BofA Securities Prime, Inc.

(SEC ID No. 8-70788)

Balance Sheet (Unaudited)

June 30, 2023

BofA Securities Prime, Inc.
Index (Unaudited)
June 30, 2023

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(Dollars in thousands)		
ASSETS		
Cash	$	242,563
Cash segregated for regulatory purposes		10,000
Receivables under securities borrowed transactions		41,333,915
Securities received as collateral, at fair value		9,549,464
Interest and other receivables		116,345
Total Assets	$	51,252,287
LIABILITIES		
Payables under securities loaned transactions	$	41,333,915
Obligation to return securities received as collateral, at fair value		9,549,464
Interest and other payables		117,492
Contingencies (*See Note 7*)		
Total Liabilities		51,000,871
STOCKHOLDER'S EQUITY		
Common stock, par value $1 per share; 1,000 shares authorized; 1,000 shares issued and outstanding		1
Paid-in capital		250,000
Retained earnings		1,415
Total Stockholder's Equity		251,416
Total Liabilities and Stockholder's Equity	$	51,252,287

The accompanying notes are an integral part of the Balance Sheet.

1. Organization

Description of Business

BofA Securities Prime, Inc. (the “Company” or "BofAS Prime") is registered as a broker-dealer with the U.S. Securities and Exchange Commission (SEC) and is a member firm of the Financial Industry Regulatory Authority (FINRA). The Company is also a member firm of the Securities Investor Protection Corporation (SIPC). The Company enters into securities borrowed transactions and securities loaned transactions to facilitate prime brokerage transactions for the customers of an affiliate.

The Company is a wholly-owned subsidiary of BofA Securities, Inc. (BofAS). BofAS is a wholly-owned direct subsidiary of NB Holdings Corporation (NB Holdings), which is a wholly-owned subsidiary of Bank of America Corporation (Bank of America).

2. Summary of Significant Accounting Policies

Basis of Presentation

The Balance Sheet is presented in conformity with accounting principles generally accepted in the United States of America. The Balance Sheet is presented in U.S. dollars.

The preparation of the Balance Sheet in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could materially differ from those estimates and assumptions.

Cash Segregated for Regulatory Purposes

The Company maintains relationships with clients and therefore is obligated by rules mandated by its primary regulators, including the SEC, to segregate or set aside cash and/or qualified securities to satisfy these regulations in order to protect customer assets.

Included in Cash segregated for regulatory purposes at June 30, 2023 was $10.0 million of cash that is restricted cash by the Company that had been segregated in special reserve accounts as required by Rule 15c3-3 under the Securities Exchange Act of 1934 ("SEA Rule 15c3-3").

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned ("securities financing transactions") are treated as collateralized financing transactions. Generally, these agreements are recorded at acquisition or sale price plus accrued interest.

The Company’s policy is to monitor the market value of the principal amount loaned and obtain collateral from or return collateral pledged to counterparties, when appropriate. Securities financing transactions do not create material credit risk due to these collateral provisions; therefore, an allowance for loan losses is not necessary.

In transactions where the Company acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the Balance Sheet at fair value, representing the securities received, and a liability, representing the obligation to return those securities.

Refer to *Note 6 - Securities Financing Transactions* for further information.

Interest and Other

Interest and other receivables include interest receivable on securities borrowed transactions and other receivables. The Company performs qualitative analyses, including consideration of historical losses and current economic conditions, to estimate any expected credit losses which are recorded as a contra-asset against the amortized cost basis of the financial asset. The changes in allowance for credit losses were not material to the Balance Sheet.

Interest and other payables include interest payable on securities loaned transactions, payables to affiliates, and other payables.

Fair Value Hierarchy

The Company measures the fair values of its assets and liabilities, where applicable, in accordance with accounting guidance that requires an entity to base fair value on exit price. Under this guidance, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value. Under applicable accounting standards, fair value measurements are categorized into one of three levels based on the inputs to the valuation technique with the highest priority given to unadjusted quoted prices in active markets and the lowest priority given to unobservable inputs. The Company categorizes its fair value measurements of financial instruments based on this three-level hierarchy.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability.

See *Note 5 – Fair Value Measurements* for further information.

Income Taxes

Gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the Balance Sheet. Deferred tax assets are also recognized for tax attributes such as net operating loss carryforwards and tax credit carryforwards. Valuation allowances are recorded to reduce deferred tax assets to the amounts management concludes are more likely than not to be realized.

Income tax benefits are recognized and measured based upon a two-step model: first, a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and second, the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit (UTB).

The Company is included in the U.S. federal income tax return and certain state tax returns filed by Bank of America.

Under the intercompany tax allocation agreements, tax benefits associated with net operating losses (NOLs) (or other tax attributes) of the Company are payable to the Company generally upon utilization in Bank of America’s tax returns.

In addition, under these agreements, substantially all current income taxes (federal, combined and unitary state) are recorded as income tax receivable and payable due to affiliate, which are included on the Balance Sheet within Interest and other receivables, including loans due from affiliates, Interest and other payables, and Loans due to affiliates, and is settled on at least an annual basis.

In accordance with Bank of America’s intercompany tax allocation agreements, any new or subsequent change in a UTB related to Bank of America’s state consolidated, combined or unitary return in which the Company is a member will generally not be reflected in the Company’s Balance Sheet. However, upon resolution of the item, any significant impact determined to be attributable to the Company will be reflected in the Company’s Balance Sheet.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are remeasured at period-end rates of exchange.

3. Related Party Transactions

The Company enters into securities financing transactions with affiliates to finance the Company's client activities and it's financing activities to other affiliates. Further, the Company contracts a variety of services from Bank of America and certain affiliated companies including accounting, legal, regulatory compliance, transaction processing, purchasing, building management, and other services.

The Company settles certain securities transactions through other affiliated companies on a fully-disclosed basis.

The following table summarizes related party assets and liabilities as of June 30, 2023:

(Dollars in thousands)	
Assets	
Cash	$ 147
Receivables under securities borrowed transactions	41,333,688
Interest and other receivables	116,340
Total assets	**$ 41,450,175**
Liabilities	
Payables under securities loaned transactions	$ 29,114,622
Interest and other payables	116,967
Total liabilities	**$ 29,231,589**

The Company has a $1.0 billion uncommitted six month revolving unsecured line of credit with NB Holdings in the normal course of business. Interest on the line of credit is based on prevailing short-term market rates. The credit line will mature on February 1, 2024 and may automatically be extended semi-annually to the succeeding August 1st unless specific actions are taken 180 days prior to the maturity date. At June 30, 2023, there were no material amounts outstanding on the line of credit, and reported within Interest and other payables on the Balance Sheet.

4. Risks and Uncertainties

Interest Rate Risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, securities financing transactions, and borrowings.

Liquidity Risk

The Company's primary liquidity risk management objective is to meet expected and unexpected cash flow and collateral requirements while continuing to support the Company's business and customers under a range of economic conditions. To achieve that objective, the Company analyzes and monitors its liquidity risk under expected and stressed conditions, maintains liquidity, and access to diverse funding sources and seeks to align liquidity-related incentives and risks. The Company defines liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that the Company can use to meet contractual and contingent financial obligations as they arise. In addition, the Company is supported through an uncommitted borrowing arrangement with NB Holdings. See *Note 3 - Related Party Transactions*.

Counterparty Credit Risk

The Company is exposed to risk of loss if an individual, counterparty or issuer fails to perform its obligations under contractual terms ("default risk"). Cash instruments expose the Company to default risk.

Financial services institutions and other counterparties are interrelated because of funding, clearing or other relationships. Defaults by one or more counterparties, or market uncertainty about the financial stability of one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity disruptions, losses, defaults and related disputes and litigation.

In the normal course of business, the Company finances various customer securities transactions. Execution of these transactions includes the purchase and sale of securities by the Company. These activities may expose the Company to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to other customers or counterparties. In addition, the Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

Concentrations of Credit Risk

The Company’s exposure to credit risk associated with its activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

Concentration of Risk to the U.S. Government and its Agencies

At June 30, 2023, the Company had indirect exposure to the U.S. Government and its agencies resulting from maintaining U.S. Government and agencies securities as collateral for securities borrowed. The Company’s direct credit exposure on these transactions is with the counterparty; thus the Company has credit exposure to the U.S. Government and its agencies only in the event of the counterparty’s default. Securities issued by the U.S. Government or its agencies held as collateral for securities borrowed at June 30, 2023 totaled $132.1 million, of which $51.5 million was from affiliated companies.

5. Fair Value Measurements

Under applicable accounting standards, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments under applicable accounting standards that require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company categorizes its financial instruments into three levels based on the established fair value hierarchy and conducts a review of fair value hierarchy classifications on a quarterly basis. Transfers into or out of fair value hierarchy classifications are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities become unobservable or observable in the current marketplace. For more information regarding the fair value hierarchy and how the Company measures fair value, see *Note 2 – Summary of Significant Accounting Policies.*

Valuation Techniques

The following sections outline the valuation methodologies for the Company’s assets and liabilities. While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Received as Collateral

The fair values of securities received as collateral and the corresponding obligation to return securities received as collateral are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair values of securities received as collateral. Market price quotes may not be readily available for some positions such as positions within a market sector where trading activity has slowed significantly or ceased. Some of these instruments are valued using a discounted cash flow model, which estimates the fair value of the securities using internal credit risk, and interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Other instruments are valued using a net asset value approach which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix pricing based on the vintages and ratings. Situations of illiquidity generally are triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, U.S. Treasury and government agencies principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies.

Recurring Fair Value

Assets and liabilities carried at fair value on a recurring basis at June 30, 2023 are summarized in the following table.

	Fair Value Measurements				
(Dollars in thousands)	Level 1	Level 2	Level 3	Netting Adjustments	Assets/ Liabilities at Fair Value
Assets					
Securities received as collateral	$ 8,374,946	$ 1,174,518	$ —	$ —	$ 9,549,464
Total assets	**$ 8,374,946**	**$ 1,174,518**	**$ —**	**$ —**	**$ 9,549,464**
Liabilities					
Obligation to return securities received as collateral	$ 8,374,946	$ 1,174,518	$ —	$ —	$ 9,549,464
Total liabilities	**$ 8,374,946**	**$ 1,174,518**	**$ —**	**$ —**	**$ 9,549,464**

Short-Term Financial Instruments

Certain financial instruments are not carried at fair value or only a portion of the ending balance is carried at fair value on the Balance Sheet.

The carrying value of short-term financial instruments, including cash and cash equivalents, cash segregated for regulatory purposes, interest and other receivables and payables, and securities financing transactions, approximates the fair value of these instruments. These financial instruments generally expose the Company to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market.

Under the fair value hierarchy, cash and cash equivalents and cash segregated for regulatory purposes are classified as Level 1. Interest and other receivable and payable are classified as Level 2. Securities financing transactions are classified as Level 2 because they are generally short-dated and/or variable-rate instruments collateralized by U.S. government or agency securities.

6. Securities Financing Transactions

The Company enters into securities borrowed and securities loaned transactions (also referred to as "matched-book transactions") to accommodate customers' prime brokerage transactions.

Offsetting of Securities Financing Transactions

Substantially all of the Company's securities financing activities are transacted under legally enforceable master netting agreements or legally enforceable master securities netting agreements that give the Company, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Company offsets securities financing transactions with the same counterparty on the Balance Sheet where it has such a legally enforceable master netting agreement and the transactions have the same maturity date.

The table below presents securities financing transactions included on the Company's Balance Sheet at June 30, 2023. Balances are presented on a gross basis, prior to the application of counterparty netting. Gross assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements.

Securities Financing Transactions

(Dollars in thousands)	Gross Assets[1]	Amounts Offset	Net Balance Sheet Amount	Financial Instruments[2]	Net Assets
Receivables under securities borrowed transactions	$ 153,345,621	$(112,011,706)	$ 41,333,915	$ (41,333,915)	$ —
Total	$ 153,345,621	$(112,011,706)	$ 41,333,915	$ (41,333,915)	$ —

	Gross Liabilities[1]	Amounts Offset	Net Balance Sheet Amount	Financial Instruments[2]	Net Liabilities
Payables under securities loaned transactions	$ 153,345,621	$(112,011,706)	$ 41,333,915	$ (41,333,915)	$ —
Obligation to return securities received as collateral[3]	9,549,464	—	9,549,464	(9,549,464)	—
Total	$ 162,895,085	$(112,011,706)	$ 50,883,379	$ (50,883,379)	$ —

(1) Includes activity where uncertainty exists as to the enforceability of certain master netting agreements under bankruptcy laws in some countries or industries.

(2) Includes securities collateral received or pledged under securities lending agreements where there is a legally enforceable master netting agreement. These amounts are not offset on the Balance Sheet, but are shown as a reduction to derive a net asset or liability. Securities collateral received or pledged where the legal enforceability of the master netting agreements is uncertain is excluded from the table.

(3) Balance is reported on the Balance Sheet and relates to transactions where the Company acts as the lender in a securities lending agreement and receives securities that can be pledged as collateral or sold. In these transactions, the Company recognizes an asset at fair value, representing the securities received, and a liability, representing the obligation to return those securities.

Securities Loaned Transactions Accounted for as Secured Borrowings

The following tables present payables under securities loaned by remaining contractual term to maturity and class of collateral pledged at June 30, 2023. Included in the table is Obligation to return securities received as collateral in which the Company acts as a lender in a securities lending agreement and receives securities that can be pledged as collateral or sold. Certain agreements contain a right to substitute collateral and/or terminate the agreement prior to maturity at the option of the Company or the counterparty. Such agreements are included in the table below based on the remaining contractual term to maturity.

Remaining Contractual Maturity

(Dollars in thousands)	Overnight and continuous	30 Days or less	After 30 through 90 Days	After 90 days	Total
Payables under securities loaned	$ 153,345,621	$ —	$ —	$ —	$ 153,345,621
Obligation to return securities received as collateral	9,549,464	—	—	—	9,549,464
Total	$ 162,895,085	$ —	$ —	$ —	$ 162,895,085

Class of Collateral Pledged

(Dollars in thousands)	Securities Loaned	Obligation to return securities received as collateral	Total
U.S. Treasury and government agencies	$ 128,977	$ 3,158	$ 132,135
Corporate securities and other	1,044,371	38,637	1,083,008
Equities	152,172,273	9,507,669	161,679,942
Total	$ 153,345,621	$ 9,549,464	$ 162,895,085

For securities loaned transactions, the Company receives collateral in the form of cash or other securities. To determine whether the market value of the underlying collateral remains sufficient, collateral is generally valued daily, and the Company may be required to deposit additional collateral or may receive or return collateral pledged, when appropriate. Securities loaned transactions are generally either overnight, continuous (i.e., no stated term) or short-term. The Company manages liquidity risks related to these agreements by sourcing funding from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate.

Collateral

The Company accepts securities as collateral that it is permitted by contract or practice to sell or repledge. At June 30, 2023, the fair value of this collateral was $164.4 billion, of which $103.0 billion was received from affiliated companies. The fair value of collateral that had been sold or repledged was $164.4 billion, of which $90.8 billion was sold or repledged to affiliated companies.

7. Contingencies

Litigation and Regulatory Matters

In the ordinary course of business, the Company is occasionally a defendant in or a party to pending and threatened legal, regulatory, and governmental actions and proceedings. In view of the inherent difficulty of predicting the outcome of such matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Company generally cannot predict the eventual outcome of the pending matters, timing of the ultimate resolution of these matters.

As a matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates whether such matter presents a loss contingency that is probable and estimable, and, whether a loss in excess of any accrued liability is reasonably possible in future periods. Once the loss contingency is deemed to be both probable and estimable, the Company will establish an accrued liability. The Company continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

8. Subsequent Events

The Company evaluates whether events, occurring after the balance sheet date but before the date the Balance Sheet is available to be issued, require accounting as of the balance sheet date, or disclosure in the Balance Sheet. The Company has evaluated such subsequent events through September 7, 2023 which is the issuance date of the Balance Sheet.

In August 2023, the maturity of the Company's existing revolving senior unsecured line of credit with NB Holdings was extended to August 1, 2024.

There were no other material subsequent events that occurred during such period that would require disclosure or recognition in the Balance Sheet as of June 30, 2023.

9. Regulatory Requirements

SEC Uniform Net Capital Rule

As a registered broker-dealer, the Company is subject to the net capital requirements of the Securities Exchange Act of 1934 Rule 15c3-1 (SEA Rule 15c3-1). The Company has elected to compute the minimum capital requirement in accordance with the "Alternative Standard" as permitted by SEA Rule 15c3-1.

As of June 30, 2023, the Company's regulatory net capital as defined by SEA Rule 15c3-1 was $251.3 million and exceeded the minimum net capital requirement of $250.0 thousand by $251.0 million.

SEC Customer Protection Rule

The Company is also subject to the customer protection requirements of SEA Rule 15c3-3, which requires, under certain circumstances, that cash or securities be deposited into a special reserve bank account for the exclusive benefit of customers. As of June 30, 2023, the Company had $5.0 million of cash segregated in the special reserve bank account.

The Company is also subject to the customer protection requirements of SEA Rule 15c3-3, which requires, under certain circumstances, that cash or securities be deposited into a special reserve bank account for the exclusive benefit the proprietary accounts of broker-dealers (PAB). As of June 30, 2023, the Company had $5.0 million of cash segregated in the special reserve bank account.