forward looking record or opinion on the Group, the Company or the Enterprise. 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 basis of consolidation used for the MLUKCH Group for prudential purposes is the same as the consolidation used for accounting purposes. Figures for the Group are presented on a consolidated basis. Figures for MLI are presented on a solo basis.

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

3. Disclosure Policy

In accordance with CRR Article 431(3), MLUKCH and MLI have adopted a formal policy to comply with the disclosure requirements included in Part Eight. The ML UK Capital Holdings Ltd and Merrill Lynch International Pillar 3 Disclosure Policy sets out the framework for assessing the appropriateness of disclosures, including the risk profile and the disclosures' verification and frequency.

Senior Management Attestation

"I attest that the disclosures provided in the ML UK Capital Holdings Limited – Including Merrill Lynch International Pillar 3 Disclosure for the Quarter Ended 31 March 2023 have been prepared in accordance with the internal control processes detailed in the ML UK Capital Holdings Ltd and Merrill Lynch International Pillar 3 Disclosure Policy, which has been approved at the management body level as amended for non-material changes."

The ML UK Capital Holdings Limited – Including Merrill Lynch International Pillar 3 Disclosures have been attested by:

ML UK Capital Holdings Limited Member of the Board

Charles Peters

4. 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 & Eligible Liabilities ("MREL").

Firms that are material subsidiaries of a non-UK Global Systemically Important Institution ("G-SII") per the CRR definition are required to hold a minimum amount of MREL. BAC is a non-UK G-SII and MLI and the MLUKCH Group meet the definition of material subsidiary, and are therefore subject to this requirement.

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.

MLI and the MLUKCH Group had no eligible liabilities in issuance at the end of March 2023. Total MREL resources for MLI and the Group are equal to Tier 1 capital. Table 1 shows MLI and MLUKCH's key metrics relating to MREL requirements.

Table 1. Key metrics – MREL Requirements

	Q1 2023	
(Dollars in Millions)	**MLI**	**MLUKCH Group**
Total MREL Resources Available	33,511	33,586
Total RWA	146,990	146,833
MREL as a percentage of RWA	22.80%	22.87%
Leverage Ratio Exposure Measure	383,532	379,549
MREL as a percentage of Leverage Ratio Exposure Measure	8.74%	8.85%

In the quarter ended Q1 2023, total RWA for MLI and the Group increased by $2.4bn and $3.6bn respectively. The increases were driven by an increase in counterparty credit risk exposures in the period, mainly from increased activity in securities financing.

The leverage ratio exposure measure increased in the period by $12.6bn and $12.7bn for MLI and the Group respectively. This was primarily driven by an increase in on-balance sheet exposure, partly offset by a reduction in derivative exposure in the quarter.

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 UK on-shored EU regulation. 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.

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 number of changes to the calculation of the exposure measure, and introduced a binding leverage ratio. These provisions did not, however, apply directly in the UK, as they became effective after the end of the transition period. Subsequently, following a joint statement from HM Treasury, the PRA and the FCA on the implementation of prudential reforms contained in the Financial Services Bill, made on 16 November 2020, and reiterated in PRA Policy Statement PS21/21 on the UK Leverage Ratio framework published in October 2021, UK specific versions of these amendments came into force from 1 January 2022. Included in these amendments is a minimum leverage ratio capital requirement of 3.25%, which applies to MLI and the MLUKCH Group from 1 January 2023.

MLI 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 MLI's risk appetite. MLI's and the Group's leverage ratios are 8.74% and 8.85% respectively as at 31 March 2023. Table 2 shows MLI and MLUKCH's key metrics relating to the leverage ratio.

Table 2. Template UK LR2 - LRCom: Leverage ratio common disclosure

		Leverage ratio exposures			
		Q1 2023		Q4 2022	
		MLI	MLUKCH Group	MLI	MLUKCH Group
(Dollars in Millions)		a	a	b	b
Capital and total exposure measure					
23	Tier 1 capital (leverage)	33,511	33,586	33,521	33,595
UK-24b	Total exposure measure excluding claims on central banks	383,532	379,549	370,917	366,865
Leverage ratio					
25	Leverage ratio excluding claims on central banks (%)	8.74%	8.85%	9.04%	9.16%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	8.74%	8.85%	9.04%	9.16%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	8.74%	8.85%	9.04%	9.16%
UK-25c	Leverage ratio including claims on central banks (%)	8.74%	8.85%	9.04%	9.16%
Additional leverage ratio disclosure requirements - leverage ratio buffers					
27	Leverage ratio buffer (%)	0.10%	0.10%		
UK-27b	Of which: countercyclical leverage ratio buffer (%)	0.10%	0.10%		

Additional leverage ratio disclosure requirements - disclosure of mean values					
UK-31	Average total exposure measure including claims on central banks	375,343	371,361		
UK-32	Average total exposure measure excluding claims on central banks	375,343	371,361		
UK-33	Average leverage ratio including claims on central banks	8.94%	9.03%		
UK-34	Average leverage ratio excluding claims on central banks	8.94%	9.03%		