BANK OF AMERICA

ML UK Capital Holdings Limited
Including Merrill Lynch International

Pillar 3 Disclosure

As at 31 December 2021

Contents

List of Figures & Tables

Glossary

ABS	Asset-Backed Securities
AIRB	Advanced IRB Approach
ALM	Assets and Liabilities Management
AT1	Additional Tier 1 Capital
BAC / the Enterprise	Bank of America Corporation
BOE	Bank of England
Brexit	U.K. Exit from the European Union
Capital Resources	Available Capital Resources
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCYB	Countercyclical Capital Buffer
CDO	Collateralized Debt Obligation
CDS	Credit Default Swap
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CFs	Control Functions
CMR	Contingent Market Risk
COVID-19	Coronavirus
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRD IV	Capital Requirements Directive IV
CRM	Comprehensive Risk Measure
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
DVA	Debit Valuation Adjustment
EaR	Earnings at Risk
EBA	European Banking Authority
ECAIs	External Credit Assessment Institutions
ECAs	Export Credit Agencies
ECL	Expected Credit Losses
ECR	Enterprise Credit Risk
EEA	European Economic Area
ELD	External Operational Loss Event Data
EMEA	Europe, Middle East and Africa
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic Value of Equity
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
FIRB	Foundation IRB Approach
Fitch	Fitch Ratings, Inc.
FLU	Front Line Unit
FPC	Financial Policy Committee
FRS 101	Financial Reporting Standard 101 'Reduced Disclosure Framework'
FX	Foreign Exchange
G-SII	Global Systemically Important Institutions
GBAM	Global Banking and Markets
GCOR	Global Compliance and Operational Risk
GDP	Gross Domestic Product
GMFR	Global Markets and Financial Risk

GMRAs	Global Master Repurchase Agreements
GRM	Global Risk Management
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IAS 39	International Accounting Standard 39
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILD	Internal Operational Loss Event Data
ILST	Internal Liquidity Stress Test
IM	Initial Margin
IMA	Internal Models Approach
IMM	Internal Model Method
IMMC	Identify, Measure, Monitor, and Control
IRB	Internal Ratings Based
IRC	Incremental Risk Charge
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps Dealers Association
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LOB	Line of Business
LRP	Liquidity Risk Policy
Minimum Capital Requirement	Pillar 1 Capital Requirement
MLI / the Company	Merrill Lynch International
MLI Board	MLI Board of Directors
MLI BRC	MLI Board Risk Committee
MLI MRC	MLI Management Risk Committee
MLUKCH / the Group	ML UK Capital Holdings Limited
MLUKCH Board	MLUKCH Board of Directors
Moody's	Moody's Investors Service, Inc.
MREL	Minimum Requirements for Own Funds & Eligible Liabilities
MRM	Model Risk Management
MTM	Mark-to-Market
NII	Net Interest Income
O-SII	Other Systemically Important Institutions
OTC	Over-the-Counter
P&L	Profit and Loss
PRA	Prudential Regulation Authority
QA	Quality Assurance
RAS	Risk Appetite Statement
RCSA	Risk and Control Self-Assessment
Regulatory VaR	Value at Risk for regulatory capital calculations
Reputational Risk Committee	EMEA Reputational Risk Committee
RNiV	Risk Not in VaR
RTO	Return-to-office
RWAs	Risk Weighted Assets
S&P	S&P Global Ratings, Inc.
SFA	Supervisory Formula Approach
SFT	Secured Financing Transaction
SPE	Special Purpose Entities
SREP	Supervisory Review and Evaluation Process
SS	Supervisory Statement
TCR	Total Capital Requirement
TLAC	Total Loss Absorbing Capacity
Trading VaR	Value at Risk for management reporting purposes

U.K. & CEEMEA	United Kingdom & Central and Eastern Europe, Middle East and Africa
U.S.	United States of America
UMR	Uncleared Margin Rules
VaR	Value at Risk
VM	Variation Margin

BANK OF AMERICA

ML UK Capital Holdings Limited Including Merrill Lynch International

1. Introduction

As at 31 December 2021

1.1. Overview and Purpose of Document

This document contains the Pillar 3 disclosure as at 31 December 2021 in respect of the capital and risk management 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").

This document provides details on the Group's and MLI's available capital resources ("Capital Resources"), regulatory defined Pillar 1 Capital Requirement ("Minimum Capital Requirement"), and Total Capital Requirement ("TCR") as prescribed by the Prudential Regulation Authority ("PRA"). It demonstrates that the Group and MLI have Capital Resources in excess of this requirement and maintains robust risk management and controls.

To further increase transparency, this document also includes information on the Group's and the Company's liquidity position and capital requirements in respect of the Countercyclical Capital Buffer ("CCYB"). MLI has not omitted any information on the basis that it is proprietary or confidential, and where information is omitted on the basis that it is not regarded as material, this is noted within this document.

1.1.1. MLUKCH

MLUKCH is a U.K. Parent Financial Holding Company and is supervised on a consolidated basis in the United Kingdom by the PRA and the Financial Conduct Authority ("FCA"). Its ultimate parent company is Bank of America Corporation ("BAC" or the "Enterprise"). The principal activity of MLUKCH is to act as a Parent Financial 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. The only risk that MLUKCH has is in respect of its intercompany funding activities, primarily from funding provided to MLI.

As MLUKCH is a holding company, the qualitative disclosures regarding risk management and governance are relevant to the subsidiaries where the activity is conducted and recorded. In this respect, unless otherwise stated, discussion herein relates primarily to MLI. For the purpose of this document, quantitative disclosures for the MLUKCH Group are presented on a consolidated basis unless otherwise stated.

1.1.2. MLI

MLI's immediate parent is MLUKCH. The ultimate parent of MLI is BAC. MLI is BAC's largest entity outside the United States of America ("U.S.") and helps serve the core financial needs of global corporations and institutional investors.

The Company's head office is in the U.K. with branches in Dubai and Qatar along with a representative office in Zurich, and is authorised and regulated by the PRA and regulated by the FCA.

As at 31 December 2021, MLI was rated by Fitch Ratings, Inc. ("Fitch") (AA / F1+) and S&P Global Ratings, Inc. ("S&P") (A+ / A-1).

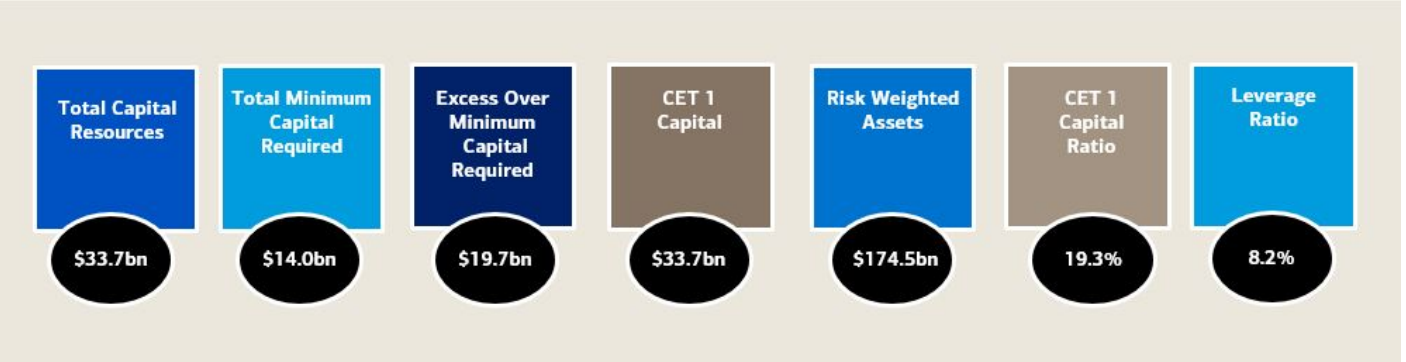
1.1.3. Other Entities

MLUKCH is also the Parent Financial Holding Company to a small number of non-operating subsidiaries. Although consolidated into the Group, they are not separately disclosed in this document on the grounds of materiality.

1.1.4. MLI's Capital Position at 31 December 2021

MLI's Capital Resources consist entirely of Common Equity Tier 1 ("CET1") capital. As at 31 December 2021, MLI's CET1 ratio was 19.3% which significantly exceeds the Pillar 1 CET1 minimum requirement of 4.5%, and the reported Leverage ratio of 8.2% is in excess of the incoming minimum regulatory requirement of 3.25%.

Figure 1.1.4.F1. – Summary of MLI's Key Metrics as at 31 December 2021



Note: All of MLI's Tier 1 capital is CET1, therefore the CET1 Capital Ratio and Tier 1 Capital Ratio are the same.

1.2. 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") (collectively known as the Capital Requirements Directive IV ("CRD IV")). These new requirements took effect from 1 January 2014.

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.

Following the passing of the European Union (Withdrawal) Act 2018 by the U.K. government, the relevant EU Regulations were brought in to U.K. law, and therefore continue to apply following the U.K.'s exit from the European Union ("Brexit"). On 16 November 2020, HM Treasury, in conjunction with the PRA and FCA, announced that implementation of those Basel 3 reforms which make up the U.K. equivalent of the outstanding elements of the EU's 2nd Capital Requirements Regulation will be effective from 1 January 2022. Ahead of this effective date, the PRA published its "Implementation of Basel standards: Final rules" policy statement, containing the final PRA Rulebook instruments and reporting templates and instructions, on 14 October 2021.

After Brexit and the end of the transition period on 31 December 2020, MLI and MLUKCH is subject to all EU regulation brought into U.K. law and all disclosure requirements issued by the Bank of England ("BOE"). For the purposes of this disclosure, any reference to an EU regulation, including to Binding Technical Standards and Guidelines, is a reference to the U.K. onshored 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, certain components of the disclosure contain forward looking assumptions. Forward looking assumptions represent beliefs and expectations regarding future events and are not guarantees of future results and involve certain known and unknown risks and uncertainties that are difficult to predict and are often beyond the Group's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any forward looking assumptions. Undue reliance should not be placed on any forward looking assumptions and consideration should be given to the uncertainties and risks discussed in other publicly available disclosures of BAC.

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.

The basis of consolidation of the Group used 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.

These Pillar 3 disclosures are published on the Investor Relations section of BAC's corporate website: http://investor.bankofamerica.com.

Transitional Impact of IFRS 9

IFRS 9 addresses the classification, measurement, and recognition of financial assets and financial liabilities. It replaces the guidance in International Accounting Standard 39 ("IAS 39") - Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

Based on materiality, no further disclosures for the transitional impact of IFRS 9 are made in this document.

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 coronavirus ("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 previous article that was applicable until 31 December 2017.

Neither MLI nor the MLUKCH Group have chosen to apply this temporary treatment.

1.2.1. Reconciliation of Accounting Balance Sheet to Regulatory Exposure Amounts

1.2.1.1. Mapping of Financial Statement Categories with Regulatory Risk Categories

Table 1.2.1.1.T1. shows MLI's accounting balance sheet and breaks down the carrying values of each line item between the relevant regulatory risk framework(s) to which they are allocated.

There are no differences between MLI's accounting balance sheet and the carrying values included under the scope of the regulatory consolidation of the Group.

Table 1.2.1.1.T1. – EU LI1 Differences Between Accounting and Regulatory Scopes of Consolidation and the Mapping of Financial Statement Categories with Regulatory Risk Categories

	2021					
	b	c	d	e	f	g
($ in Millions)	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
Assets						
Investments	257	257	—	—	—	—
Pension	423	—	—	—	—	423
Trading assets	214,288	1,419	159,131	545	205,947	—
Debt securities at FVOCI	4,901	4,901	—	—	—	—
Resale agreements and securities borrowed transactions	104,612	—	104,369	—	78,770	—
Debtors	65,394	13,259	43,980	—	—	8,155
Cash at bank and in hand	4,552	4,552	—	—	—	—
Total assets	**394,427**	**24,388**	**307,480**	**545**	**284,717**	**8,578**
Liabilities						
Bank loans and overdraft	75	—	—	—	—	75
Trading liabilities	194,833	—	161,821	198	188,672	—
Repurchase agreements and securities loaned transactions	72,471	—	72,471	—	65,769	—
Creditors	61,154	6,416	39,733	—	6,416	15,006
Repurchase agreements and securities loaned: Amounts falling due after more than one year	3,493	—	3,493	—	3,493	—
Creditors: Amounts falling due after more than one year	26,466	3,572	—	—	—	22,893
Total liabilities	**358,492**	**9,988**	**277,518**	**198**	**264,350**	**37,974**

The sum of amounts disclosed in columns (c) to (g) may not equal the amounts disclosed in column (b), as some items are subject to capital requirements for more than one risk framework listed in Part Three of CRR.

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

EU LI2 discloses differences between the financial statements' carrying value amounts under the regulatory scope of consolidation and the exposure amounts used for regulatory purposes.

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

Table 1.2.2.2.T1. – EU LI2 Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

($ in Millions)	a Total	b Credit Risk Framework	c CCR Framework	d Securitisation Framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**385,849**	**24,388**	**307,480**	**545**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	**320,518**	**9,988**	**277,518**	**198**
Total net amount under the regulatory scope of consolidation	**65,332**	14,400	29,963	347
Off-balance sheet amounts	**(99,676)**	1,178	(101,023)	170
Differences in valuations and other differences	**(263)**	(172)	(97)	6
Differences due to different netting rules, other than those already included in row 2	**(3,082)**	1,061	(4,267)	125
Differences due to potential future credit exposure	**114,864**	—	114,827	36
Adjustments for volatility adjustments and collateral not used	**127,253**	—	127,253	—
Exposure amounts considered for regulatory purposes	**204,429**	**16,467**	**166,656**	**684**

Explanations of Differences between Accounting and Regulatory Exposure Amounts

Included below is a summary of the key types of difference 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

Differences Due to Netting Rules

- Under the FRS 101 accounting framework, financial assets and liabilities are offset, and the net amount is 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 typically means that more netting is recognised under the regulatory framework than under the accounting framework

Volatility Adjustments and Collateral Not Used

- The amounts of collateral used as credit risk mitigation under the regulatory framework are adjusted using supervisory volatility adjustments to reflect, for example, currency and maturity mismatches

Potential Future Credit Exposure

- In the calculation of regulatory exposure amounts for derivative contracts, an add-on is calculated for potential future credit exposure based on the notional amount of a derivative

Differences in Valuations

Where assets or liabilities are measured at fair value on the balance sheet, certain valuation adjustments are made under the FRS 101 accounting framework in order to reasonably reflect the fair value. These valuation adjustments are not considered as part of the regulatory exposure amounts, where the mark-to-market ("MTM") 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

The Group 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 also requires periodic reassessments of models so that they continue 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 Group 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

A Credit Valuation Adjustment ("CVA") is recorded on the Group's derivative assets, including credit default protection purchased, in order to properly reflect the credit risk of counterparties. 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 Group also records a funding valuation adjustment to include funding costs on uncollateralized derivatives and derivatives where the Group is not permitted to reuse the collateral it receives. The Group also calculates a Debit Valuation Adjustment ("DVA") to properly reflect 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 MLI and the Group's 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.

1.3. 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

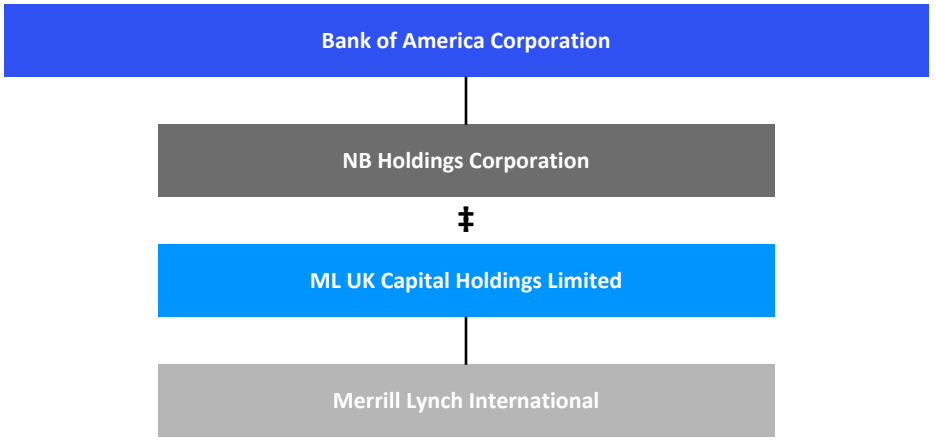
Policy sets out the framework for assessing the appropriateness of disclosures, including the risk profile and the disclosures' verification and frequency.

1.4. Operation, Structure and Organisation

MLI is BAC's largest entity outside the U.S. and helps serve the core financial needs of global corporations and institutional investors.

Pursuant to the disclosure requirements under the PRA's Group Financial Support Instrument, and in accordance with the general principles set out in Articles 431-434 of the CRR, neither MLUKCH or MLI have entered into any financial support agreements with any European Economic Area ("EEA") group entities.

Figure 1.4.F1. – High Level Ownership Chart



‡ represents indirect ownership relationship

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ML UK Capital Holdings Limited Including Merrill Lynch International

2. Capital Resources and Minimum Capital Requirement
As at 31 December 2021

2.1. Capital Resources

2.1.1. Summary of 2021 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.

The capital resources of MLUKCH and MLI are set out in Table 2.1.2.T1. – Capital Resources.

MLI's Capital Resources of $33.7B (2020: $34.1B) consist entirely of Tier 1 capital. All of MLI's Tier 1 capital is made up of CET1.

2.1.2. Key Movements in 2021

MLI's Capital Resources reduced by $0.5B in the year ending 2021.

Table 2.1.2.T1. – Capital Resources

	MLI		MLUKCH Group	
($ in Millions)	**2021**	**2020**	**2021**	**2020**
Ordinary Share Capital	7,933	7,933	2,926	2,926
Share Premium	4,499	4,499	—	—
Other Reserves	9,190	9,192	1,082	1,082
Profit and Loss ("P&L") Account [(1), (2)]	12,846	13,159	30,524	30,832
Total Tier 1 Capital Before Deductions	**34,469**	34,783	**34,533**	34,840
Deferred Tax Asset	(536)	(382)	(536)	(382)
Defined Benefit Pension Fund Asset (net of associated deferred tax liability)	(283)	(264)	(283)	(264)
Tier 1 Capital	**33,650**	34,137	**33,714**	34,194
Total Tier 2 Capital Before Deductions	—	—	—	—
Tier 2 Capital	—	—	—	—
Total Capital Resources (net of deductions)	**33,650**	34,137	**33,714**	34,194

[(1)] Profit and loss account is shown on a regulatory basis. See Table 5.7 T1 for a reconciliation to the accounting balance sheet.

[(2)] Profit and loss account reflects the inclusion of 2021 audited earnings after deduction of any foreseeable dividends.

2.1.3. Minimum Requirements for Own Funds and Eligible Liabilities

MLUKCH and MLI is subject to parallel eligible liabilities regimes. The requirements are designed to enhance the resilience of the financial system by ensuring firms have sufficient capital to absorb losses and recapitalise under resolution.

MLI is required to meet a requirement for own funds and eligible liabilities equal to 90% of the higher of 16% Risk Weighted Assets or 6% of the total exposure measure set out in CRR Article 429(4) from 27 June 2019. These requirements for own funds and eligible liabilities under the CRR apply in parallel with a firm specific Minimum Requirements for Own Funds & Eligible Liabilities ("MREL") set by the BOE. MLI is required to comply with the highest applicable requirement. MLI and MLUKCH both meet their eligible liability requirements.

MLI and MLUKCH both have Resolution Capital Resources of $36.2B consisting of $33.7B of CET1 capital and $2.5B of eligible liabilities.

BAC's preferred resolution strategy is a Single Point of Entry strategy. Further information on the resolution strategy can be found in the BAC resolution plan public executive summary, as submitted to and published by the Federal Deposit Insurance Corporation ("FDIC").

2.1.4. 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. Capital Requirements and RWAs

2.2.1. Summary of 2021 Capital Requirement

Risk Weighted Assets ("RWAs") reflect both on- and off-balance sheet risk, as well as capital charges attributable to the risk of loss arising from the following.

Credit and Counterparty Credit Risk ("CCR") refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations. CCR capital requirements are derived from RWAs, determined using Mark-to-Market Method for exposures.

CVA is the capital requirement that covers the risk of mark-to-market losses on the counterparty risk of Over-the-Counter ("OTC") derivatives. It is calculated using standardised approaches.

Settlement risk refers to the capital requirement that covers the risk due to the possibility that a counterparty will fail to deliver on the terms of a contract at the agreed-upon time.

Securitisations exposures are a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched. Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures and the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. The Market Risk capital requirements comprise of capital associated with the Internal Modelling Approaches ("IMA") approved by the PRA and those associated with the Standardised Approach.

Large exposures refer to the capital requirement that covers the risk due to concentrated exposures to a single counterparty or group of connected counterparties.

Operational risk refers to the risk of loss, or of damage to reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g., fraud, theft, legal and compliance risks, cyber-attacks or damage to physical assets). Capital requirements for operational risk are calculated under the Standardised Approach.

In order to adhere to the standardised rules in CRR, MLI uses external ratings from External Credit Assessment Institutions ("ECAIs") based on a combination of Moody's Investors Service, Inc. ("Moody's"), S&P, and Fitch.

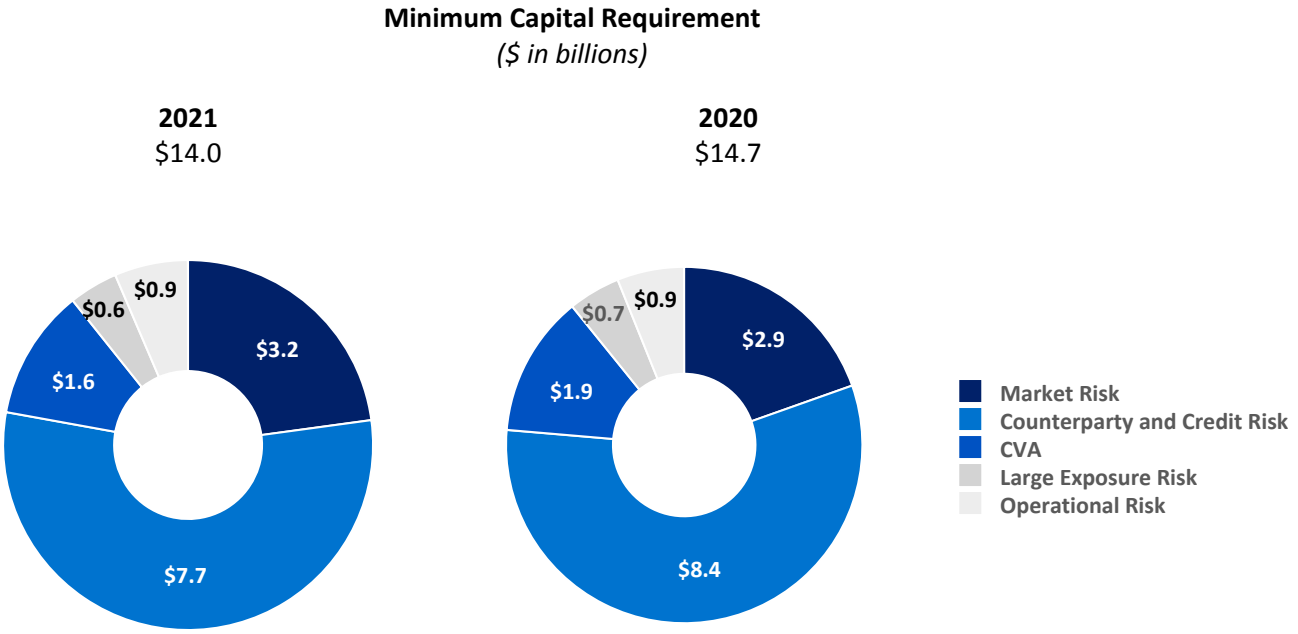
Amounts below the thresholds for deduction correspond to items not deducted from Own Funds, in accordance with the CRR.

Table 2.2.2.T1. – RWAs and Minimum Capital Requirement summarises RWAs and Minimum Capital Requirements for MLUKCH and MLI by risk type. MLUKCH and MLI calculate Minimum Capital Requirements as 8% of RWAs in accordance with CRR.

MLI and the Group are subject to a Minimum Capital Requirement as set out in CRR. MLI and the Group are also required to hold capital in addition to the Minimum Capital Requirement to meet PRA obligations and CRD buffers.

The Minimum Capital Requirement principally comprises of Credit Risk, Market Risk, and Operational Risk requirements. MLI has a Minimum Capital Requirement of $14.0B (2020: $14.7B) comprising of the risk requirements outlined in Figure 2.2.1.F1. – Summary of MLI's Minimum Capital Requirement.

Figure 2.2.1.F1. – Summary of MLI's Minimum Capital Requirement



2.2.2. Key Movements in 2021

MLI's Minimum Capital Requirement decreased from $14.7B in 2020 to $14.0B in 2021. This was primarily driven by a decrease in credit and counterparty risk capital requirements in the year.

Table 2.2.2.T1. – RWAs and Minimum Capital Requirement

		MLI			MLUKCH Group		
		RWAs		Minimum Capital Requirements	RWAs		Minimum Capital Requirements
($ in Millions)		2021	2020	2021	2021	2020	2021
1	**Credit risk (excluding CCR)**	**6,772**	**6,685**	**542**	**6,566**	**6,587**	**525**
2	Of which the standardised approach	6,772	6,685	542	6,566	6,587	525
3	Of which the foundation IRB ("FIRB") approach	—	—	—	—	—	—
4	Of which the advanced IRB ("AIRB") approach	—	—	—	—	—	—
5	Of which equity Internal Ratings Based ("IRB") under the simple risk-weighted approach or the IMA	—	—	—	—	—	—
6	**CCR**	**103,532**	**114,480**	**8,283**	**103,338**	**114,366**	**8,267**
7	Of which mark to market	41,288	49,596	3,303	41,289	49,599	3,303
8	Of which original exposure	—	—	—	—	—	—
9	Of which the standardised approach	0	0	0	0	0	0
9a	Of which: comprehensive approach for credit risk mitigation (for Secured Financing Transactions ("SFTs"))	41,189	40,763	3,295	41,004	40,646	3,280
10	Of which internal model method ("IMM")	—	—	—	—	—	—
11	Of which risk exposure amount for contributions to the default fund of a CCP	459	603	37	459	603	37
12	Of which CVA	20,596	23,517	1,648	20,585	23,517	1,647
13	**Settlement risk**	**482**	**199**	**39**	**482**	**199**	**39**
14	**Securitisation exposures in the banking book (after the cap)**	**5,620**	**6,533**	**450**	**5,620**	**6,497**	**450**
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	5,620	6,533	450	5,620	6,497	450
19	**Market risk**	**39,940**	**36,618**	**3,195**	**40,381**	**36,936**	**3,230**
20	Of which the standardised approach	16,853	14,684	1,348	17,294	15,001	1,384
21	Of which IMA	23,086	21,935	1,847	23,086	21,935	1,847
22	**Large exposures**	**6,892**	**8,307**	**551**	**5,724**	**6,457**	**458**
23	**Operational risk**	**10,919**	**10,976**	**873**	**10,781**	**10,879**	**863**
24	Of which basic indicator approach	—	—	—	—	—	—
25	Of which standardised approach	10,919	10,976	873	10,781	10,879	863
26	Of which advanced measurement approach	—	—	—	—	—	—
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**391**	**449**	**31**	**—**	**—**	**—**
28	Floor adjustment	—	—	—	—	—	—
29	**Total**	**174,547**	**184,247**	**13,964**	**172,893**	**181,921**	**13,831**

Table 2.2.2.T1. – RWAs and Minimum Capital Requirement shows a breakdown of the RWAs and Minimum Capital Requirement of MLI and the Group.

The decrease in RWAs from $184.2B in 2020 to $174.5B in 2021 is mainly driven by a $10.9B decrease in counterparty credit risk RWA in the year. This was due to a decrease in derivative exposures in the period.

2.3. Capital Summary

2.3.1. Capital Position and Capital Ratio

MLI's capital resources in excess of its Minimum Capital Requirements were $19.7B (2020: $19.4B). The Group's capital resources in excess of its Minimum Capital Requirements were $19.9B as at 31 December 2021.

Table 2.3.1.T1. – Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio shows a summary of MLI and the Group's Total Capital position, both MLI and the Group are adequately capitalised with capital resources significantly in excess of the Minimum Capital Requirement.

MLI's capital position is monitored and analysed on a daily basis. Both MLI and the Group maintained capital surplus over the Minimum Capital Requirement.

An entity's Tier 1 ratio is the ratio of Tier 1 Capital to RWAs. RWAs have decreased in 2021, primarily driven by a decrease in the counterparty credit risk RWA from a reduction in derivative exposures in the year.

The change outlined above, and also in Section 2.1.2, resulted in MLI's Tier 1 ratio increasing year-on-year from 18.5% to 19.3%, this was also the cause of MLUKCH's Tier 1 ratio increasing to 19.5% as at 31 December 2021.

Table 2.3.1.T1. – Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio

	MLI		MLUKCH Group	
($ in Millions)	2021	2020	2021	2020
Total Capital Resources	33,650	34,137	33,714	34,194
Total Pillar 1 Minimum Capital Requirement	13,964	14,740	13,831	14,554
Surplus over Requirement	**19,686**	**19,397**	**19,883**	**19,641**
Tier 1 Capital Resources	33,650	34,137	33,714	34,194
Risk Weighted Assets	174,547	184,247	172,893	181,921
Tier 1 Capital Ratio	**19.3 %**	**18.5 %**	**19.5 %**	**18.8 %**

2.4. Capital Management

MLI views capital as an important source of financial strength. It manages and monitors capital in line with established policies and procedures and in compliance with local regulatory requirements and considers the changing needs of its businesses. The appropriate level and quality of capital is set to ensure that MLI meets all regulatory capital requirements and to safeguard MLI's ability to continue as a going concern. Key components of the capital management framework include:

- A strategic capital planning process aligned to risk appetite
- A robust capital stress testing framework
- Regular monitoring against capital and leverage risk appetite limits
- Regular leverage and capital reporting to management

MLI also conducts an Internal Capital Adequacy Assessment Process ("ICAAP") at least annually. The ICAAP is a key tool used to inform the MLI Board of Directors ("MLI Board") and the executive management on MLI's risk profile and capital adequacy. The MLI ICAAP:

- Is designed to ensure the risks to which MLI is exposed are appropriately capitalised and risk managed
- Uses stress testing to ensure capital levels are adequate to withstand the impact of a suitably severe stress

- Assesses capital adequacy under normal and stressed operating environments over the capital planning horizon to ensure MLI maintains a capital position in line with pre and post stress goals

As the sole operating subsidiary of the MLUKCH Group, MLI's ICAAP conclusions are also deemed applicable to the Group.

The ICAAP is also aligned to the recovery plan that prepares MLI 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, the market and prevent a potential resolution event. The recovery plan includes a wide range of countermeasures that are designed to mitigate different types of stress scenarios that could threaten MLI's capital position. In addition, the recovery plan outlines clear predefined governance and processes set up to support timely, efficient, and effective monitoring, escalation, decision-making, and implementation of recovery options if a crisis event were to occur.

MLI's ICAAP also assesses Pillar 2A at least annually. Pillar 2A is an additional amount of capital that MLI and the Group are required to hold in order to cover risks that are not covered (or not entirely covered) by the Minimum Capital Requirement. The PRA reviews the ICAAP as part of the Supervisory Review and Evaluation Process ("SREP") and sets a TCR. The TCR is the sum of the Minimum Capital Requirement (8% of RWAs) and the Pillar 2A capital requirement.

As of 31 December 2021, MLI and the Group's TCRs were set at 11.3% of RWAs.

2.5. Leverage Ratio

2.5.1. Summary

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 onshored 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 will apply from 1 January 2022. Included in these amendments is a minimum leverage ratio capital requirement of 3.25%, which is scheduled to apply to MLI and the MLUKCH Group from 1 January 2023.

Currently MLI does not have a binding leverage requirement, however 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 in excess of the incoming minimum requirement at 8.2% and 8.3% respectively, calculated based on the current CRR exposure measure.

Table 2.5.1.T1. – Leverage Ratio

	MLI		MLUKCH Group	
	2021	2020	2021	2020
Leverage Ratio	8.2%	8.7%	8.3%	8.8%

2.5.2. Key Movements in 2021

MLI's leverage ratio decreased from 8.7% at 31 December 2020 to 8.2% at 31 December 2021. This was mainly driven by an increase in securities financing exposures in the year.

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3. Liquidity Position and Encumbered and Unencumbered Assets

As at 31 December 2021

3.1. Liquidity Position

3.1.1. Regulatory Requirement

The MLUKCH Group is subject to CRD, CRR, and PRA liquidity requirements through which it must demonstrate self-sufficiency for liquidity purposes.

The MLUKCH Group is subject to the Liquidity Coverage Ratio ("LCR"), which requires the Group 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 2021, MLI, as MLUKCH's sole operating subsidiary, was in compliance with its regulatory and internal liquidity requirements. Table 3.3.2.T1. – LCR Disclosure presents MLI's and MLUKCH's LCR in the format provided by the EBA guidelines on LCR Disclosure (EBA/GL/2017/01). MLI's average monthly LCR for the trailing twelve month period ending December 2021 was 227% and MLUKCH was 228%.

3.1.3. Funding Profile

The MLUKCH Group does not issue debt to parties external to BAC and is not licensed to take deposits. The Group primarily funds its balance sheet through wholesale secured funding, equity, subordinated debt, and intercompany unsecured debt.

These funding sources are used to support the Group's trading and capital market activities 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.

Within the MLUKCH Group, encumbered assets primarily comprise on / off balance sheet assets that are pledged as collateral against secured funding transactions; these include repurchase agreements, stock lending, and collateral swaps. In addition, the Group's encumbered assets include collateral posted against derivative contracts and securities covering shorts. Asset encumbrance is an integral part of the Group's secured funding and collateral management process. Treasury monitors the funding requirement / surplus and models the liquidity impact relating to these activities on an ongoing basis.

The business model of MLI, as the sole operating subsidiary in the Group and primary driver of asset encumbrance, has remained relatively stable over time with the types of encumbered assets remaining consistent. There are no significant intra-group encumbrances.

This asset encumbrance disclosure, as at 31 December 2021, is prepared under the requirements of Regulation (EU) 2017/2295. The disclosure is based on accounting information prepared in accordance with international accounting standards.

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

MLI, as the primary driver of asset encumbrance in the Group, primarily adopts standard collateral agreements and requires collateralisation at appropriate levels based on industry standard contractual agreements (mostly Credit Support Annexes ("CSAs") and Global Master Repurchase Agreements ("GMRAs")).

Table 3.2.T1. – Encumbered and Unencumbered Assets outlines the carrying and fair value of certain assets of the Company and the Group split between those encumbered and unencumbered.

Table 3.2.T1. – Encumbered and Unencumbered Assets[1]

MLI	2021			
($ in Millions)	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the Company[2]	**71,522**		**332,317**	
Equity Instruments	26,131		15,714	
Debt Securities	16,924	16,924	5,583	5,583
of which: Covered Bonds	—	—	—	—
of which: Asset-Backed Securities ("ABS")	646	646	38	38
of which: Issued by General Governments	11,814	11,814	5,040	5,040
of which: Issued by Financial Corporations	2,714	2,714	275	275
of which: Issued by Non-Financial Corporations	2,287	2,287	265	265
Other Assets[3]	28,430		310,407	

	2020			
($ in Millions)	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the Company[2]	**78,786**		**368,176**	
Equity Instruments	19,668		10,913	
Debt Securities	14,396	14,396	5,944	5,944
of which: Covered Bonds	—	—	—	—
of which: Asset-Backed Securities	858	858	49	49
of which: Issued by General Governments	8,877	8,877	4,703	4,703
of which: Issued by Financial Corporations	2,767	2,767	664	664
of which: Issued by Non-Financial Corporations	2,166	2,166	285	285
Other Assets[3]	40,293		351,339	

MLUKCH Group	2021			
($ in Millions)	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the Group[2]	**71,522**		**328,359**	
Equity Instruments	26,131		15,714	
Debt Securities	16,924	16,924	5,583	5,583
of which: Covered Bonds	—	—	—	—
of which: Asset-Backed Securities	646	646	38	38
of which: Issued by General Governments	11,814	11,814	5,040	5,040
of which: Issued by Financial Corporations	2,714	2,714	275	375
of which: Issued by Non-Financial Corporations	2,287	2,287	265	265
Other Assets[3]	28,430		306,442	

	2020			
($ in Millions)	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the Group[2]	**75,786**		**364,066**	
Equity Instruments	19,668		10,913	
Debt Securities	14,396	14,396	5,944	5,944
of which: Covered Bonds	—	—	—	—
of which: Asset-Backed Securities	858	858	49	49
of which: Issued by General Governments	8,877	8,877	4,703	4,703
of which: Issued by Financial Corporations	2,767	2,767	664	664
of which: Issued by Non-Financial Corporations	2,166	2,166	285	285
Other Assets[3]	40,293		347,230	

[1] Greyed out cell format stems from RTS EC (EU) 2017/2295 Regulation asset encumbrance template, indicating not applicable disclosures. As a result of the Group's broker-dealer activity, fair value equals carrying value for securities.

[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 table 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 relates to derivative assets not available for encumbrance.

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

Table 3.2.T2. – Collateral Received

($ in Millions)	MLI			
	2021		2020	
	Fair Value of Encumbered Collateral Received or Own Debt Securities Issued	Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance	Fair Value of Encumbered Collateral Received or Own Debt Securities Issued	Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance
Collateral Received by the Company[1]	**349,221**	**65,993**	**291,516**	**70,087**
Loans on Demand	—	—	—	—
Equity Instruments	67,359	10,366	54,601	6,669
Debt Securities	281,920	28,272	236,916	27,903
of which: Covered Bonds	2	—	64	—
of which: Asset-Backed Securities	336	8,667	407	14,549
of which: Issued by General Governments	271,045	18,708	227,952	12,248
of which: Issued by Financial Corporations	6,526	327	6,172	579
of which: Issued by Non-Financial Corporations	3,783	704	2,695	791
Loans and Advances Other Than Loans on Demand	—	26,926	—	35,094
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	**420,058**		**367,159**	

($ in Millions)	MLUKCH Group			
	2021		2020	
	Fair Value of Encumbered Collateral Received or Own Debt Securities Issued	Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance	Fair Value of Encumbered Collateral Received or Own Debt Securities Issued	Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance
Collateral Received by the Group[1]	**349,221**	**65,993**	**291,516**	**70,087**
Loans on Demand	—	—	—	—
Equity Instruments	67,359	10,366	54,601	6,669
Debt Securities	281,920	28,272	236,916	27,903
of which: Covered Bonds	2	—	64	—
of which: Asset-Backed Securities	336	8,667	407	14,549
of which: Issued by General Governments	271,045	18,708	227,952	12,248
of which: Issued by Financial Corporations	6,526	327	6,172	579
of which: Issued by Non-Financial Corporations	3,783	708	2,695	791
Loans and Advances Other Than Loans on Demand	—	26,926	—	35,094
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	**420,058**		**368,159**	

[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 in each table.

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

Table 3.2.T3. – Sources of Encumbrance

	MLI			
	2021		2020	
($ in Millions)	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
Carrying Amount of Selected Financial Liabilities	**240,117**	**242,402**	**211,505**	**219,567**

	MLUKCH Group			
	2021		2020	
($ in Millions)	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
Carrying Amount of Selected Financial Liabilities	**240,117**	**242,402**	**211,505**	**219,567**

3.3. LCR Disclosures

3.3.1. LCR Disclosure Requirements

The LCR disclosures have been made in line with EBA guidelines (EBA/GL/2017/01), requiring firms to disclose the average LCR for the previous twelve months.

3.3.2. LCR Disclosure Template

Table 3.3.2.T1. – LCR Disclosure discloses average weighted values of the liquidity buffer, total net cash outflows, and the LCR of MLI and of the MLUKCH Group.

Table 3.3.2.T1. – LCR Disclosure

($ in Millions)	MLI			
	Total Weighted Value (Average)			
Quarter ending on	**31 Mar 21**	**30 Jun 21**	**30 Sep 21**	**31 Dec 21**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
Liquidity Buffer	32,683	31,242	30,112	30,807
Total Net Cash Outflows	16,484	14,771	13,588	13,623
Liquidity Coverage Ratio (%)	202%	215%	223%	227%

($ in Millions)	MLUKCH Group			
	Total Weighted Value (Average)			
Quarter ending on	**31 Mar 21**	**30 Jun 21**	**30 Sep 21**	**31 Dec 21**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
Liquidity Buffer	32,683	31,242	30,112	30,807
Total Net Cash Outflows	16,454	14,733	13,549	13,580
Liquidity Coverage Ratio (%)	203%	216%	224%	228%

Note: 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.

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4. Risk Management, Objectives, and Policy
As at 31 December 2021

4.1. BAC Risk Framework

BAC has established a risk governance framework (the "Risk Framework") which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries. BAC adopted the 2022 Risk Framework in December 2021. The key enhancements from the 2021 Risk Framework include the addition of an overview of operational resilience as well as detail on how BAC manages technology risk, information security risk, and data risk.

The MLUKCH Group, including the sole operating subsidiary MLI, is integrated into and adheres to the global management structure including risk management and oversight, as adapted to reflect local business, legal, and regulatory requirements. The MLI Board adopted the BAC 2022 Risk Framework in March 2022.

The following section lays out the risk management approach and key risk types for the MLUKCH Group.

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 the Group to serve its customers and deliver for BAC shareholders. If not managed well, risks can result in financial loss, regulatory sanctions and penalties, and damage to the Group's reputation, each of which may adversely impact the Group's ability to execute its business strategies. Managing risk well is fundamental to delivering on the Enterprise's responsible growth approach to business.

The Risk Framework applies to all employees. It explains the Group'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 the Group. The Risk Framework sets forth roles and responsibilities for the management of risk by Front Line Units ("FLUs"), Global Risk Management ("GRM"), other Control Functions ("CFs"), and Corporate Audit.

The following are the five components of the Group's risk management approach:

- Culture of managing risk well
- Risk appetite and 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 the Group's businesses, 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 the Group's core values and its purpose, and how it drives responsible growth. It requires focus on risk in all activities and encourages the necessary mindset and behaviour to enable effective risk management and promote sound risk-taking within the Group's risk appetite. Sustaining a culture of managing risk well throughout the organisation is critical to the success of the Group and is a clear expectation of the Group's Executive Management team and its Board of Directors.

The following principles form the foundation of the Group's culture of managing risk well:

1. Managing risk well protects the Group and its reputation and enables the Group to deliver on its purpose and strategy

2. The Group treats clients fairly and acts with integrity to support the long-term interests of its employees, customers, and shareholders. The Group understands that improper conduct, behaviour, or practices by the Group, its employees, or representatives could harm the Group, shareholders, or clients, or damage the integrity of the financial markets

3. As the Group helps its clients improve their financial lives, it must always conduct itself with honesty, integrity, and fairness

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 the Group employs models and methods to assess risk and better inform the Group'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. GRM provides independent oversight and effective challenge, while Corporate Audit provides independent assessment and validation

8. The Group strives to be best-in-class by continually working to improve risk management practices and capabilities

4.2.2. Risk Statement and Risk Appetite

Risk Statement

Below is the concise risk statement, approved by the MLI Board, which succinctly describes MLI's overall risk profile associated with the business strategy.

MLI, MLUKCH's sole operating subsidiary, is BAC's largest operating subsidiary outside the U.S. and serves the core financial needs of global corporations and institutional investors.

The MLUKCH Group's risk profile reflects the principal activities of MLI which are to provide a wide range of financial services globally for business originated in Europe, Middle East, and Africa ("EMEA"), Asia Pacific, and the Americas; to act as a broker and dealer in financial instruments; and to provide corporate finance advisory services. The Company also provides a number of post trade related services including settlement and clearing services to third-party clients.

As at 31 December 2021, the Group's total assets prepared in accordance with FRS 101 totalled $403.9B, and for MLI standalone $381.7B, and comprised principally of derivative assets, equities, fixed income securities, and sale and repurchase transaction positions. The Group has $33.7B of regulatory Capital Resources (MLI: $33.6B), consisting entirely of CET1 capital of $33.7B (MLI: $33.6B). The Group has a Tier 1 capital ratio of 19.5% (MLI: 19.3%), and the Group's leverage ratios is 8.3% (MLI: 8.2%). The Group's twelve-month average LCR was 228%.

MLI has transactions with affiliated companies in the BAC Group, primarily as a result of utilising affiliate counterparties to gain access to certain markets and products, both on behalf of clients in order to provide efficient market access and for its own risk management purposes. MLI also typically deposits cash with affiliates and provides / receives intercompany loans for general liquidity management purposes. At 31 December 2021, MLI had 31% of balances with affiliated companies (7% with Bank of America, National Association).

Consistent with the business strategy, the Group's largest Counterparty and Credit Risk industry sectors based on regulatory capital exposures are broker dealers 22%, clearing houses 21% and banks 18%. 50% of the Group's Counterparty and Credit Risk requirement is based on exposures within the EMEA region and 68% of Counterparty and Credit Risk related exposures mature in less than one year. The Group has over 39% of exposures with

counterparties externally rated between AAA and A- or equivalent. Although generally assessed internally as being of high quality, 56% of exposures in the Group are to counterparties not rated by external rating agencies. Credit risk is assessed as outlined at Section 4.3. Key Risk Types.

Market risk for the Group is generated by the activities in the interest rate, foreign exchange ("FX"), credit, equity, and commodities markets. In addition, the values of asset and liabilities could change due to market liquidity, correlations across markets, and expectations of market volatility. Average regulatory Value at Risk ("VaR") for MLI during 2021 was $58M.

MLI 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.

The Risk Appetite Statement ("RAS"), established for MLI, indicates the amount of capital, earnings, and liquidity MLI is willing to put at risk to achieve its strategic objectives and business plans, consistent with applicable regulatory requirements. Further detail on this is provided in the section below.

Risk Appetite

The RAS ensures that MLI 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 MLI business, and aligned with the risk management practices of BAC. The RAS is reviewed and approved by the MLI Board at least annually.

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

- Overall risk capacity: MLI's overall capacity to take risk is limited; therefore MLI prioritises the risks it takes. Risk capacity informs risk appetite, which is the level and types of risk MLI is willing to take to achieve its business objectives

- Financial strength to absorb adverse outcomes: MLI must maintain a strong and flexible financial position so it can weather challenging economic times and take advantage of organic growth opportunities. Therefore, MLI sets objectives and targets for capital and liquidity that permit MLI to continue to operate in a safe and sound manner at all times, including during periods of stress

- Risk-reward evaluation: Risks taken must fit MLI's risk appetite and offer acceptable risk-adjusted returns for shareholders

- Acceptable risks: MLI considers all types of risk including those that are difficult to quantify. Qualitative guidance within the RAS describes MLI's approach to managing such risks throughout MLI in a manner consistent with its culture. For example, actions considered in a line of business ("LOB") that may unduly threaten MLI's reputation should be escalated and restricted appropriately

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

Risk appetite is aligned with MLI's 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, as appropriate. Risk appetite is also considered within the Recovery Plan, 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.

The quantitative and qualitative elements of MLI'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.

Risk Appetite Metrics

MLI's RAS quantitative framework consists of MLI Board and MLI Management Risk Committee ("MLI MRC") approved metrics which are designed to manage the amount of risk MLI is willing to take to meet its strategic objectives. The calibration of the metrics reflect the level of MLI's financial resources and risk profile.

Risk appetite metrics are expressed on an in-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.

The RAS provides qualitative statements for all seven risk types defined in the Risk Framework. In addition, quantitative metrics exist for the following risk types:

- Strategic Risk: Metrics relating to Capital and Leverage and are provided in addition to stress loss limits
- Credit Risk: Forward-looking baseline metrics, in addition to concentration limits aligned to credit quality using internal risk rating, geography, and industry
- Market Risk: Metrics relating to trading VaR, stress loss and Interest Rate Risk in the Banking Book ("IRRBB") from an economic value and earnings approach
- Liquidity Risk: Metrics relating to key liquidity coverage ratios
- Compliance & Operational Risk: Metrics relating to non-litigation operational losses, residual risk level, past due issues, operations, systems performance, information security, third party vendors, and change management

Risk Appetite Monitoring, Reporting, and Escalation

Robust monitoring and reporting processes for MLI Board-owned and MLI MRC-owned metrics are in place, with breaches resulting in appropriate notification and escalation based on the severity of the breach. Breach resolution plans include a written description of the root causes and how a breach will be resolved, as appropriate.

The performance against the MLI risk appetite is reviewed on a regular basis by the MLI MRC and on a quarterly basis by the MLI Board Risk Committee ("MLI BRC"). Limits and tripwires are monitored by FLUs and risk management on a more frequent basis. Performance is also communicated to the MLI Board on a quarterly basis. MLI Management, MLI MRC, MLI BRC and the MLI Board take action as necessary to proactively and effectively manage risk.

The MLI Chief Risk Officer ("CRO") is the executive sponsor of the RAS and oversees the risk appetite exception management process in order to ensure that excesses are properly escalated, effectively managed and that any required remediation actions are governed and implemented appropriately. This process outlines the escalation and management of exposures that are in excess of the tripwire or limit levels. When exposures breach tripwire and limit levels, they are escalated as appropriate to management bodies including MLI MRC, MLI BRC, and the MLI Board.

MLI is committed to communicating a clear, consistent position on risk taking to internal and external stakeholders, as appropriate.

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 the Group, thereby ensuring risks are appropriately considered, evaluated, and responded to in a timely manner.

The Group'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
- The Group encourages a thorough challenge process and maintains processes to identify, escalate, and debate risks
- The Group utilizes timely and effective escalation mechanisms for risk limit breaches

The FLUs have primary responsibility for managing risks inherent in their businesses. The Group employs an effective 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 the Group to proactively and effectively manage risk.

Risk Data Management, Aggregation, and Reporting Principles:

- Complete, accurate, reliable, and timely data
- Clear and uniform language to articulate risks consistently across the Group
- Robust risk quantification methods and clear approaches to aggregate exposures for risk measures
- 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 MLI Management bodies as appropriate.

4.2.5. Risk Governance

The Enterprise's risk governance principles serve as the cornerstone of the risk governance framework. The Code of Conduct, Risk Framework, the RAS, and strategic plans are overarching documents that firmly embed the Company'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 the Company defines and manages risk. The RAS clearly indicates the risks MLI is willing to accept. The strategic plans, for both BAC and MLI, document strategies for the next three-year period.

Three Lines of Defence

MLI has clear ownership and accountability for managing risk across three lines of defence: FLUs, GRM, and Corporate Audit. The Company also has control functions outside of FLUs and GRM (e.g., Legal and Global Human Resources) that provide guidance and subject matter expertise in support of managing risks facing the Company.

FLUs	Own and proactively manage all risks in business activities
GRM	Oversee risk-taking activities within the FLUs and across the enterprise, 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 the Company'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 done by conducting independent assessments and validation through testing of key processes and controls across the Company.

Corporate Audit team 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 business, and legislative and regulatory requirements. The annual planning process directs timely and flexible testing of the Company's highest risks and risk management processes (inclusive of risk appetite).

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

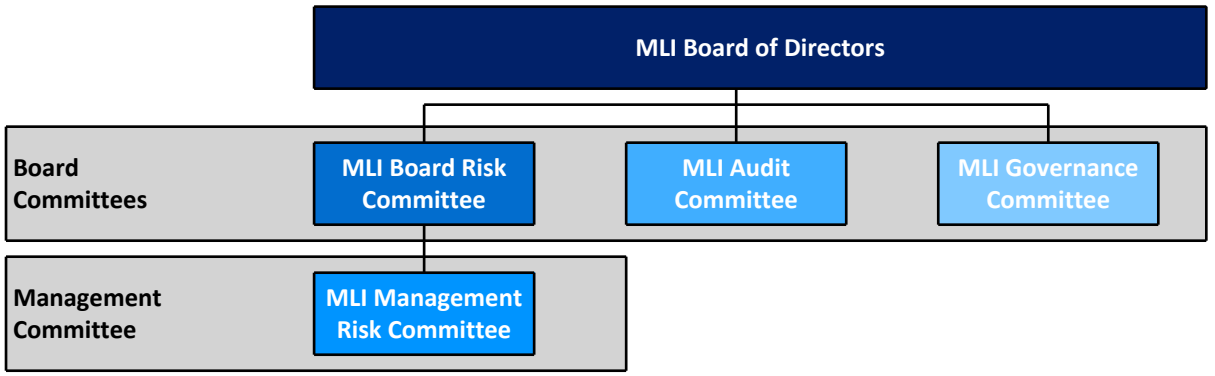
Corporate Audit maintains independence from the Company's Businesses and Governance & Control Functions by reporting directly to the Audit Committee of the MLI Board.

Risk Governance Structure

The MLUKCH Board of Directors ("MLUKCH Board") is responsible for oversight of adequate risk management and controls for the Group. The principal activity of MLUKCH is to act as a holding company for MLI, the sole operating subsidiary in the Group. MLUKCH is not itself a risk taking entity, and the risk in the Group is booked in MLI, where the business is managed. As a result, the majority of the risk governance for the Group is conducted at MLI, where that risk is incurred.

The MLI Board ensures suitable risk management and controls through the MLI BRC, the MLI Audit Committee, the MLI Governance Committee, and the MLI MRC. The MLI MRC also conducts periodic reviews of reporting, including regulatory reporting and remediation plans; escalates reporting to the MLI BRC, the MLI Board, or other committees, as appropriate; and reviews risk management strategies to ensure their continuing effectiveness.

Figure 4.2.5.F1. – MLI Risk Governance Structure



The MLI BRC assists the MLI Board in fulfilling its oversight responsibility relating to senior management's responsibilities regarding the identification of, management of, and planning for, the following key risks of the Company: strategic risk, market risk, credit risk, liquidity risk, operational risk, compliance risk, and reputational risk. The MLI BRC met four times during 2021.

The MLI MRC reports to the MLI BRC and is responsible for providing management oversight and approval of (or reviewing and recommending to the MLI BRC, the MLI Board, or other committees, as appropriate) strategic risk, market risk, credit risk, liquidity risk, operational risk, compliance risk, reputational risk, and stress testing activities as well as balance sheet, capital, and liquidity management. The MLI MRC met thirteen times during 2021.

The MLI Audit Committee assists the MLI Board in fulfilling its oversight responsibility relating to MLI's internal financial controls; preparation and integrity of MLI's financial statements, compliance statement and oversight of related disclosure matters; qualifications, independence and performance of, and MLI's relationship with, the external auditor and reviewing the scope and engagement terms of the external auditor; and performance and independence of MLI's Internal Audit and Compliance functions. The MLI Audit Committee met five times during 2021.

The MLI Governance Committee assists the MLI Board in fulfilling its oversight responsibility relating to the governance of the Board of Directors of MLI, including nominations to the MLI Board, reviewing and reporting to the MLI Board on matters of corporate governance principles applicable to MLI, reviewing and reporting to the MLI Board on senior management talent planning and succession and leading the MLI Board and its committees in their assessments of their performance. The MLI Governance Committee is also charged with oversight of the development of, and implementation of the firm's remuneration policies and practices. The MLI Governance Committee acts as the Nomination Committee and the Remuneration Committee of MLI. The MLI Governance Committee met five times during 2021.

MLI Director Selection and Diversity Policy

The MLI Governance Committee, in consultation with the Company's shareholder, the Company's CEO and Chair, identifies and evaluates individual candidates for their qualifications to become directors and recommends qualified candidates to the MLI Board to fill vacancies as the need arises. Before any appointment is made by the MLI Board, the MLI Governance Committee is responsible for evaluating the balance of skills, knowledge, experience, and diversity on the MLI 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 the charter for the MLI Governance Committee, in identifying suitable candidates the MLI Governance Committee shall consider the overall knowledge, skills, experience, and expertise represented on the MLI 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 MLI Governance 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 MLI Board.

In addition, pursuant to the terms of its charter, the MLI Governance Committee is responsible for deciding on a target for the representation of the underrepresented gender on the MLI Board and how to meet it (as required).

MLUKCH Director Selection and Diversity Policy

Members of the MLUKCH Board, along with representatives from Human Resources, Subsidiary Corporate Governance, and Legal, are responsible for identifying and approving candidates to fill MLUKCH Board vacancies as and when they arise.

The MLUKCH Board considers candidates from a wide range of backgrounds and considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the MLUKCH Board, including gender representation, taking care that appointees have sufficient time available to devote to the position.

General

All appointments to the MLI Board are made in compliance with Bank of America's Global Background Check - Enterprise Policy and are subject to successful completion of numerous background checks, as required: Identification, Credit, Criminal, Global Sanctions, Media, Directorship, Professional Qualification, Employment, and Education checks. In addition, executive directors and board and committee chairs appointed to the MLI Board require regulatory pre-approval in line with the PRA's and FCA's requirements under the Senior Managers Regime.

MLUKCH Board and MLI Board member experience is detailed within individual director biographies (Appendix 1 – MLUKCH and MLI Directors Board Membership and Experience).

The independent risk management functions led by the MLI Chief Risk Officer have operational responsibility for risk management of MLI and ensuring appropriate reporting and escalation to the MLI Board.

In 2021, there were no changes to the Head of Corporate Audit and Chief Risk Officer roles during the year. A new Head of Compliance and Operation Risk was permanently appointed in April 2021. The appointment was made in compliance with stated selection and diversity policies.

The MLUKCH Board has reviewed the effectiveness of the risk management arrangements of the Group and confirms the measures outlined are adequate to facilitate the management of risk in the context of the Group's profile and strategy.

4.2.6. Risk Declaration

The principal activity of MLUKCH is to act as a holding company for MLI, the sole operating subsidiary in the Group. MLUKCH is not itself a risk taking entity, and the risk in the Group is booked in MLI, where the business is managed. The MLUKCH Board has reviewed the effectiveness of the risk management arrangements of the Group and confirms that the measures outlined are adequate to facilitate the management of risk in the context of the Group's profile and strategy.

4.3. Key Risk Types

The risk management processes outlined above allow the Group, through the sole operating subsidiary, MLI, to manage risks across the seven key risk types: strategic, credit, market, liquidity, operational, compliance, and reputational. Details of how risk is managed within MLI are given below.

4.3.1. Strategic Risk

Definition

Strategic Risk is the risk to current or projected financial condition arising 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 MLI operates (such as competitor actions, changing customer preferences, product obsolescence, and technology developments).

Strategic Risk Management

Strategic risk is managed through the assessment of effective delivery of strategy. Strategic risk is monitored continuously by the Executive Management Team through a number of existing processes ranging from monitoring of financial and operating performance, through to the management of the Recovery Plan and also with the regular assessment of earnings and risk profile throughout the year. The Executive Management Team provides the MLI Board with reports on progress in meeting the Strategic Plan, as well as whether timelines and objectives are being met and if additional or alternative actions need to be implemented.

Strategy execution and risk management involves a formal planning and approval process. The MLI Strategic Plan is set within the context of overall risk appetite and the strategic planning process includes an evaluation of the internal and external environment and its strengths, weaknesses, opportunities, and threats.

Strategic Risk Governance

The MLI Strategic Plan is reviewed and signed-off by the MLI Board. Strategic decisions relating to MLI are presented and discussed at the MLI BRC and the MLI Board.

Routines exist to discuss the Strategic Risk implications of new, expanded or modified businesses, products or services and other strategic initiatives, and to provide approvals where appropriate. Material risks are considered for capital and liquidity planning. Independent risk management, Corporate Audit, and other control functions provide input, challenge, and oversight to FLUs and strategic decisions and initiatives relating to MLI.

Strategic Risk Reporting

Regular updates to the MLI Board on business performance and management of strategic risk take into account analyses of performance relative to the Strategic Plan, risk appetite, the strength of capital and liquidity positions, and stress tests (which address potential macroeconomic events, changing regulatory requirements and various market growth rate assumptions). This also includes an assessment of the level of inherent risk, control effectiveness, as well as the residual risk outlook.

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 MLI commits to, or enters into, an agreement with a borrower or counterparty.

MLI defines credit exposure to a borrower or counterparty as the loss potential arising from loans, leases, derivatives, and other extensions of credit.

Credit Risk Management

MLI manages credit risk to a borrower or counterparty based on their 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.

MLI 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 MLI'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

As BAC's main investment firm outside of the U.S., MLI's credit strategy and origination is focused on its trading, securities, and derivatives activities which account for the majority of its credit exposure.

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

Counterparties' credit risk profiles are 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. New products and credit terms and conditions are differentiated based on risk, within the limits of risk appetite.

Counterparty credit risk in MLI arises from the creditworthiness of MLI's trading partners and varies by type of transaction. Credit risk management manages counterparty risk with specific policies, limits, and controls. MLI has a clearly established process in place for on-boarding new counterparties, as well as for managing existing counterparties. Policies and processes for assuming credit risk are well documented without undue reliance on external credit assessments.

Based on counterparties' risk profiles, limits and tenors are set at the individual counterparty level and aggregate family level. Investment Advisor "As Agent" limits can also be set as needed. Mark-to-market exposure and potential exposure are measured taking applicable collateral into account. The principal 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.

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 to keep credit risk appetite and return within 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 portfolio. In addition, targeted and portfolio stress testing and scenario analysis are performed and reviewed.

Counterparty Stress Testing is an important element of the management of CCR in MLI. Stress testing in MLI is used to monitor exposure against MLI BRC level Risk Appetite Limits, define MLI's adjusted internal stress scenario which is a key driver in determining MLI's proposed Pillar 2B buffer in the ICAAP process. Together with trade portfolio sensitivities, stress testing measures supplement credit risk metrics such as potential exposure and current exposure as part of ongoing robust management of CCR exposures in MLI.

Stress testing in MLI covers a wide variety of scenarios (including historical, hypothetical, point of weakness and single factor scenarios) to help identify exposure concentrations and the impact of potential changes in market conditions on credit exposures. This ensures MLI counterparty exposures are stressed appropriately and thoroughly.

Stress Testing results are reviewed periodically in the MLI IMM Risk and Capital forum as well as in the quarterly MLI portfolio review.

Loss and Credit Risk Mitigation Activities

At times, borrowers and counterparties do not fulfil 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.

MLI maintains appropriate levels of capital in compliance with all applicable regulatory requirements to absorb unexpected losses. During a credit cycle, MLI may experience a concentration of losses and would intensify efforts to mitigate losses, balancing fiduciary responsibilities to protect asset values with MLI's principles to serve its customers.

MLI employs a range of techniques to actively mitigate counterparty credit risks. MLI accepts collateral that it is permitted by documentation such as repurchase agreements or a CSA to an International Swaps Dealers Association ("ISDA") master agreement. 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.

The Global Banking and Markets ("GBAM") Legal Department provides written legal advice regarding the enforceability of netting agreements for certain traded products agreements. The GBAM Legal Department performs a periodic legal review of such written legal advice, no less frequently than annually.

MLI 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 MLI, 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.

The collateral eligible for exchange is subject to BAC's collateral policies and relevant regulatory requirements. 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 maintaining collateral values. It also addresses risk mitigation, documentation, monitoring, control, and compliance with legal and regulatory requirements. 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. When FLU Credit and Enterprise Credit Risk ("ECR") are negotiating CSAs with counterparties, the list of eligible collateral is defined based on counterparty's credit profile. At any point in time, they can request updating the collateral list should the counterparty's credit profile change.

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

Derivatives exposures are increasingly routed through Central Counterparties in response to changes in regulation being phased-in globally. UMR is a regulatory mandate requiring the exchange of Variation Margin ("VM") and Initial Margin ("IM") for uncleared OTC Derivative bilateral trades. UMR was effective for Initial Margin on 1 September 2016 for the largest international bank holding companies and their subsidiaries. A further phased-in compliance will be carried out based on aggregate average trading notionals annually every September until 2022.

The main type of collateral that MLI accepts for its Global Markets business consists of U.S. Dollar Cash and Government bonds from investment grade G7 countries. Any such collateral taken in respect of trading exposures will be subject to a 'haircut,' which is negotiated at the time of signing the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security. Where applicable, regulations in certain jurisdictions may specify minimum haircuts on eligible collateral. In the situation where an ISDA / CSA is subject to UMRs of multiple regulatory regimes, the accepted haircuts are floored by the most conservative of the regulatory minimums, while more conservative haircuts may be negotiated. Where haircuts are not required by regulations, haircuts associated with acceptable forms of collateral are standard haircuts recommended by Counterparty Credit Risk Portfolio Management. Any deviation from these is subject to approval following the 'Agreements and Documentation Escalation Grid guidelines.' The standard haircut table for Eligible Collateral is maintained by Counterparty Credit Risk Portfolio Management and updated on at least an annual basis.

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. Where credit risk mitigation 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 credit risk mitigation provider.

Credit risk mitigation taken by MLI 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 credit risk mitigation 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 Enterprise policy.

Credit Risk Governance

MLI Credit Risk Management is integrated into the BAC and MLI 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, limit excesses, policy variances, and internally identified issues and emerging risks.

Credit risk policies form an important part of BAC's and MLI'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, rule, 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 MLI's requirements and authority levels. Independent 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.

The MLI IMM Risk and Capital Forum was established in 2019 to ensure that the management body, related committees and senior management within MLI have a conduit through which they can ensure appropriate and timely oversight of the design and implementation of the CCR management framework in relation to MLI. It aims to further strengthen routines with regards to regulatory obligations and ensures regular internal dialogue and coordination with all stakeholders, including input into other forums to ensure that MLI specific items are appropriately considered.

Credit Risk Reporting

Transparency of credit risk is critical to effective risk management. To ensure appropriate transparency and escalation across FLUs, BAC and MLI Boards, and executive management, comprehensive, timely and actionable credit risk reporting containing the required granularity of content for each level of seniority is produced.

Exposure under MLI's RAS credit risk limits is reported on a daily basis.

The MLI MRC and MLI Board materials provide additional information on the composition of the risk exposure. This includes exposure by sector, country, and traded product types and allow for the monitoring of potential concentration of risks. The MLI MRC receives a monthly limit monitoring report and the MLI Board receives quarterly reporting.

Regular reporting for MLI Management and MLI Board committees includes monitoring of credit exposure against MLI Board approved risk appetite limits, as well as more detailed credit information covering total outstanding volumes, industry and geographic concentrations, 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 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* is the risk to current or projected financial condition arising from changes in the value of trading portfolios, investment securities or Treasury-related funding activities. These portfolios typically are subject to daily price movements and are accounted for primarily on a mark-to-market basis. This risk occurs most significantly from market-making, dealing and capital markets activity in interest rate, foreign exchange, equity, commodities, and credit markets.
- *Interest rate risk* is the risk to current or projected financial condition arising from movements in interest rates. 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 or investment securities (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. MLI's aggregate potential economic exposure, as well as earnings and capital sensitivity, to interest rate risk in the banking book is also assessed.

MLI has been granted permission by the PRA to use an Internal Model Approach for calculating regulatory capital for market risk using the following models: 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 approved IMA is calculated using standardised rules.

Value at Risk

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 holding period and uses three years of historic data.

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 MLI. 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 3-years of historic data and a version which uses a 1-year period in order to reflect more recent market volatility. Both are equivalent to a 99% confidence level and have a 1-day holding period.

MLI 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 equity and 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. Depending on the risk factor, the historical scenarios can represent either absolute or relative shocks, or a mixture of both as deemed most appropriate. The Market Data Team is responsible for ensuring accuracy of the data used. This is achieved with Data quality tests that include checks to detect stale, missing or spiky data.

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 new product or less liquid 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.

In 2021, the main change impacting the VaR model is related to the IBOR transition. This effort will continue in 2022.

MLI 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. Meanwhile there is an ongoing project to increase the frequency of calculating Risks Not in VaR ("RNiVs") to satisfy the PRA requirements laid down in PRA Supervisory Statement ("SS") 13/13. Pricing model parameters are being stress tested and capitalised in the RNIV framework.

Risks Not in VaR

RNiV represent risks that are not adequately captured by the VaR model. MLI has implemented a process to timely identify, quantify, and manage RNiVs following the SS13/13 on Market Risk. The RNiV Process Document defines the roles and responsibilities for the RNiV process, with specific references to MLI.

RNiVs are capital charges capturing the adverse impact to the present portfolio of market moves for risk factors not included or fully included in VaR. According to the underlying evaluation methodology the RNiVs are classified as:

- **Type-1**: The evaluation methodology is based on a standalone 10-day 99% confidence level VaR type of computation. For these risk factors both the time series and sensitivities are known. In principle these risk factors can be included in the general VaR engine. However, for various technical reasons they are processed separately as non-diversifiable RNiV Capital charges

- **Type-2**: The evaluation methodology is based on stressed scenario computations. For these risk factors the historical time series (due to their reduced observability) are not available and therefore they cannot be part of the general VaR engine

RNiVs are models and subject to the Enterprise Model Risk framework. As of 4th Quarter 2021, there were 13 models used to calculate the RNiVs. RNiVs are undiversified capital add-ons. As such, the firm embarked on a project in 2018 to remediate the material RNiVs. This project is still in progress and regulatory engagement to secure approval is on-going.

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 and for which IRC approval exists.

The IRC model utilizes a Monte Carlo framework to simulate transitions and defaults. Additional risk factors include recovery rates, bond-credit default swap ("CDS") basis, index-single name basis, index option volatility, and foreign exchange. 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 issuers. The asset correlation for each pair of issuers is defined at the sector / region level. The model also captures the negative correlation between default rate and recovery.

Comprehensive Risk Measure

CRM estimates the potential losses, at a 99.9% confidence level, that the correlation trading portfolio (primarily tranches on credit indices, with their corresponding hedges) might experience over a one-year period of financial stress.

CRM is comprised of a modelled component and a surcharge for the eligible positions in the correlation trading portfolio. The modelled component of CRM utilizes the same Monte Carlo simulation framework as the IRC model, with the inclusion of additional risk factors that materially impact the value of the positions within the correlation trading portfolio. The model captures the complexity of these positions, including the non-linear nature of the trade

valuations, particularly during periods of market stress, as well as the impact of the joint evolution of the risk factors. Like IRC, the CRM calculation uses a full-revaluation approach.

The CRM and IRC models share the usage of the rating migration / default risk factor, with CRM employing an additional risk factor for credit spread diffusion. Here the combined migration / default and credit spread risk factors act as a jump-diffusion process. In this model, credits are organized into sectors and regions to take into account the correlated moves across industries or markets. In order to capture the correlation between names and the economy, the model uses an economy-wide factor that drives the evolution of all names and has factors specific to each sector and region. The jump component is also correlated to the diffusion component through these factors. This allows for the simulation of widening credit environments, while also capturing the increase in default rates that would be observed in these scenarios.

The base correlation data used in CRM is sourced from front office data, which uses a stochastic recovery Collateralised Debt Obligation ("CDO") model. The CRM model applies an instantaneous shock to the portfolio as of the calculation date. The modelled component of the CRM, like the IRC model, assumes a constant position and a liquidity horizon of one year.

Market Risk Management

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

MLI manages and monitors its market risk exposures in a way that reflects MLI's Risk Framework. Assessing key exposures and setting and monitoring limits to ensure that MLI operates within the approved risk appetite are at the core of MLI'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 MLI MRC and MLI BRC review and recommend Risk Appetite limits for approval to the MLI 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 MLI portfolio. Global Markets and Financial Risk ("GMFR") Management identifies points of weakness and concentrations in the MLI portfolio or where the entity holds positions that are illiquid or which could be exposed to particular extreme tail events. Stress scenarios may be specifically designed to target potential vulnerabilities that are not always easy to capture or model using VaR, or where there may be difficulty in hedging or exiting positions in a timely fashion, or at a reasonable price, in an extreme event, or during market adjustment towards a low-carbon economy.

Market Risk Governance

Market risk is identified, measured, 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, approving new trades, and fulfilling regulatory requirements. On an annual basis, the MLI CRO provides written attestation to the PRA that the internal approaches for which the firm has received permission comply with 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 PRA where required.

The effectiveness of the VaR methodology is evaluated and monitored through back-testing, 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 back-testing 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 PRA, as appropriate, as part of regulatory reporting processes.

On an annual basis, a stressed IRC and CRM are 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 scenario.

The calibration input data for the IRC and CRM models 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 FX are compared against historically observed changes on an annual basis.

Market Risk Reporting

Transparency of market risks is critical to effective risk management. MLI produces reports on exposure, including VaR, Stress, and Risk Factor sensitivities. MLI also reports on risks such as yield curve shifts and twists, changes to implied volatility and correlations between market variables and credit spreads.

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

Exposure to interest rate risk on positions not included in the trading book

MLI defines Interest Rate Risk in the Banking Book as “the risk to its current or anticipated earnings or capital arising from movements in interest rates in the Banking Book.” Interest rate risk represents the most significant market risk exposure to MLI's banking-book balance sheet. Interest Rate sensitivity on MLI’s Banking Book balance sheet is driven by funding business activity, namely repo, reverse repo, stock loans / borrow and margin loans, in addition to the Treasury position including the HQLA portfolio.

MLI’s overall IRRBB management and mitigation strategies are performed through regular risk measurements using Economic Value of Equity (EVE) and Earnings at Risk (EaR) scenario based risk measurements which are monitored against established limits, and hedging actions are taken as necessary. The MLI MRC approves the risk measurement methodology, limits and hedging strategy.

Forward-looking forecasts of EaR are prepared. The baseline forecast takes into consideration expected future business growth, Asset and Liability Management (“ALM”) positioning, and the direction of interest rate movements as implied by the market-based forward rate paths. MLI then measures and evaluates 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, MLI's balance sheet position is continually monitored in order to maintain an acceptable level of exposure to interest rate changes.

EVE is calculated measuring the changes in Present Value of interest rate sensitive instruments currently on the MLI's Banking Book over their remaining life using a baseline and shocked forward interest rate paths with the difference between the two representing EVE risk.

For EVE methodology, measurements include commercial margins in cash flows and use risk free discount rates

Risk measurement for each material currency is aggregated by direct summation - with a 50% positive currency adjustment for EVE Supervisory Outlier Test

To estimate changes in economic value and in earnings driven by interest rate movements, MLI leverages a range of internal and regulatory mandated parallel and non-parallel shock scenarios and stress scenarios consistent with EBA IRRBB guidelines.

In addition to EaR and EVE risk measurement, Tenor Basis Risk, which is driven by the impact of relative changes in interest rates on instruments that are priced using different interest rate indices is measured and monitored on an ongoing basis.

The results of all IRRBB metrics are generated using a model that is reviewed and validated by Model Risk Management routinely. MLI MRC consistently receive updates on IRRBB metrics, trends and details on various topics impacting IRRBB, facilitating timely decision making in response to any factor impacting MLI's interest rate risk exposure.

MLI's overall goal is to manage interest rate risk so that movements in interest rates do not significantly adversely affect earnings or capital. If deemed necessary, the bank will hedge its IRRBB by changing the maturity and/or interest rate repricing profile of banking book assets and liabilities.

The key difference between the information in the table below and internal measurement approaches is that the measurement of internal EaR uses a forecasted/dynamic balance sheet for EaR measurement as opposed to the static balance sheet used for the measurement of Net Interest Income ("NII") populated in Table 4.3.3.T1. – December 2021 IRRBB Metrics

IRRBB metrics contained in Table 4.3.3.T1. – December 2021 IRRBB Metrics signify that MLI manages exposures to a level that results in minimal IRRBB risk. Variances in EVE results period on period are driven by a combination of Balance Sheet composition changes and changes in forward rate path expectations. No prior results are available for NII as internal measurement uses a forecasted Balance Sheet for NII monitoring.

Table 4.3.3.T1. – December 2021 IRRBB Metrics

Economic Value of Equity		
($ in Millions)	Down 100 bps	Up 100 bps
USD	250	-13
EUR	-177	21
GBP	-93	4
JPY	-14	32
Other	-1	1
Total	-35	45

Net Interest Income		
($ in Millions)	Down 100 bps	Up 100 bps
USD	-102	201
GBP	27	-36
HKD	-20	23
JPY	-12	57
Other	-21	-16
Total	-129	230

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

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

Each of the FLUs are accountable for managing liquidity risk within the MLI Liquidity Risk Appetite by establishing appropriate processes to identify, measure, monitor and control the risks associated with their activities. GRM provides independent oversight and supervision of FLU activities, an independent view of the liquidity risk of FLU activities and assesses the effectiveness of MLI's liquidity risk management processes.

The MLI Liquidity Board Level Risk Appetite is defined by the following:

- Internal Liquidity Stress Test ("ILST") - 30-day = Prepositioned liquidity sources divided by the net peak outflows over a 30-day combined stress period
- ILST - 90-day = Available liquidity sources (including committed line with NB Holdings) divided by the net peak outflows over a 90-day combined stress period
- Liquidity Coverage Ratio = High-Quality Liquid Assets divided by 30-day net stress outflows including PRA Pillar 2 add-ons

In addition to the above, the MLI Board approved in November 2021 the introduction of a Net Stable Funding Ratio ("NSFR") Risk Appetite Limit applicable from 1 January 2022 in line with the deadline for regulatory compliance. The NSFR is defined as follows: NSFR = Available Stable Funding divided by Required Stable Funding.

GRM works with Treasury and the Businesses to monitor actual and forecast liquidity and funding requirements with a focus on limit utilisation and trends, and any change in business / market behaviour may require a change in the treatment of risk and limit recalibration.

Liquidity Risk Governance

The MLI Board sets the liquidity risk appetite that is the minimum amount of liquidity that must be held to meet net modelled outflows under an internally-developed combined stress scenario and to comply with regulatory requirements. GRM is responsible for maintaining a liquidity risk limits framework to ensure that the entity is managed within its liquidity risk appetite. In line with the BAC Risk Framework, liquidity risk metrics are classified as:

- MLI Board-owned Risk Appetite Limits
- MLI MRC-owned Management Level Risk Appetite Limits
- Non-Risk Appetite Limits
- Risk Indicators

Limits and metrics are monitored and reported daily, weekly and monthly as appropriate, and a clear escalation path to Senior Management, the MLI MRC and the MLI 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 MLI Board, MLI BRC, MLI MRC, and Senior Management.

4.3.5. Compliance and Operational Risk

Definition

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

Compliance Risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Company arising from the failure to comply with the requirements of applicable laws, rules and regulations and to internal policies and procedures. MLI is committed to the highest level of compliance and has no appetite for violations of legislative or regulatory requirements. MLI seeks to anticipate and assess compliance risks to its core businesses and respond to these risks effectively should they materialize.

Operational Risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. The Company strives for operational excellence in everything it does. MLI has designed an operational risk management program that seeks to anticipate and assess operational risks and respond to these risks effectively should they materialize.

Compliance and Operational Risk Management

MLI is committed to maintaining strong compliance and operational risk management practices across all FLUs and control functions. Compliance and Operational risk is managed in an ever changing and complex regulatory environment, along with the evolving products, services and strategies offered by FLUs. An integrated set of processes and controls is used to manage external and internal risks, including metrics and extensive monitoring, testing and risk assessment processes.

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 compliance and operational risk appetite limits to meet strategic, capital and financial planning objectives. Finally, FLUs are responsible for the proactive identification, management and escalation of compliance and operational risks across MLI.

MLI has combined the Compliance and Operational Risk management control functions into a single integrated function under common leadership. This combination allows professionals with complementary subject matter expertise to be brought 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 wide-ranging 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.

The Global Compliance and Operational Risk ("GCOR") Executive leads the combined organization, which, together with the FLUs and control functions, has responsibility for knowing what it means to conduct the Company's daily activities within the limits of prevailing compliance and operational risk appetites. The United Kingdom & Central and Eastern Europe, Middle East and Africa ("UK & CEEMEA") Compliance and Operational Risk Executive, together with the FLUs and control functions, is charged with these responsibilities for MLI. Global Compliance and Operational Risk sets Enterprise-wide policies and standards, which are adhered to by MLI, 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 products and services are delivered, understand applicable laws, rules and regulations and know whether 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. Global Compliance and Operational Risk also collaborates with other control functions to provide additional support for specific remediation efforts (e.g., high-profile Matters Requiring Attention) and shares responsibility with the FLUs, GRM and other control functions for mitigating certain risks, such as reputational risks and risks associated with improper conduct.

In addition, teams in Global Compliance and Operational Risk cover areas, such as financial crimes, privacy, fair lending 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 compliance and operational risk standards.

Finally, in some cases, Compliance and Operational Risk oversight is carried out by other control functions, such as the Chief Financial Officer's ("CFO's") Corporate Tax Department, based on standards established by Global Compliance and Operational Risk. Areas not directly overseen by Global Compliance and Operational Risk are typically subject to laws, rules, regulations that require specific expertise. These "indirect areas of coverage" are required to carry out specific activities to identify and report to Global Compliance and Operational Risk regarding specific compliance issues and the effectiveness of compliance risk management within these areas.

Operational resilience is defined by the Basel Committee as the ability of a company to deliver critical operations through disruption, regardless the source of disruption. Being operationally resilient is a key objective of sound operational risk management. Processes, data flows and systems must be designed from the outset to be well-controlled and resilient. This requires solid engineering, robust capabilities, and preventive and detective controls that prevent or mitigate operational failures. Being operationally resilient enables the Company to continuously serve customers, clients and financial markets, even during periods of operational stress. In addition, a formal and robust testing regime helps to ensure the ongoing identification of potential process-related issues.

Compliance Risk Management Program

MLI's approach to the management of compliance risk is further described in the Global Compliance Policy, which outlines the requirements of the Company's global compliance program, and defines roles and responsibilities of the three lines of defence in managing compliance risk.

The requirements of the compliance risk management program are:

- Comprehensive compliance risk assessments
- Compliance monitoring and testing activities
- Compliance-related metrics and key risk indicators

- Identification and reporting of compliance risk issues
- Compliance policy generation and management
- Comprehensive regulatory inventories and regulatory change management processes
- Compliance training and awareness activities

The requirements work together to drive a comprehensive risk-based approach for the proactive identification, management and escalation of compliance risks throughout the Company. In addition, GCOR collaborates with other control functions to provide support for specific remediation efforts, such as action plans to address regulatory Matters Requiring Attention.

Financial Crimes Compliance Risks

One of the key compliance risks facing MLI is financial crimes compliance risk. Compliance with laws, rules and regulations relating to financial crimes (anti-money laundering, economic sanctions and fraud) is a primary focus for not only Bank of America, but for the financial services industry across the globe. To help ensure compliance with these laws, rules and regulations, an enterprise compliance program for anti-money laundering, economic sanctions and fraud has been implemented. These programs are led by a designated chief compliance officer and supported by an enterprise policy and standards. The programs include a set of risk-based internal controls designed to achieve full compliance; including controls relating to customers and their activity; a role-based training program; identification and reporting of risks and issues, and comprehensive monitoring and independent testing by GRM and Corporate Audit.

For money laundering, controls are designed to both prevent potential money laundering before it occurs or detect activity that may be related to money laundering and report it. This is achieved through two principal sets of controls: processes to collect due diligence information relating to customers, including verification of customer identity; and processes to monitor and, when appropriate, conduct surveillance of customers' activity and report potentially suspicious activity. Economic sanctions risks are managed through internal controls designed to screen customers, and the transactions they conduct against government lists containing sanctioned jurisdictions, sectors, entities or individuals. Fraud is managed by maintaining risk-based processes to prevent, detect and appropriately respond to fraud, suspected fraud or the potential of fraud, including the timely recognition of fraud losses. These controls all combine to drive a comprehensive risk-based approach to effectively manage financial crimes risk across the Company.

Operational Risk Management Program

Global Compliance and Operational Risk is also responsible for establishing the enterprise Operational Risk Management Program, policies and standards, for ensuring that the Company meets the requirements "the Standardised Approach criteria under CRR Article 320" and for overseeing Operational Risk Management Program implementation and adherence by the FLUs and control functions. It also conducts reporting and analytics to support the aggregation and escalation of operational risks and issues to appropriate governance and risk committees.

The Operational Risk Management Program has been built around ten interrelated requirements that are set out in the Operational Risk Management – Enterprise Policy, which also specifies the responsibilities and accountabilities of the first and second lines of defence. These requirements work together to drive a comprehensive risk-based approach for the proactive identification, management, mitigation and escalation of operational risks throughout MLI.

The requirements of the operational risk management program are:

- Defining the Company's Operational Risk Appetite

- Implementing Operational Risk metrics and Key Risk Indicators ("KRIs")
- Designing the Risk and Control Self-Assessment ("RCSA")
- Conducting Scenario Analysis
- Providing and analysing Internal Operational Loss Event Data ("ILD") and External Operational Loss Event Data ("ELD")
- Setting Quality Assurance ("QA") Program standards
- Developing Operational Risk Coverage Plans
- Operational Risk Reporting and Escalation
- Operational Risk Capital Model Oversight

A number of the key operational risks facing the Company include third-party risk, model risk, conduct risk, technology risk, information security risk and data risk.

Third-Party Risk Management

MLI has established a third-party risk management program that all FLUs and control functions must follow. As outlined in the Third Party – Enterprise Policy, a third party refers to an external party, other than external customers or clients, which MLI engages in the course of conducting business. The primary risk associated with third parties is operational risk; however, third-party risk can also be manifest in strategic, reputational, and compliance risks. Third parties are managed in alignment with MLI's risk appetite and the Third Party – Enterprise Policy, and based on their unique risk profile. The program defines clear roles and responsibilities for managing a third party and the products / services provided throughout the relationship life cycle from planning and selection through termination.

FLUs and control functions manage the risks of third-party relationships through risk identification, measurement, monitoring, control, and escalation.

Model Risk Management

Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial loss, poor business and strategic decision-making, or reputational damage. Bank of America relies heavily on quantitative models, including artificial intelligence models, in many aspects of financial decision-making. Models are used for analysing business strategies; informing business decisions; identifying and measuring risks; valuing exposures, instruments or positions; conducting stress testing; assessing adequacy of capital; providing client services including asset management, financial crimes protection, and automated support; or meeting financial and regulatory reporting requirements. Given that models are used across MLI, model risk may impact each of the other key risk types. MLI's approach to managing model risk encompasses all stages of the model development and model use life cycle, and seeks to embed a culture of effective model risk management across the Company, with clear definitions of roles and responsibilities across FLUs, GRM, other control functions, and Corporate Audit. The approach is further described in the Enterprise Model Risk Policy and includes the following stages of the model life cycle:

- Model inventory, attestation and risk assessment
- Model development and documentation
- Independent model validation
- Ongoing monitoring of model performance and use

- Model awareness, reporting, and risk appetite

Effective model risk management requires regular reviews of model risks both at the individual model level and in the aggregate, examination of both quantitative and qualitative information, careful consideration of mitigating activities to ensure appropriate conservatism, and diligence in managing feedback loops to ensure model development activity is well informed. To achieve this, the Company has established a model risk governance structure that provides oversight from the boards of directors to the FLUs and control functions. Model risk management governance is responsible for the Company-wide development and oversight of the aforementioned activities and oversees the performance of model risk management within each FLU, activities, including artificial intelligence models across the Company.

Conduct Risk Management

Conduct risk is the risk of improper actions, behaviours, or practices by the Company, its employees or representatives that are illegal, unethical, or contrary to the Company's core values. The impact of improper conduct could result in harm to the Group, its shareholders or its customers, damage the integrity of the financial markets, or negatively impact the Group's reputation. Conduct risk has the potential to create additional risks such as reputational risk.

Conduct risk is managed by establishing a culture that reinforces expectations of proper conduct. The management of conduct risk begins with establishing a culture reflective of the goal to help make customers' financial lives better and delivering the responsible growth strategy. This is done by embedding BAC's core values of delivering together, acting responsibly, realizing the power of people, and trusting the team in how the Company is run every day. Throughout the employee life cycle, this expectation of culture and conduct is reinforced. Hiring practices, performance management programs, compensation approach and growth strategies reflect the commitment to customers, strong risk management and growing in a responsible manner. The expectation is that employees act in accordance with the guidelines set forth and the Company continually invests in employees through ongoing leadership engagement, communications and training that reinforces the Company's purpose and values.

Conduct risk can arise when an employee fails to act in accordance with laws, rules and regulations, behave in accordance with established professional standards and behaviours, and/or comply with internal policies, procedures, and all other established guidelines. The Company's culture requires employees to be vigilant about upholding the Code of Conduct, and sets the expectation that speaking up is not only accepted but expected. Employees are empowered to report concerns of possible conduct risk through such channels as the ethics and whistle-blower hotlines or the Global Human Resources team so that it can be addressed promptly. A centralized investigations team has been established to maintain consistency in evaluation of conduct-related matters and to more easily identify trends and themes. Policies, procedures and protocols have been established that inform employees as to how to perform their work and how decisions should be escalated for approval. Controls, checks, surveillance and monitoring are in place that ensure adherence to policies and procedures, and to either prevent or detect instances of potential misconduct.

When the Company becomes aware of potential employee misconduct, dedicated resources and processes exist to investigate and manage the incidents thoroughly. Governance structures and processes are in place to enable appropriate and effective oversight of conduct risk, including reporting and escalations from across the FLUs and control functions through board-level committees and ultimately to the boards of directors. FLU and control function leadership along with their key stakeholders have implemented conduct routines for the oversight of conduct risk for their respective organizations. These routines enable FLU and control function senior management teams to review details of aggregated conduct data, risks and themes to allow for further escalation to the Ethics Oversight Committee, the MLI MRC or to the boards of directors or other board-level committees, as appropriate.

Compliance and Operational Risk Governance

Global Compliance and Operational Risk employs a governance structure to escalate material risks and issues, as well as the changes to the company's compliance and operational risk policies and procedures. Global Compliance and

Operational Risk reporting is presented to the MLI MRC and then the MLI BRC, in addition to the Audit Committee for Compliance Risk related items, with both the MLI BRC and Audit Committee reporting to the MLI Board. The goal of having this governance structure is to drive accountability for risk management, including decision making, oversight and escalation at all levels throughout MLI.

Compliance and Operational Risk Reporting

Compliance and Operational Risk reporting and escalation to senior management and the boards of directors is essential to ensuring a clear understanding of current and emerging risks across MLI, as well as whether MLI is operating within Compliance and Operational Risk Appetite limits, so action can be taken promptly to address out of tolerance risks. Reporting includes results of compliance and operational risk assessments, monitoring and testing results, regulator-identified issues 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 boards of directors.

Technology Risk

Technology risk is the risk of application and infrastructure failures that can occur due to changes to the environment, inadequate monitoring or detective controls, failed components, inability to restore business services and / or technology during a disruption, and insufficient third-party performance. This risk can result in client impacts, operational impacts, financial loss, regulatory non-compliance and / or damage to MLI's reputation. Any technology failure could adversely impact the ability to conduct day-to-day business activities and service clients, or result in the misappropriation or destruction of personal, proprietary or confidential information. Improperly introduced change is a key driver of technology risk. This includes changes to existing products and services, new product innovations and changes to technology infrastructure, including changes managed or deployed by third parties.

Global Technology is responsible for delivering end-to-end technology solutions across MLI, with oversight by second line of defence. To mitigate and manage technology risk, controls have been established to ensure processes operate effectively and mitigate the aforementioned risks. In addition, to manage technology change risk, an enterprise-wide program is employed which is designed to mitigate risks inherent in the implementation of change, support attainment of tangible business outcomes, promote stability, reduce planning and execution variability, and minimize execution and operating risks.

Through established governance structures, processes exist to enable appropriate and effective oversight of technology risk. These routines enable management to debate technology risks and monitor control performance to allow for further escalation to executive management or to the boards of directors or other board-level committees, as appropriate.

Information Security Risk

Information security risk is the risk of a disruptive or destructive attack, technology failure, irrecoverable data loss or breach by an external or internal actor that impacts the Company or its third parties. This risk can result in client impacts, operational impacts, financial loss, regulatory action, and / or the loss of bank intellectual property. Cyber-attacks are evolving quickly and include computer viruses, malicious or destructive code (such as ransomware), social engineering (including phishing, vishing and smishing), denial of service or information or other security breach tactics.

Global Technology is responsible for establishing policies and procedures to safeguard bank information systems, confidential and proprietary data, including client, employee, corporate, supervisory and third-party information, with oversight by second line of defence.

To mitigate information security risk, a multi-layered and intelligence-led Global Information Security Program is employed, which is focused on preparing, preventing, detecting, mitigating, responding to and recovering from cyber threats and incidents and ensuring processes operate effectively and mitigate the aforementioned risks.

Through established governance structures, processes are in place to enable appropriate and effective oversight of information security risk. These routines enable management to debate information security risks and monitor control performance to allow for further escalation to executive management or to the boards of directors or other board-level committees, as appropriate.

Data Risk

Data risk is the potential for adverse business impacts due to weaknesses or failures in the data life cycle of the capture, transport and use of data. FLUs and control functions are responsible for managing their data risks. Data risk can manifest itself in multiple risk types and is mitigated through data management requirements. The Company has embedded policies, standards and procedures, including the Data Management – Enterprise Policy, that define the data management requirements and how they must be addressed by each FLU and control function. The Company continues to mature the enterprise data strategy to manage emerging data risks.

MLI is dependent on the effectiveness of its operational processes and systems, and those of its third parties, to manage data risks. The FLUs and control functions are required to ensure that data related processes and controls are designed and operate effectively; and the second line of defence performs independent assessments and effectively challenges and maintains oversight.

4.3.6. Reputational Risk

Definition

Reputational Risk is the risk that negative perception of MLI may adversely impact profitability or operations.

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

Reputational Risk Management

BAC, including its subsidiaries, manage 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. In addition, Reputational Risk is also reflected as one of the considerations in the assessment of operational risk scenarios.

At the Enterprise level, Reputational Risk is reviewed by the Enterprise Risk Committee and the BAC 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.

Reputational risk items relating to MLI are considered as part of the EMEA Reputational Risk Committee (the "Reputational Risk Committee"), whose mandate includes consideration of Reputational Risk issues (including matters related to Environmental, Social, and Governance ("ESG") factors) and provision of 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.

Activities will be escalated to the Reputational Risk Committee for review and approval where elevated levels of Risk are present. Examples of such activities could include:

- Business activities that present significant legal, regulatory or headline risk

- Violations of, or deviations from, established 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 MLI might have an undisclosed or significant conflict of interest
- Business activities from which MLI 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 MLI'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 MLI or any of the parties involved
- Business activities or practices that may follow long-standing 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 MLI 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, monitoring and oversight of the 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, MLI, aligned with BAC, does not set quantitative limits to define its associated Risk Appetite. Through proactive risk management, MLI seeks to minimise both the frequency and impact of reputational events.

Reputational Risk Governance

BAC, including its subsidiaries, has a well established organisational and governance structure in place to ensure strong oversight at both the enterprise and business levels.

The Reputational Risk Committee membership consists of executive representation from Global Markets, Global Corporate and Investment Banking, and control functions (Legal, Compliance, and Risk including Climate Risk and Environment and Social Governance), this includes senior representatives from MLI. The committee is co-chaired by the President - International and the CRO. The 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.

The Reputational Risk Committee is a sub-committee of the Global Reputational Risk Committee and is applicable to all key legal operating entities in the region. Items requiring increased attention may be escalated from the Reputational Risk Committee to the Global Reputational Risk Committee as appropriate.

Reputational Risk Reporting

The reporting of MLI reputational risk issues is captured as part of the management routines for the Reputational Risk Committee. Tracking of items presented to the Reputational Risk Committee is maintained through reporting protocols, which provides details such as the description of the reputational risk issue, the geographical jurisdiction of the issue, the reason for escalation and the decision reached by the Committee. In addition, the Reputational Risk Committee provides updates to the MLI BRC on a quarterly basis through a standing agenda item.

4.4. Other Risk Considerations

4.4.1. Wrong-Way Risk

Wrong-way risk exists when there is adverse correlation between a 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.

MLI 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, limit frameworks, 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 the Risk Framework, several processes exist to control and monitor wrong-way risk including reviews at the BAC Global Markets Risk Committee and the BAC Credit Risk Committee.

4.4.2. Contingent Market Risk

Contingent Market Risk ("CMR") arises from concentrated positions with a single counterparty or a subset of counterparties. Traditional exposure metrics, like potential exposure and CVA trend towards zero with the rise of over-collateralization and central clearing, while tail risk remains. This risk is captured by measuring concentrated positions using sensitivities and stress testing.

MLI is subject to various Enterprise-level CMR limits and guidelines, based on appropriate measures and levels, taking into account market liquidity, risk appetite stress scenarios and business rationale. Limits and guidelines are reviewed and monitored by the GMFR team. Permanent limits and guidelines are approved at the BAC Global Markets Risk Committee, or by delegated authority from that committee.

4.4.3. Pegged Currency Risk

A pegged exchange rate is a type of exchange rate regime where a currency's value is managed against either the value of another single currency, to a basket of other currencies or to another measure of value. Pegged Currency Risk arises when the peg 'breaks,' such as that which occurred in January 2015 when the Swiss National Bank announced it would no longer be pegging its currency, the Swiss Franc, to the Euro.

MLI is subject to various Enterprise Pegged Currency limits and guidelines for each pegged currency, across different ratings buckets and at the single name and portfolio level. Limits and guidelines are reviewed and monitored by the GMFR team. Permanent limits and guidelines are approved at the BAC Global Markets Risk Committee, or by delegated authority from that committee.

4.4.4. Equities Exposures 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.

4.4.5. Climate Change

Further information on MLI's management of climate change risk is included in the MLI Annual Report for the year ended 31 December 2021 and can be found at https://investor.bankofamerica.com/.

4.4.6. Impact of a Credit Rating Downgrade on OTC Collateral

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

Based on the terms of various over-the-counter derivatives contracts and other trading agreements, a credit rating downgrade may result in MLI posting additional collateral to counterparties or counterparties choosing to unwind or terminate specific transactions. In either case, MLI 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 MLI's internal liquidity stress testing and regulatory liquidity requirements. As of 31 December 2021, MLI was in excess of both internal and regulatory liquidity requirements, with a one-notch and two-notch downgrade scenario resulting in $45M and $221M of incremental additional outflows, respectively in line with contractual obligations in OTC derivative contracts.

4.4.7. Securitisation Risk Governance and Reporting

MLI is active in all classes of securitisation issuances, trading senior, mezzanine and residual tranches to facilitate client activity. Although asset-backed securities are the dominant driver of the capital requirement for securitisation positions, MLI is also active in all classes of collateralised loan obligation issuance and also has certain derivative positions collateralised by asset-backed securities. Monitoring and controls are in place via VaR based modelling, stress testing and market value limits.

4.4.8. New Products

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

MLI complies with the New Product Review and Approval - Enterprise 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.

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 predefined minimum requirements in respect of Governance, Risk Assessment, Post Implementation review, reporting, and required documentation.

4.4.9. Coronavirus

The global COVID-19 outbreak continued to create market volatility during 2021 however with the help of vaccine rollout, the economy moved to gradual reopening. Additional internal communication protocols remain in place between Risk and the Lines of Business to ensure management awareness of credit exposure, market volatility, liquidity, and funding risks which remain to be robust and effective in managing risk through a significant period of

volatility. Enhanced reporting continues to be produced for the MLI Board committees along with enhanced regulatory engagement since the beginning of the COVID-19 period, with regular calls between the MLI management team and the PRA. Risk associates are now largely operating from the London office following the phased return-to-office ("RTO") during summer 2021. The Work-From-Home posture remains dynamic, adapting to changes in government guidelines.

The impact of the COVID-19 pandemic on MLI's operational risk environment continues to be identified, measured and monitored through a combination of existing and new activities. FLUs and control functions were required to consider the potential impact of COVID-19 through the quarterly Risk Identification process as well as Risk Self-Assessment process.

Additional controls which have been maintained since implementation at the start of the COVID-19 pandemic, and adjusted accordingly, include assessments and monitoring routines to provide independent validation of the front line controls associated with Conduct risk associated with remote working, targeted assessments in Markets on trading activities being undertaken on a recorded line, and monitoring routines on new sales & trading supervisory controls. Compliance and Operational Risk, in conjunction with FLU and control function partners, will continue to closely monitor if the pandemic environment is creating additional or elevated compliance or operational risk.

4.4.10. U.K. Exit from the European Union ("Brexit")

Further information on MLI's response to the UK's exit from the European Union is included in the MLI Annual Report for the year ended 31 December 2021 and can be found at https://investor.bankofamerica.com/.

4.4.11. The Russia / Ukraine Conflict

Information on the risk of the Russia/Ukraine conflict to MLI is included in the MLI Annual Report for the year ended 31 December 2021 and can be found at https://investor.bankofamerica.com/.

BANK OF AMERICA

ML UK Capital Holdings Limited Including Merrill Lynch International

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

As at 31 December 2021

5.1. Minimum Capital Requirement Summary

MLI and the Group's Minimum Capital Requirement primarily arises from counterparty and credit risk and market risk. The following figures illustrate MLI's counterparty and credit risk exposure by industry and Market Risk Capital Requirement by type, respectively.

MLI's counterparty and credit risk exposure is mainly against banks, broker-dealers, and clearing houses. Further details can be found in Section 5.4. Counterparty Credit Risk.

MLI's Market Risk Capital Requirement is principally driven by MLI's internal model based capital requirement and a standard rules charge on traded debt and equity instruments. Further detail on Market Risk can be found in Section 5.3. Market Risk.

Figure 5.1.F1. – Minimum Capital Requirement Detail: Counterparty and Credit Risk Exposure

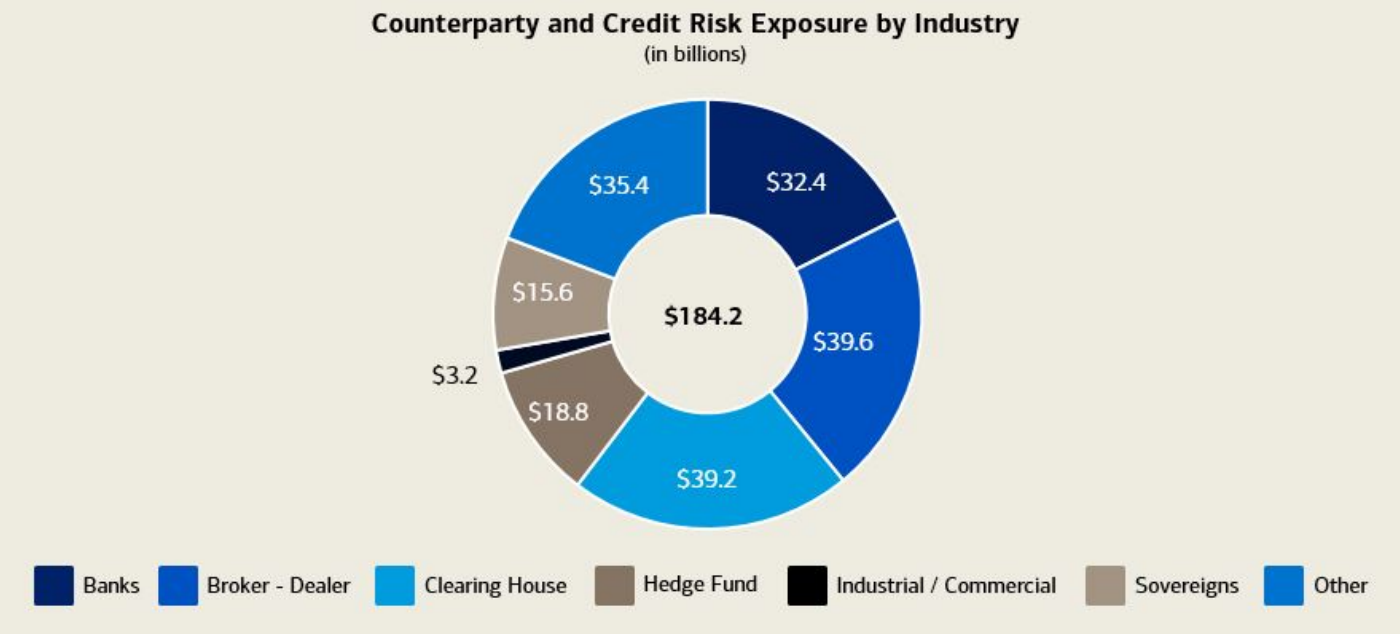
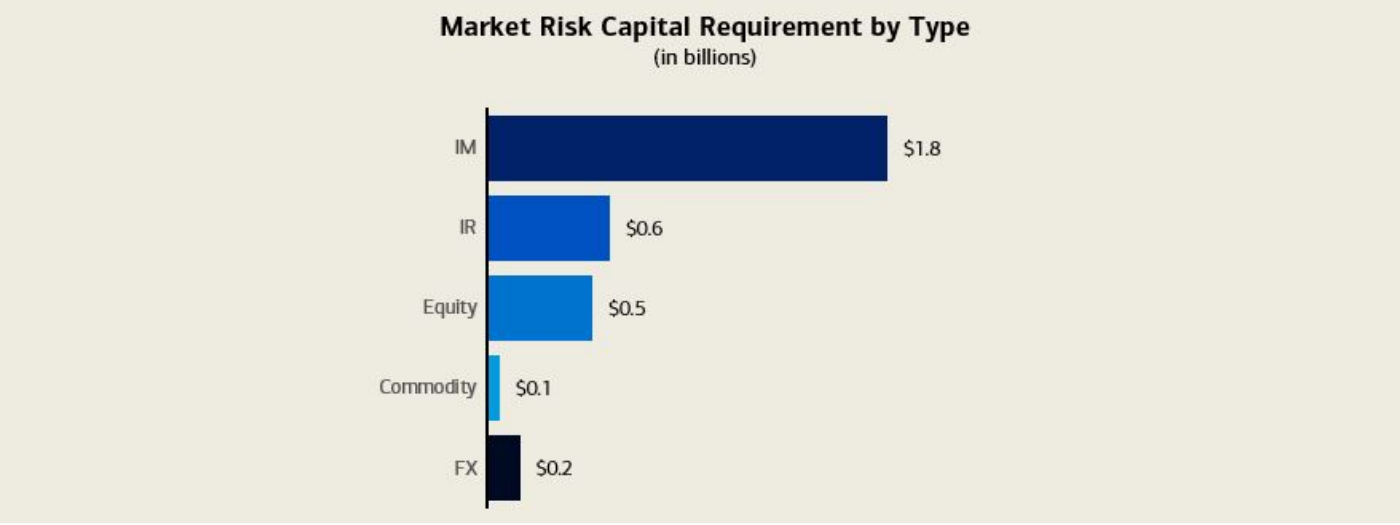


Figure 5.1.F2. – Minimum Capital Requirement Detail: Market Risk Capital Requirement



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 and Eligible Liabilities.

Firms that are material subsidiaries of a non-U.K. G-SII per the CRR definition are required to hold a minimum amount of MREL. BAC is a non-U.K. 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.

These requirements for own funds and eligible liabilities under the CRR apply in parallel with a firm specific MREL set by the BOE. MLI is required to comply with the highest applicable requirement. MLI and MLUKCH both meet their eligible liability requirements.

MLI and the MLUKCH Group had $2.5B of eligible liabilities in issuance at the end of 2021. Total MREL resources for MLI and the Group are equal to Tier 1 capital plus eligible liabilities issued. The following table shows MLI and MLUKCH's key metrics relating to MREL requirements.

Table 5.2.T1. – Key Metrics - MREL Requirements

	2021	
($ in Millions)	MLI	MLUKCH Group
Total MREL Resources Available	**36,150**	36,214
Total RWA	174,547	172,893
MREL as a percentage of RWA	20.7 %	20.9 %
Leverage Ratio Exposure Measure	410,074	405,625
MREL as a percentage of Leverage Ratio Exposure Measure	8.8 %	8.9 %
Excluded Liabilities	312,392	308,538

5.3. Market Risk

Summary

Market Risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, credit spreads or other risks. MLI 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 CRR.

Table 5.3.T1. – EU MR 1 Market Risk under the Standardised Approach presents a breakdown of MLI and the Group's Market Risk under the standardised approach and Table 5.3.T2. – EU MR 2-A Market Risk under the IMA presents a breakdown of MLI's Market Risk under the IMA. Table 5.3.T3. – EU MR 2-B RWA Flow Statements of Market Risk Exposures under the IMA shows a reconciliation of movements in RWAs under the IMA for MLI's Market Risk. Further detail on the components follows the tables.

MLI is the only entity in the Group with an internal model permission for market risk therefore Table 5.3.T2. – EU MR 2-A Market Risk under the IMA is presented for MLI only. Market Risk under the IMA is the same for MLI and the Group.

Table 5.3.T1. – EU MR 1 Market Risk under the Standardised Approach

	2021			
	MLI		MLUKCH Group	
($ in Millions)	RWAs	Capital Requirements	RWAs	Capital Requirements
Outright products				
Interest rate risk (general and specific)	5,593	447	5,691	455
Equity and Collective Investment Undertakings risk (general and specific)	6,115	489	6,445	516
Foreign exchange risk	1,953	156	1,966	157
Commodity risk	769	62	769	62
Options				
Simplified approach	—	—	—	—
Delta-plus method	908	73	908	73
Scenario approach	—	—	—	—
Securitisation (specific risk)	1,515	121	1,515	121
Total	**16,853**	**1,348**	**17,294**	**1,384**

Over the second half of 2021, Market Risk RWAs under the Standardised Approach decreased by $1.2bn, mainly driven by a reduction in commodity risk.

Table 5.3.T2. – EU MR 2-A Market Risk under the IMA

	2021	
($ in Millions)	RWAs	Capital Requirements
VaR	**1,980**	**158**
Previous day's VaR (Article 365(1) of the CRR (VaRt-1))		40
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		158
SVaR	**3,744**	**300**
Latest SVaR (Article 365(2) of the CRR (SVaRt-1))		144
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)		300
IRC	**5,134**	**411**
Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 of the CRR)		411
Average of the IRC number over the preceding 12 weeks		400
Comprehensive risk measure	**1,775**	**142**
Most recent risk number for the correlation trading portfolio (Article 377 of the CRR)		142
Average of the risk number for the correlation trading portfolio over the preceding 12 weeks		50
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)		90
Other	**10,453**	**836**
Total	**23,086**	**1,847**

Table 5.3.T3. – EU MR 2-B RWA Flow Statements of Market Risk Exposures under the IMA

($ in Millions)	VaR	SVaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWAs at previous quarter end	**2,452**	**3,318**	**5,546**	**1,306**	**8,100**	**20,723**	**1,658**
Regulatory adjustment [(1)]	(2,199)	(2,552)	(1,526)	(1,064)	—	(7,341)	(587)
RWAs at the previous quarter-end (end of the day)	**253**	**766**	**4,020**	**242**	**8,100**	**13,381**	**1,070**
Movement in the risk levels	250	1,028	1,114	1,533	2,330	6,255	500
Model updates / changes	—	—	—	—	—	—	—
Methodology and policy	—	—	—	—	23	23	2
Acquisitions and disposals	—	—	—	—	—	—	—
Foreign exchange movements	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
RWAs at the end of the reporting period (end of the day)	**503**	**1,794**	**5,134**	**1,775**	**10,453**	**19,660**	**1,573**
Regulatory adjustment [(1)]	1,477	1,950	—	—	—	3,427	274
RWAs at the end of the reporting period	**1,980**	**3,744**	**5,134**	**1,775**	**10,453**	**23,086**	**1,847**

[(1)] Regulatory adjustment accounts for the difference between the RWA calculated based on the end-of-day position, compared with the RWA calculated based on the 60-day average in the case of VaR / SVaR, and 12-week average measure or the floor measure in the case of IRC and CRM. The regulatory adjustments also account for the multiplication factors mc and ms, per Article 366 of the CRR, for the VaR, SVaR, and Other respectively.

Market risk capital requirements under the IMA increased during the quarter, mainly driven by an increase in RNiV add-ons due to an increase in sudden currency revaluations in the quarter.

5.3.1. Internal Model Based Capital Requirement

Within the MLUKCH Group, the model based regulatory capital requirement in MLI is calculated based on the internal model (VaR) approved by the PRA. MLI, as the sole operating subsidiary in the Group, 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 CRR. The trading book policy defines the requirements and provides criteria for the FLUs to identify and classify transactions as either trading book or non-trading book under CRR and for risk management purposes. FLUs are required to identify all on and off-balance positions to determine if they meet the criteria for trading book or non-trading book designation under the CRR. FLUs and appropriate control functions must meet the assessment, monitoring and reporting requirements for trading book and non-trading book positions as outlined in this policy. FLUs and appropriate control functions are required to review all trading assets and trading liabilities to determine if the FLUs' and appropriate control functions' positions meet the criteria for designation as a trading book position under CRR rules. Furthermore, valuation control processes are in place to ensure that the valuation estimates are prudent and reliable, including completeness reconciliations, commentary, review, and presentation of valuation control metrics to Front Office, Market Risk, Model Risk Management and Finance management.

VaR

VaR is a common statistic used to measure market risk as it allows the aggregation of market risk factors, including the effects of portfolio diversification. The primary VaR statistic is equivalent to a 99 percent confidence level. This means that for a VaR with a one-day holding period, there should not be losses in excess of VaR, on average, 99 out of 100 trading days.

For further details on VaR and how MLI uses VaR as a risk management tool, please refer to the Market Risk key risk type in 4.3 Key Risk Types.

Regulatory VaR

Regulatory VaR is a variation of VaR in which a 10-day holding period is used with rolling actual 10-day returns generated from three years of historical market data.

Back-testing

The VaR methodology is evaluated through a daily back-testing process, which compares the daily VaR results, utilizing a one-day holding period, against a comparable subset of trading P&L.

As required by the CRR, back-testing 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.

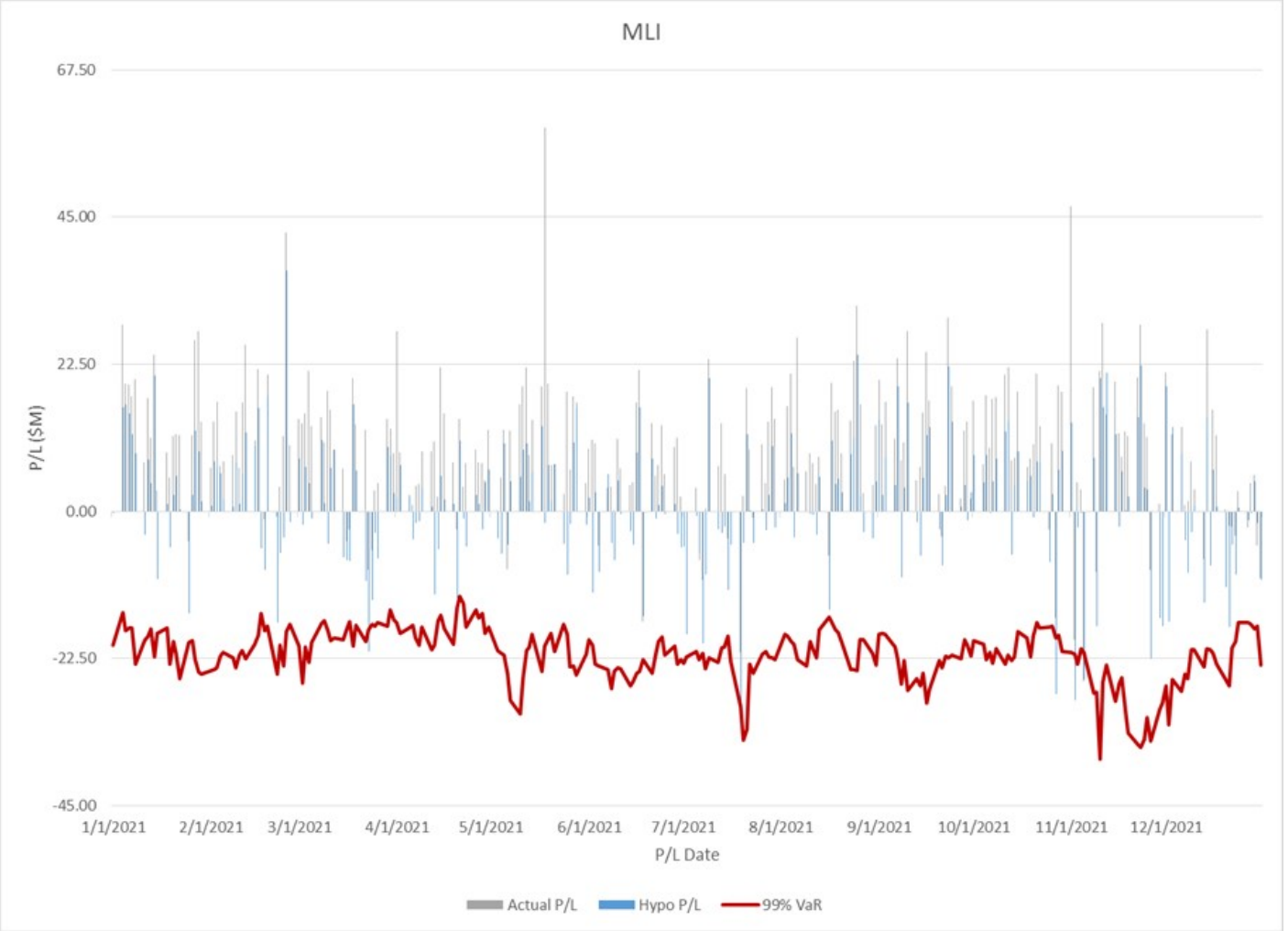
The number of back-testing overshootings observed can differ from the statistically expected number of overshootings for a number of reasons. When this occurs, analysis is done to assess the model's performance.

For the year ending 31 December 2021, MLI trading losses as measured by Hypothetical P/L exceeded the prior day's VaR on four occasions, and as measured by Actual P/L did exceed the prior day's VaR once. The number of overshootings (4) corresponds to the Green Zone within the industry-recognised measure, which indicates that no additional capital multipliers are needed.

The first overage occurred in March of 2021 and the remaining overages occurred between October and November. In all cases, the main drivers were interest rate based risk factors which moved beyond the 99th percentile.

The results are illustrated in the figure below.

Figure 5.3.1.F1. – EU MR 4 Comparison of VaR Estimates with Gains/Losses



Actual and Hypothetical Backtesting Results

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 MLI. The VaR measure shown is for regulatory VaR using a three year look-back period and one day holding period. Capital requirements covered by the VaR model (Minimum Capital Requirements for VaR and Stressed VaR) total 14% of MLI's Minimum Capital Requirements for market risk and 3% of MLI's total Minimum Capital Requirements.

Trading Portfolio Stress Testing

Given the very nature of a VaR model, results can exceed the model's estimates and are dependent on a limited historical window. As such, the portfolio is also stress tested using scenario analysis. This analysis estimates the change in value of the trading portfolio that may result from abnormal market movements.

For further details on how MLI performs stress testing to the trading portfolio, please refer to Section 4.3.3. Market Risk.

Stressed VaR

Stressed VaR is a variation of VaR in which the historical window is not the previous three years but is calibrated to a continuous 12-month window that reflects a period of significant stress appropriate to MLI. Stressed VaR is calculated based on 99% confidence level, a 10-day holding period and the same population of exposures as the regulatory VaR.

RNiV Framework

The RNiV framework aims to capture and capitalise material market risks that are not adequately covered in the VaR model.

IRC

The IRC model is one component of the regulatory capital calculation for market risk. The model is intended to capture the potential losses 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. To calculate potential losses at the required 99.9 percent confidence level, the Company utilises a Monte Carlo simulation calibrated using relevant, available historical data for each risk factor in order to sample potential market scenarios.

The model reflects the impact of concentrated risks, including issuer, sector, region and product basis risks, and assigns a higher potential loss to a concentrated portfolio than a more diversified portfolio with a similar credit profile. The model framework also captures the broad relationships between the different risk factors and is flexible enough to allow additional dependencies or risk factors to be incorporated in the future. The IRC model assumes a constant position and a liquidity horizon of one year.

Comprehensive Risk Measure

The Company's CRM is the modelled component of the All Price Risks regulatory capital requirement for market risk for positions which are eligible to be included in the correlation trading portfolio, primarily tranches on indices and bespoke portfolios and their corresponding hedges. The CRM takes into account all of the risk factors that materially impact the value of the positions within the correlation trading portfolio.

The model captures the complexity of these positions including the non-linear nature of the trade valuations, particularly during periods of market stress, and the impact of the joint evolution of the risk factors. The CRM utilises the same Monte Carlo simulation framework as the IRC model with the additional risk factors required for the correlation products in order to calculate the potential losses at the required 99.9 percent confidence level. The modelled component of the CRM, like the IRC model, assumes a constant position and a liquidity horizon of one year.

For the All Price Risk regulatory capital requirement purposes, the point in time modelled CRM value is compared to its 12 week average and to the correlation trading portfolio floor calculated under the standardised approach for market risk per the CRR. The highest of these three numbers will be the All Price Risk regulatory capital requirement used for the correlation trading portfolio.

Table 5.3.1.T1. – MR 3 IMA Values for Trading Portfolios shows MLI's maximum, minimum, average and period-end values for regulatory VaR and Stressed VaR, and risk numbers for the IRC and CRM models for the half-year ending 31 December 2021. Both VaR and Stressed VaR include a price volatility cross risk add-on.

Table 5.3.1.T1. – MR 3 IMA Values for Trading Portfolios

($ in Millions)	2021
VaR (10 day 99%)	
Maximum value	167
Average value	58
Minimum value	15
Period end	40
SVaR (10 day 99%)	
Maximum value	196
Average value	94
Minimum value	22
Period end	144
IRC (99.9%)	
Maximum value	572
Average value	422
Minimum value	322
Period end	411
Comprehensive risk capital charge (99.9%)	
Maximum value	142
Average value	37
Minimum value	19
Period end	142

5.3.2. Capital Requirement under Standardised Approaches

Within the MLUKCH Group, regulatory capital required is calculated on traded debt instruments that are not part of the scope of the internal models permission granted by the PRA to MLI. The requirement is split into two components: General Market Risk and Specific Risk.

- *General Market Risk* is based on a currency portfolio basis. Positions are grouped into maturity bands ranging from less than one month to more than 20 years with a different weighting applied to each maturity band
- *Specific Risk* looks at each security in terms of type of issuer (e.g., corporate / government), credit quality, and maturity

Equity Market Risk

Within the Group, Equity Market Risk is the regulatory capital requirement calculated on equity positions that are out of scope of the internal models permission granted by the PRA to MLI.

Commodity Market Risk

Within the Group, Commodity Market Risk is the regulatory capital requirement calculated on the global commodities investor product business in MLI. The positions are grouped by maturity with a different weighting applied to each maturity band.

FX Market Risk

Within the Group, FX Market Risk Requirement is the regulatory capital requirement calculated on the open net foreign currency position for exposures that are out of scope of the internal models permission granted by the PRA to MLI.

Option Market Risk Requirement

Within the Group, Option Market Risk Requirement is the regulatory capital requirement calculated on options which are not in scope of the internal models permission granted by the PRA to MLI. It attracts a delta equivalent treatment, with additional regulatory capital requirement calculated for convexity risk (gamma risk) and volatility risk (vega risk).

5.4. Counterparty Credit Risk

Counterparty credit risk is the risk of loss arising from a borrower or counterparty failing to meet its financial obligations. Counterparty credit risk capital requirements are derived from risk-weighted exposures, determined using the standardised approach. MLI has counterparty credit risk exposure as a result of derivative trades, securities financing transactions, and other trading book exposures. Both MLI and the Group also have non-trading book exposures.

Within the MLUKCH Group, MLI 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 MLI and the MLUKCH Group's regulatory counterparty credit risk exposures using the standardised approach. All exposures, unless stated otherwise, are post Credit Risk Mitigation and the application of Credit Conversion Factors.

5.4.1. Counterparty Credit Risk by Type

Table 5.4.1.T1. – Counterparty Credit Risk Exposure by Industry Distribution sets out MLI's and the Group's counterparty and credit risk exposure by industry distribution. The majority of exposures of MLI and the Group are against banks, broker-dealers, and clearing houses. The ratings of counterparties are derived by referring to external credit ratings provided by Moody's, Fitch, and S&P for all exposure classes.

Counterparty and Credit Risk are combined for reporting purposes.

Table 5.4.1.T1. – Counterparty Credit Risk Exposure by Industry Distribution

($ in Millions)	MLI	MLUKCH Group
Bank	32,372	32,374
Broker Dealer	39,626	39,208
Central Counterparty, Clearing House/Exchange	39,224	39,242
Industrial and Commercial Companies	3,175	3,175
Energy and Commodities	1,578	1,578
Hedge Fund	18,840	18,840
Insurance	6,465	6,465
Sovereign & Government Related	15,597	15,721
Other Financial	27,301	27,141
Total Exposure Value	**184,178**	**183,744**

5.4.2. Counterparty and Credit Exposure Geographic Distribution and Maturity Profile Detail

Further analysis for MLI and the Group showing the geographical distribution of the exposure value is shown in Table 5.4.2.T1. – Counterparty Credit Risk Exposure by Geographical Distribution.

The geographical distribution is reported by analysing where the counterparty is based and is further analysed to show the breakdown by exposure class. The majority of MLI and the Group's exposure sits within EMEA and Americas, reflecting MLI's global business activities.

Table 5.4.2.T1. – Counterparty Credit Risk Exposure by Geographical Distribution

	2021			
	MLI			
($ in Millions)	Asia	Americas	EMEA	Total
Corporates	13,505	26,788	19,592	**59,884**
Institutions	7,352	17,687	52,452	**77,492**
Short-term Claims on institutions and corporate	5,098	16,303	9,083	**30,484**
Central Governments or Central Banks	3,803	255	9,304	**13,362**
Other [(1)]	440	638	1,878	**2,957**
Total Exposures	**30,199**	**61,671**	**92,309**	**184,178**

	2021			
	MLUKCH Group			
($ in Millions)	Asia	Americas	EMEA	Total
Corporates	13,505	26,382	19,575	**59,462**
Institutions	7,352	17,706	52,452	**77,510**
Short-term Claims on institutions and corporate	5,098	16,304	9,084	**30,486**
Central Governments or Central Banks	3,927	255	9,304	**13,486**
Other [(1)]	440	482	1,878	**2,800**
Total Exposures	**30,323**	**61,128**	**92,294**	**183,744**

[(1)] Other comprises exposures to International Organisations, Multilateral Development Banks, Public Sector Entities, Regional Governments or Local Authorities, Exposures Secured by Mortgages on Immovable Property, Exposures in Default, Equity Exposures, Items Associated with Particularly High Risk, Other Items and Items Representing Securitisation Positions.

Table 5.4.2.T2. – Counterparty Credit Risk Exposure by Residual Maturity splits MLI and the Group's Counterparty and Credit Risk exposure values at the end of the year by residual maturity and exposure class.

Table 5.4.2.T2. – Counterparty Credit Risk Exposure by Residual Maturity

	2021			
	MLI			
($ in Millions)	Under 1 Year	One Five Years	Over Five Years	Total
Corporates	44,732	9,170	5,982	**59,884**
Institutions	36,216	23,566	17,709	**77,492**
Short-term Claims on institutions and corporate	30,484	—	—	**30,484**
Central Governments or Central Banks	12,777	53	532	**13,362**
Other [1]	1,691	199	1,066	**2,957**
Total Exposure Value	**125,901**	**32,988**	**25,290**	**184,178**

	2021			
	MLUKCH Group			
($ in Millions)	Under 1 Year	One Five Years	Over Five Years	Total
Corporates	44,532	8,953	5,976	**59,462**
Institutions	36,234	23,566	17,709	**77,510**
Short-term Claims on institutions and corporate	30,487	—	—	**30,487**
Central Governments or Central Banks	12,901	53	532	**13,486**
Other [1]	1,691	199	910	**2,800**
Total Exposure Value	**125,846**	**32,771**	**25,127**	**183,744**

[1] Other comprises exposures to International Organisations, Multilateral Development Banks, Public Sector Entities, Regional Governments or Local Authorities, Exposures Secured by Mortgages on Immovable Property, Exposures in Default, Equity Exposures, Items Associated with Particularly High Risk, Other Items and Items Representing Securitisation Positions.

5.4.3. Counterparty Credit Exposure by Credit Quality Step

Table 5.4.3.T1. – Counterparty Credit Risk Exposure by CQS analyses exposure values by exposure class and Credit Quality Step ("CQS"), showing the position Pre and Post-Credit Risk Mitigation.

A CQS is a credit quality assessment scale as set out in CRR. The CQS is derived by referring to ECAIs including Moody's, Fitch, and S&P, where available.

MLI complies with the standard association for mapping of external ratings of each nominated ECAI with the credit quality steps, as published by the EBA and onshored to UK regulation, and processes are in place to comply with future PRA and FCA technical standards on ECAI mapping.

ECAI ratings are used for all relevant exposure classes. MLI does not use Export Credit Agencies ("ECAs"). There have been no changes relating to the use of ECAIs or ECAs during the reporting period. MLI does not transfer issuer and issue credit assessments onto items not included in the trading book.

The Group and MLI both have over 39% of exposures with counterparties externally rated between AAA and A- or equivalent. Although generally assessed internally as being of high quality, 56% of exposure in the Group (MLI: 56%) is to counterparties not rated by external rating agencies. Credit risk is assessed as outlined at Section 4.3. Key Risk Types.

Table 5.4.3.T1. – Counterparty Credit Risk Exposure by CQS

($ in Millions)	2021			
	MLI		MLUKCH Group	
	Pre Credit Risk Mitigation [1]	Post Credit Risk Mitigation	Pre Credit Risk Mitigation [1]	Post Credit Risk Mitigation
Central and Regional Governments or Central Banks				
Credit Quality Step				
1	7,471	7,460	7,471	7,460
2	862	865	986	989
3	258	261	258	261
4	542	542	542	542
5	2	2	2	2
6	—	—	—	—
NR-Non Rated	4,402	4,380	4,402	4,380
Total Exposure Value	**13,535**	**13,509**	**13,659**	**13,633**
Corporates				
Credit Quality Step				
1	2,100	1,470	2,100	1,470
2	6,635	7,227	6,635	7,227
3	3,459	3,089	3,459	3,089
4	794	345	794	345
5	35	35	35	35
6	6	6	6	6
NR-Non Rated	79,708	47,713	73,346	47,291
Total Exposure Value	**92,737**	**59,884**	**86,375**	**59,462**
Institutions				
Credit Quality Step				
1	13,797	10,235	13,797	10,235
2	27,377	16,972	27,377	16,972
3	3,059	682	3,059	682
4	1,650	1,363	1,667	1,381
5	41	19	41	19
6	1	—	1	—
NR-Non Rated	56,737	48,221	56,737	48,221
Total Exposure Value	**102,661**	**77,492**	**102,678**	**77,510**
Other [2]				
Credit Quality Step				
1	9,862	7,814	9,865	7,816
2	23,678	21,384	23,678	21,384
3	1,664	1,420	1,664	1,420
4	516	471	516	471
5	—	—	—	—
6	39	39	39	39
Non Rated & Other CQS [3]	2,236	2,166	2,079	2,010
Total Exposure Value	**37,995**	**33,294**	**37,841**	**33,140**
Combined Total Exposure Value	**246,927**	**184,178**	**240,553**	**183,744**

[1] Exposure Pre CRM includes the effect of Funded Credit Protection in the form of master netting agreements for Securities Financing Transactions

[2] Other comprises exposures to International Organisations, Multilateral Development Banks, Public Sector Entities, Short-term Claims on Institutions and Corporates, Exposures Secured by Mortgages on Immovable Property, Exposures in Default, Equity Exposures, Items Associated with Particularly High Risk, Other Items and Items Representing Securitisation Positions

[3] Other CQS includes securitisation exposures under SEC-SA and positions subject to a higher CQS under SEC-ERBA

5.4.4. Credit Quality of Assets

A financial asset is past due when the counterparty has failed to make a payment when contractually due. 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:

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

A loan or advance 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.

Under IFRS 9, the Company recognises loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at fair value through profit and loss:

- Financial assets that are debt instruments
- Financial guarantee contracts issued
- Loan commitments issued

Loss allowances are recognised at an amount equal to 12-month ECL for financial instruments on which credit risk has not increased significantly since their initial recognition. Loss allowances for financial instruments where there has been a significant increase in credit risk are measured at lifetime ECL. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. The ECL amount assessed on the Company's exposures is not considered to be significant.

For regulatory purposes, a default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:

1.) The Group considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Group to actions such as realising security

2.) The obligor is past due more than 90 days on any material credit obligation to the Group

As at 31 December 2021, the Company did not have any third party credit exposures that were more than 90 days past due.

5.5. Securitisation

5.5.1. Securitisation Activities

Within the Group, MLI acts as investor in securitisations. MLI does not currently act as originator or sponsor for any securitisations.

MLI's main involvement in relation to securitisation activity is to act as a secondary market maker. MLI has engaged in securitisation activities related to commercial and residential mortgage loans, corporate loans, and other types of financial instruments. Where MLI acts as derivative counterparty to a securitisation, the derivatives are typically interest rate swaps.

5.5.2. Regulatory Capital Treatment

MLI uses Sec-SA or Sec-ERBA under the hierarchy of methods in Article 254 of Regulation (EU) 2017/2401, as adopted under U.K. regulation, to calculate the capital requirements on its securitisation positions. Under Sec-ERBA MLI uses ratings from three ECAIs: Moody's, S&P, and Fitch.

The approach used for the calculation of capital requirements for the correlation trading portfolio is discussed in Section 5.3. Market Risk.

5.5.3. Accounting Treatment

MLI accounts for its interests in Special Purpose Entities ("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 MLI and an SPE, for example, when the nature of the MLI'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.

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 IFRS 9 - Financial Instruments are met.

The 'derecognition' criteria are satisfied if:

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

2.) MLI neither transfers nor retains substantially all the risks and rewards of ownership, but has not retained control. In these instances, the assets are derecognised in their entirety and the Group, through MLI, recognises separately as assets or liabilities any rights and obligations created or retained in the transfer

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 MLI'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 P&L under a fair value option election.

Synthetic securitisations arise where the underlying assets are not sold to the SPE, instead credit derivatives are used to transfer the economic risk of the underlying assets. The Group, through MLI, may or may not hold the underlying assets and may or may not transfer other HQLAs to the SPE as security for the principal of the notes issued. Synthetic securitisations are accounted for under the same accounting policies to those summarised above with the associated credit derivatives accounted for at fair value through P&L in accordance with the requirements of IFRS 9.

MLI's retained interests in securitisation transactions are valued in accordance with the Accounting Policies, as set out in MLI's Annual Financial Statements. These interests comprise loans and securities, which are classified as trading assets and measured at fair value through P&L. These will accordingly be included within the fair value disclosures in Note 32 in the MLI Annual Financial Statements. Other interests include, for example, agreement between MLI to receive the fee payable by the SPE over several years (at an increased rate) and off-balance sheet liquidity facilities (e.g., in a credit-linked note structure) provided to the SPE. Neither MLUKCH nor MLI provide financial support to its SPEs.

5.5.4. Securitisation Risk Governance and Reporting

Please refer to Securitisation Risk Governance and Reporting in Section 4.4. Other Risk Considerations.

5.5.5. Securitisation Exposures

The following tables provide a summary of the exposures the Group has to securitisations as at 31 December 2021, and the aggregate amount of such securitisation exposures in the trading book and non-trading book.

The Group does not have any exposures to securitisations which are subject to early amortisation treatment.

Table 5.5.5.T1. – Current Exposure by Exposure Type to Securitisations

	Current Exposure			
	Trading Book		Non-trading Book	
($ in Millions)	Purchased	Off BS / Derivatives	Purchased	Off BS / Derivatives
Traditional Securitisations				
Residential Mortgages	539	9	38	74
Commercial Mortgages	9	—	11	3
Loans to Corporates or SMEs	—	—	307	11
Other Assets	84	—	94	123
Other Liabilities				
Traditional Total	**632**	**9**	**450**	**211**
Synthetic Securitisations				
Residential Mortgages	—	—	—	—
Commercial Mortgages	—	—	—	—
Loans to Corporates or SMEs	—	—	—	—
Other Assets	—	—	5	18
Other Liabilities				
Synthetic Total	**—**	**—**	**5**	**18**

Table 5.5.5.T2. – Securitisation Positions Risk Weighted at 1,250%

($ in Millions)	Trading Book Exposure	Non-trading Book Exposure
Residential Mortgages	38	56
Commercial Mortgages	—	7
Loans to Corporates or SMEs	—	145
Other Assets	—	57
Other Liabilities		
Total	**38**	**265**

Table 5.5.5.T3. – Securitisation Exposures and Capital Requirements by Risk Weight

($ in Millions)	Trading		Non-Trading	
	Exposure	Capital	Exposure	Capital
Securitisations				
10% to <50%	304	5	59	1
50% to <100%	77	4	5	—
100% to <350%	123	17	81	11
350% to <1250%	98	57	208	129
1250%	39	39	215	215
Securitisations Total	**641**	**121**	**568**	**356**
Re-securitisations				
10% to <50%	—	—	—	—
50% to <100%	—	—	—	—
100% to <350%	—	—	16	1
350% to <1250%	—	—	50	43
1250%	—	—	50	50
Re-Securitisations Total	**—**	**—**	**116**	**94**

5.6. Capital Buffers

The CCYB was introduced through CRD IV and is defined as the amount of CET1 capital MLI and the Group must calculate in accordance with the CRD as implemented by the PRA. The CCYB is equal to MLI and the Group's total risk exposure amount multiplied by the weighted average of the CCYB rates that apply to exposures in the jurisdictions where MLI and the Group'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 Gross Domestic Product ("GDP") and assess whether growth is excessive and leading to the build-up of system-wide risk. Based on this assessment a countercyclical buffer requirement, typically ranging from 0% to 2.5% of RWAs, may be put in place for specified jurisdictions.

MLI and the Group should face the same CCYB rates as domestic institutions on its cross-border exposures under the international reciprocation process. The U.K. CCYB rate is 0% as at 31 December 2021.

During 2020, most other jurisdictions reduced their CCYB rates to 0% in response to COVID-19, and maintained these as the crisis persisted during 2021. Jurisdictions with a non-zero CCYB rate as at the end of 2021, which were recognised by Financial Policy Committee ("FPC") on exposures of U.K. institutions, were Hong Kong (1%), Norway (1%), Czech Republic (0.5%), Slovakia (1%), Luxembourg (0.5%), and Bulgaria (0.5%).

Table 5.6.T1. – MLI CCYB - Exposures outlines the components of relevant credit exposures used in the calculation of CCYB by country.

Table 5.6.T1. – MLI CCYB - Exposures

	MLI			
	General Credit Exposures	Trading Book Exposures		Securitisation Exposures
($ in Millions)	Exposure value for Standardised Approach	Sum of Long and Short Positions of Trading Book Exposures for Standardised Approach	Value of Trading Book Exposures for Internal Models	Exposure value for Standardised Approach
Norway	75	60	30	—
Hong Kong	1,062	15	58	—
Slovakia	—	—	—	—
Czech Republic	—	—	3	—
Luxembourg	2,723	38	50	3
Bulgaria	—	—	—	—
United Kingdom	7,848	705	168	66
United States Of America	11,492	930	316	155
Other	39,024	986	1,592	461
Total	**62,224**	**2,734**	**2,218**	**684**

Table 5.6.T2. – MLI CCYB - Own Fund Requirements

	MLI					
	Own Funds Requirements				Own Funds Requirements Weights	Countercyclical Capital Buffer Rate
($ in Millions)	of which: General Credit Exposures	of which: Trading Book Exposures	of which: Securitisation Exposures	Total		
Norway	5	8	—	13	0.002	1.000 %
Hong Kong	85	27	—	112	0.016	1.000 %
Slovakia	—	—	—	—	0.000	1.000 %
Czech Republic	—	2	—	2	0.000	0.500 %
Luxembourg	218	14	2	233	0.034	0.500 %
Bulgaria	—	—	—	—	0.000	0.500 %
United Kingdom	566	242	34	842	0.123	0.000 %
United States Of America	765	352	113	1,230	0.180	0.000 %
Other	2,919	1,176	300	4,395	0.644	0.000 %
Total	**4,558**	**1,821**	**450**	**6,829**	**1.000**	

Table 5.6.T3. – MLI CCYB - Amount of institution-specific CCYB

($ in Millions)

Total risk exposure amount	174,547
Institution specific countercyclical capital buffer rate	0.036 %
Institution specific countercyclical capital buffer requirement	62

Table 5.6.T4. – MLUKCH Group CCYB - Exposures

($ in Millions)	MLUKCH Group			
	General Credit Exposures	Trading Book Exposures		Securitisation Exposures
	Exposure value for Standardised Approach	Sum of Long and Short Positions of Trading Book Exposures for Standardised Approach	Value of Trading Book Exposures for Internal Models	Exposure value for Standardised Approach
Norway	75	60	30	—
Hong Kong	1,062	15	58	—
Slovakia	—	—	—	—
Czech Republic	—	—	3	—
Luxembourg	2,723	38	50	3
Bulgaria	—	—	—	—
United Kingdom	7,831	705	168	66
United States Of America	11,097	930	316	155
Other	38,868	986	1,592	461
Total	**61,656**	**2,734**	**2,218**	**684**

Table 5.6.T5. – MLUKCH Group CCYB - Own Fund Requirements

($ in Millions)	MLUKCH Group					
	Own Funds Requirements				Own Funds Requirements Weights	Countercyclical Capital Buffer Rate
	of which: General Credit Exposures	of which: Trading Book Exposures	of which: Securitisation Exposures	Total		
Norway	5	8	—	13	0.002	1.000 %
Hong Kong	85	27	—	112	0.017	1.000 %
Slovakia	—	—	—	—	0.000	1.000 %
Czech Republic	—	2	—	2	0.000	0.500 %
Luxembourg	218	14	2	233	0.035	0.500 %
Bulgaria	—	—	—	—	0.000	0.500 %
United Kingdom	565	242	34	841	0.124	0.000 %
United States Of America	733	352	113	1,198	0.177	0.000 %
Other	2,888	1,176	300	4,364	0.645	0.000 %
Total	**4,493**	**1,821**	**450**	**6,763**	**1.000**	

Table 5.6.T6. – MLUKCH Group CCYB - Amount of institution-specific CCYB

($ in Millions)

Total risk exposure amount	172,893
Institution specific countercyclical capital buffer rate	0.036 %
Institution specific countercyclical capital buffer requirement	62

There was no material change in the Institution Specific CCyB requirement in 2021.

5.7. Capital Resources

Table 5.7.T1. – Regulatory Capital Resources Reconciliation to Accounting Balance Sheet shows a reconciliation between the accounting balance sheet values and the regulatory capital values of the items included in MLI and the Group's Capital Resources. Further details on the composition of MLI and the Group's capital resources are shown in Tables 5.7.T2., 5.7.T3., and 5.7.T4.

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

($ in Millions)	2021	
	MLI	MLUKCH Group
Ordinary Share Capital	7,933	2,926
Share Premium	4,499	—
Other Reserves	9,190	1,082
Profit and Loss Account	12,846	30,524
Profit and Loss Account (Accounting Balance Sheet Value)	*14,313*	*31,982*
Dividends declared in respect of year end profits	*(375)*	*(366)*
Debit Valuation Adjustment	*(89)*	*(89)*
Prudential Valuation Adjustment	*(1,002)*	*(1,002)*
CET1 Capital Before Deductions	**34,469**	**34,533**
Deferred Tax Asset	(536)	(536)
Defined Benefit Pension Fund Asset (net of associated deferred tax liability)	(283)	(283)
CET1 Capital	**33,650**	**33,714**
Additional Tier 1	—	—
Tier 1 Capital	**33,650**	**33,714**
Tier 2 Capital	**—**	**—**
Total Capital Resources (net of deductions)	**33,650**	**33,714**

The following tables discloses the main features of the CET1, Tier 2, and Eligible Liabilities instruments issued by the MLUKCH Group and MLI respectively. There are no restrictions applied to the calculation of own funds in accordance with CRR Regulations.

Table 5.7.T2. – MLUKCH Group Capital Instrument Features

		MLUKCH Group			
Capital Instruments Main Features		**CET1**	**AT1**	**T2**	**Eligible Liability**
1	Issuer	ML UK Capital Holdings	N/A	N/A	Merrill Lynch International
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	N/A	N/A	Private Placement
3	Governing law(s) of the instrument	English	N/A	N/A	English
Regulatory Treatment					
4	Transitional CRR rules	CET1	N/A	N/A	Eligible Liability
5	Post-transitional CRR rules	CET1	N/A	N/A	Eligible Liability
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Consolidated	N/A	N/A	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with full voting rights	N/A	N/A	Subordinated Loan Non-T2
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$2,926m comprising nominal and premium	N/A	N/A	USD 2,500
9	Nominal amount of instrument	$1.00	N/A	N/A	USD 2,500
9a	Issue price	$1.00 30 Dec 2015	N/A	N/A	USD 2,500
9b	Redemption price	N/A	N/A	N/A	USD 2,500
10	Accounting classification	Shareholders equity	N/A	N/A	Liability - amortised cost
11	Original date of issuance	30-Dec-15	N/A	N/A	25-Feb-21
12	Perpetual or dated	Perpetual	N/A	N/A	Dated
13	Original maturity date	No maturity	N/A	N/A	27-Feb-23
14	Issuer call subject to prior supervisory approval	No	N/A	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	No issuer call date. However, may repay in whole or in part at par on any date subject to prior supervisory approval.
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons / Dividends					
17	Fixed or floating dividend/coupon	N/A	N/A	N/A	Floating
18	Coupon rate and any related index	N/A	N/A	N/A	SOFR plus 43 bps
19	Existence of a dividend stopper	No	N/A	N/A	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A	N/A	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A	N/A	Mandatory
21	Existence of step up or other incentive to redeem	No	N/A	N/A	No
22	Non-cumulative or cumulative	Non-cumulative	N/A	N/A	Cumulative
23	Convertible or non-convertible	Non-convertible	N/A	N/A	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	No	N/A	N/A	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	BOE as the U.K. Resolution Authority has the authority to trigger the write down of the instrument under the contractual terms if they deem the entity is failing or likely to fail, or if the BAC resolution entity enters into resolution.
32	If write-down, full or partial	N/A	N/A	N/A	Partial
33	If write-down, permanent or temporary	N/A	N/A	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated Loan Non-T2	N/A	N/A	Senior Liabilities
36	Non-compliant transitioned features	No	N/A	N/A	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
38	TLAC Eligibility	Yes	N/A	N/A	Yes
39	Link to full terms and conditions of the instrument (signposting)	http:// investor.bankofamerica.com	N/A	N/A	http:// investor.bankofamerica.com

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

Table 5.7.T3. – MLI Capital Instrument Features

		MLI			
Capital Instruments Main Features		**CET1**	**AT1**	**T2**	**Eligible Liability**
1	Issuer	Merrill Lynch International	N/A	N/A	Merrill Lynch International
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	N/A	N/A	Private Placement
3	Governing law(s) of the instrument	English	N/A	N/A	English
Regulatory Treatment					
4	Transitional CRR rules	CET1	N/A	N/A	Eligible Liability
5	Post-transitional CRR rules	CET1	N/A	N/A	Eligible Liability
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo	N/A	N/A	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with full voting rights	N/A	N/A	Subordinated Loan Non-T2
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$12,432m comprising nominal and premium	N/A	N/A	USD 2,500
9	Nominal amount of instrument	$1	N/A	N/A	USD 2,500
9a	Issue price	$1.00 19 Dec 2012 $4.76 18 Nov 2014	N/A	N/A	USD 2,500
9b	Redemption price	N/A	N/A	N/A	USD 2,500
10	Accounting classification	Shareholders equity	N/A	N/A	Liability - amortised cost
11	Original date of issuance	$6,735m 19 Dec 2012 $1,198m 18 Nov 2014	N/A	N/A	25-Feb-21
12	Perpetual or dated	Perpetual	N/A	N/A	Dated
13	Original maturity date	No maturity	N/A	N/A	27-Feb-23
14	Issuer call subject to prior supervisory approval	No	N/A	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	No issuer call date. However, may repay in whole or in part at par on any date subject to prior supervisory approval.
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons / Dividends					
17	Fixed or floating dividend/coupon	N/A	N/A	N/A	Floating
18	Coupon rate and any related index	N/A	N/A	N/A	SOFR plus 43 bps
19	Existence of a dividend stopper	No	N/A	N/A	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A	N/A	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A	N/A	Mandatory
21	Existence of step up or other incentive to redeem	No	N/A	N/A	No
22	Non-cumulative or cumulative	Non-cumulative	N/A	N/A	Cumulative
23	Convertible or non-convertible	Non-convertible	N/A	N/A	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	No	N/A	N/A	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	BOE as the U.K. Resolution Authority has the authority to trigger the write down of the instrument under the contractual terms if they deem the entity is failing or likely to fail, or if the BAC resolution entity enters into resolution.
32	If write-down, full or partial	N/A	N/A	N/A	Partial
33	If write-down, permanent or temporary	N/A	N/A	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated Loan Non-T2	N/A	N/A	Senior Liabilities
36	Non-compliant transitioned features	No	N/A	N/A	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
38	TLAC Eligibility	Yes	N/A	N/A	Yes
39	Link to full terms and conditions of the instrument (signposting)	http:// investor.bankofamerica.com	N/A	N/A	http:// investor.bankofamerica.com

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

Table 5.7.T4. – Own Funds Disclosure Template [1]

Own Funds Disclosure Template	Amount at Disclosure Date	
	MLI	MLUKCH Group
Capital instruments and the related share premium accounts	12,432	2,926
of which: Ordinary shares with full voting rights	12,432	2,926
Retained earnings	14,001	31,680
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	9,127	1,019
Independently reviewed interim profits net of any foreseeable charge or dividend	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	35,560	35,624
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments		
Prudential valuation adjustment	(1,002)	(1,002)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(173)	(173)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(89)	(89)
Defined-benefit pension fund assets (negative amount)	(283)	(283)
Deferred tax assets arising from temporary differences	(363)	(363)
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(1,910)	(1,910)
Common Equity Tier 1 (CET1) Capital	33,650	33,714
Additional Tier 1 (AT1) capital: Instruments	-	-
Tier 1 Capital (T1 = CET1 + AT1)	33,650	33,714
Tier 2 (T2) Capital: Instruments and Provisions		
Capital instruments and the related share premium accounts	-	-
Tier 2 (T2) Capital	-	-
Total Capital (TC = T1 + T2)	33,650	33,714
Total Risk Weighted Assets	174,547	172,893
Capital Ratios and Buffers		
Common Equity Tier 1 (as a percentage of risk exposure amount)	19.3%	19.5%
Tier 1 (as a percentage of risk exposure amount)	19.3%	19.5%
Total Capital (as a percentage of risk exposure amount)	19.3%	19.5%
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 0-SII buffer), expressed as a percentage of risk exposure amount)	7.0%	7.0%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.0%	0.0%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.3%	11.5%
Amounts below the thresholds for deduction (before risk weighting)		
Direct, indirect and synthetic holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,158	1,158
Direct, indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	156	-
Applicable caps on the Inclusion of provisions In Tier 2		
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,121	1,111

[1] 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 MLI or the Group.

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.

5.8.2. Additional Detail on Leverage Ratio

The following tables disclose a breakdown of the total leverage ratio exposure measure, as well as a reconciliation of total exposure measure with the relevant information disclosed in published financial statements.

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

($ in Millions)	MLI
Total Assets as per Balance Sheet	394,427
Adjustments for Derivative Financial Instruments	(12,386)
Adjustments for Securities Financing Transactions	20,511
Adjustment for Off-Balance Sheet Items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	2,514
Other Adjustments	5,008
Leverage Ratio Exposure	**410,074**

In accordance with article 4(2) of Regulation (EU) 2016 / 200 on the disclosure of leverage ratio, this table is not disclosed for the Group as the Group does not publish financial statements at the consolidated level.

Table 5.8.2.T2. – Leverage Ratio Common Disclosure

($ in Millions)	MLI	MLUKCH Group
On-Balance Sheet Exposures (excluding derivatives and SFTs)		
On-balance Sheet Items (excluding Derivatives, SFTs and fiduciary assets, but including Collateral)	130,707	126,628
Asset Amounts Deducted in Determining Tier 1 Capital	(1,821)	(1,821)
Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	**128,886**	**124,808**
Derivative Exposures		
Replacement Cost Associated with Derivatives Transactions (net of Eligible Cash Variation Margin)	16,097	16,093
Add-on Amounts for PFE Associated with Derivatives Transactions (Mark-to-Market method)	114,373	114,374
Gross-up for Derivatives Collateral provided where deducted from the Balance Sheet Assets pursuant to the Applicable Accounting Framework	—	—
(Deductions of Receivables Assets for Cash Variation Margin provided in Derivatives Transactions)	(25,306)	(25,306)
(Exempted CCP leg of Client-Cleared Trade Exposures)	(19,751)	(19,751)
Adjusted Effective Notional Amount of Written Credit Derivatives	179,353	179,352
(Adjusted Effective Notional Offsets and Add-On Deductions for Written Credit Derivatives)	(120,654)	(120,654)
Total Derivative Exposure	**144,112**	**144,109**
Securities Financing Transaction Exposures		
Gross SFT Assets (With No Recognition of Netting), after Adjusting for Sales Accounting Transactions	295,544	295,544
(Netted Amounts of Cash Payables and Cash Receivables of Gross SFT Assets)	(181,494)	(181,494)
Counterparty Credit Risk Exposure for SFT Assets	20,511	20,382
Total Securities Financing Transaction Exposures	**134,562**	**134,432**
Off-Balance Sheet Exposures		
Off-balance Sheet Exposures at Gross Notional Amount	13,444	11,064
Adjustments for Conversion to Credit Equivalent Amounts	(10,930)	(8,788)
Total Off-Balance Sheet Exposures	**2,514**	**2,276**
Exempted Exposures		
Capital and Total Exposures		
Tier 1 Capital	33,650	33,714
Total Leverage Ratio Exposures	**410,074**	**405,625**
Leverage Ratio		
Leverage Ratio	**8.2 %**	**8.3 %**

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

($ in Millions)	MLI	MLUKCH Group
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**100,234**	**96,155**
Trading Book Exposures	74,024	73,769
Banking Book Exposures, of which:	26,210	22,386
Exposures treated as Sovereigns	8,687	8,687
Exposures to Regional Governments, Multilateral Development Banks, International Organisations and PSE not treated as Sovereigns	40	40
Institutions	1,738	1,740
Secured by Mortgages of Immovable Properties	2	2
Corporate	14,790	10,985
Exposures in Default	4	4
Other Exposures (e.g., Equity, Securitisations, and other Non-Credit Obligation Assets)	949	928

5.8.3. Management of Excessive Leverage

The risk of excessive leverage is the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require the addition of unintended corrective measures to its business plan. MLI sets a leverage ratio risk appetite limit at an appropriate level to manage this risk. The leverage ratio is monitored and reviewed for consistency with the strategic plan and risk appetite statement, as well as being reviewed quarterly by an MLI Board-delegated committee. This will include the actual reported leverage ratio, compared against the MLI Board's risk appetite limit and regulatory minimum requirements. The leverage ratio requirements reinforce risk based requirements and limit the build up of excessive leverage.

Comprehensive risk management of excessive leverage is achieved through the risk appetite framework and quarterly MLI Board-delegated committee oversight. A breach of a limit will trigger protocols as set out in the Merrill Lynch International Capital Management Policy, where specific governance, escalation and management actions are set out at various trigger levels that align to the MLI Board risk appetite and recovery plan indicators.

BANK OF AMERICA

ML UK Capital Holdings Limited Including Merrill Lynch International

6. Additional Information on Remuneration Disclosure
As at 31 December 2021

6.1. Remuneration Disclosure

The required remuneration disclosure providing qualitative information on relevant remuneration policies and practices, in addition to quantitative remuneration information on Material Risk Takers (inclusive of those performing duties for MLI), made in accordance with Article 450 of the Capital Requirements Regulation No 575 / 2013 (as amended) and the equivalent provisions of the PRA Rulebook, Disclosure (CRR) Part (and related guidance), is separately published on BAC's corporate website (http://investor.bankofamerica.com) and should be deemed part of the Pillar 3 Disclosure for the Group.

BANK OF AMERICA

ML UK Capital Holdings Limited Including Merrill Lynch International

7. Appendices

As at 31 December 2021

Appendix 1 – MLUKCH and MLI Directors Board Membership and Experience

Table A1.T1. – MLUKCH Directors Board Membership and Experience

		No. Of Directorships	
		Total	Excluding non-commercial and counting group appointments as one
Martin Butler EMEA Chief Financial Officer	Joined the organisation in 1988, becoming Chief Financial Officer for European Debt in 1997. Further senior management roles followed, including head of Global Equity ISS and head of European Business Finance. Became EMEA Chief Financial Officer with the Bank of America - Merrill Lynch merger in 2009, assuming the additional role of International Treasury Executive in 2012 and is a member of the EMEA Executive Committee. Additional internal board memberships include Merrill Lynch International.	5	1
Bernard Mensah President of International	President of International for Bank of America and a member of Bank of America's Executive Management Team. Chief Executive Officer of Merrill Lynch International, Bank of America's largest subsidiary, a director of BofA Securities Europe SA and BANA London Branch Head. Joined the firm in 2010 from Goldman Sachs in London, where he was a Partner and global head of Bank Loan and Distressed Trading, and prior to that ran the Asia Credit and Convertibles business, based in Hong Kong and Tokyo.	7	1
Peter O'Flynn Chief Risk Officer U.K. & CEEMEA	Joined the organisation in 2011, being appointed EMEA Credit Risk Executive in October 2014. Currently Global Banking and International Chief Risk Officer and a member of the EMEA Executive Committee. Before joining the organization, Peter was a Regional Chief Credit Officer at Barclays Capital and a member of the Barclays Capital Credit and Underwriting Committees	4	1

Note: The table outlines the directors that served at 31 December 2021.

Table A1.T2. – MLI Directors Board Membership and Experience

With the exception of Peter O'Flynn, the above directors of MLUKCH also served on the MLI Board. In addition, the following directors served on the MLI Board as at 31 December 2021:

		No. Of Directorships	
		Total	Excluding non-commercial and counting group appointments as one
Pierre de Weck Chair / Non Executive Director	Independent director of Bank of America Corporation; Bank of America California, National Association; Bank of America, National Association; and Chair of the Board of Directors of Merrill Lynch International and BofA Securities Europe SA. Mr. de Weck served as the Chair and Global Head of Private Wealth Management and as a member of the Group Executive Committee of Deutsche Bank AG from 2002 to May 2012. Prior to joining Deutsche Bank, Mr. de Weck served on the Management Board of UBS AG from 1994 to 2001, as Head of Institutional Banking from 1994 to 1997, as Chief Credit Officer and Head of Private Equity from 1998 to 1999, and as Head of Private Equity from 2000 to 2001. Previously held various senior management positions at Union Bank of Switzerland, a predecessor firm of UBS, from 1985 to 1994.	13	4
Richard Keys Non Executive Director	A chartered accountant with international experience and over 40 years of senior management experience. Non-Executive director, Chair of the Governance Committee and member of the Audit and Risk Committees of Merrill Lynch International; Non-Executive director, Chair of the Audit and Risk Committees and member of the Nominations and Transformation Review Committees of NATS Holdings Limited; Non-Executive director of NATS (EnRoute) Plc; Non-Executive Chair and member of the Audit Committee of Glaziers Hall Limited; Non-Executive director and Chair of the Group Audit and Risk Committee at the Department for Transport; and Non-Executive director, Chair of the Audit and Risk Committee and member of the Infrastructure and Remuneration Committees of AWEplc. Formerly a Non-Executive director and member of the Audit, Remuneration and Nominations Committees of Wessex Water Services Limited; Non-Executive director, Chair of the Audit Committee and member of Risk Committee at Sainsbury's Bank plc; Non-Executive director and Chair of the Audit and Risk Committee of the Department for International Development; and Council member and Chair of the Audit Committee of the University of Birmingham.	6	4

Rosemary Thorne Non Executive Director	Non-Executive director, Chair of the Audit Committee and member of the Governance Committee of Merrill Lynch International. Non-Executive director and Chair of the Audit Committee of Solvay SA. Previous non-executive directorship positions include Non-Executive director and Chair of Audit and Risk Committees of Santander UK plc, Non-Executive director and Chair of the Audit Committee of Smurfit Kappa Group plc, Senior Independent Director and Chair of the Audit Committee for Virgin Radio Holdings Limited, Non-Executive director of Cadbury Schweppes plc, and Non-Executive director and Chair of the Audit Committee for Royal Mail plc and for the Department for Education and Employment. Formerly executive director and CFO of J Sainsbury plc, Bradford & Bingley plc and Ladbrokes Coral Group plc and a member of the Financial Reporting Council.	2	2
Lesley White Non Executive Director	Non-Executive director of Merrill Lynch International, and Head of Global Commercial Banking International for Bank of America, based in London with teams across Asia Pacific, Latin America and Europe, Middle East and Africa (EMEA). In this role, Lesley provides a single point of management across the full spectrum of solutions the bank provides to the subsidiaries of its U.S. headquartered Commercial Banking clients. In addition, she helps coordinate the teams in treasury solutions, credit products and client coverage to best serve the needs of the bank's middle market clients globally. Over 30 years banking experience across a number of organisations and roles spanning Retail, Commercial, Transaction Services and International Banking. Co-Chair of the Power of 10 Operating Committee, which connects women and leaders and provides mentor and growth opportunities for participants. Previous D&I roles of co-chair of EMEA Women's Leadership Council and the Executive Sponsor for Parent and Carers Network in EMEA.	1	1
Thomas Woods Non Executive Director	Independent director of Bank of America Corporation; Bank of America California, National Association; Bank of America, National Association; and is the Chair of the Risk Committee and a member of the Governance Committee of Merrill Lynch International. Non-Executive director and Chair of the Audit Committee of Alberta Investment Management Corporation; and Non-Executive member of Cordiant Capital Advisory Committee; Non-Executive director of St. Michael's Hospital Foundation; and Non-Executive Director of the Finance Council of the Toronto Catholic Church Diocese. Serves on the Board of advisors of the University of Toronto's Department of Mechanical and Industrial Engineering, and on the College of Electors of the University of Toronto. Previously held various leadership positions including Chair of the Board of directors of Hydro One Limited; Non-Executive director of CIBC Children's Foundation; and Board of directors of DBRS Limited, DBRS, Inc., TMX Group Inc., and Jarislowsky Fraser Limited. Mr. Woods served in various senior leadership positions at CIBC, as Vice Chairman, Senior Executive Vice President, Chief Financial Officer and Chief Risk Officer, and previously as Controller and Chief Financial Officer of CIBC World Markets (CIBC's investment banking division), and as the Head of CIBC's Canadian Corporate Banking division.	9	2
James O'Neil Head of EMEA Corporate and Investment Banking	Jim has nearly 30 years' experience of both the capital markets and the financial services industry and has worked on many of the highest profile transactions for European financial institutions during his career. Jim began his career at Bank of America in 1993 in New York. He re-joined the firm in 2013, after spending three years at the UK Financial Investments (UKFI), including as Chief Executive. As part of his role at UKFI, he was a Board member of UKFI, UK Asset Resolution, Bradford & Bingley and Northern Rock Asset Management. Prior to assuming his current role at the firm in 2017, Jim ran the firm's Global Financial Institutions Group for four years, three of which he served as sole head. His previous roles at the firm included Head of European Corporate Finance in 2002 and Head of International Corporate Finance and Restructuring in 2008.	1	1

Appendix 2 – Supplementary Disclosure Templates

Table A2.T1. – EU LI3 Outline of the Differences in the Scopes of Consolidation (Entity by Entity)

2021						
Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
ML UK Capital Holdings Limited	Full consolidation	X				Holding Company
Merrill Lynch International	Full consolidation	X				Investment Firm
Bank of America UK Retirement Plan Trustees Limited	Full consolidation	X				Trustee of the Bank of America UK Retirement Plan and Merrill Lynch (UK) Defined Contribution Plan
Chetwynd Nominees Limited	Full consolidation	X				Nominee company for affiliated companies
Citygate Nominees Limited	Full consolidation	X				Nominee company for affiliated companies
Fundo de Investimento Financeiro Multimercado Iceberg	Full consolidation	X				Brazilian multi-market investment fund
Merrill Lynch Nominees Limited	Full consolidation	X				Nominee company for affiliated companies
MLPF&S Limited	Full consolidation	X				Entity used for intercompany funding
N.Y. Nominees Limited	Full consolidation	X				Nominee company for affiliated companies
S. N. C. Nominees Limited	Full consolidation	X				Nominee company for affiliated companies
Atena Limited Series 37 and 39	Full consolidation	X				Special purpose entity
Calculus ABS Resecuritisation Trust – Series 2006-1 and 2006-3	Full consolidation	X				Special purpose entity
Ironwood Trustee (Pty) Ltd	Full consolidation	X				Special purpose entity
Oxygen Capital Limited Series 17, 21, 43, 86, 87 and 112	Full consolidation	X				Special purpose entity
Pyxis LTD	Full consolidation	X				Special purpose entity
Single Platform Investment Repackaging Entity SA, in respect of its compartment 2020-21 and 2020-76	Full consolidation	X				Special purpose entity
Starsia Capital Limited Series 11, 12 and 13	Full consolidation	X				Special purpose entity

The following table shows the total and average net amount of exposures as at 31 December 2021 for MLI.

Table A2.T2. – EU CRB-B Total and Average Net Amount of Exposures

	2021	
($ in Millions)	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	8,374	8,395
Institutions	2,361	2,785
Corporates	25,042	25,675
Claims on institutions and corporate with a short-term credit assessment	2,075	2,305
Other Exposures[(1)]	856	645
Total	**38,707**	**39,805**

[(1)] Other comprises exposures to International Organisations, Multilateral Development Banks, Public Sector Entities, Regional Governments or Local Authorities, Exposures Secured by Mortgages on Immovable Property, Exposures in Default, Equity Exposures, Items Associated with Particularly High Risk and Other Items

Over the course of 2021 net exposures have decreased, driven by a reduction in exposures to institutions and corporates, primarily for liquidity management purposes.

The following table shows the breakdown of exposures by geographical areas and exposure classes as at 31 December 2021 for MLI.

Table A2.T3. – EU CRB-C Geographical Breakdown of Exposures

	2021														
($ in Millions)	EMEA	United Kingdom	Luxembourg	France	Saudi Arabia	Other EMEA Countries[1]	Americas	United States Of America	Curacao	Other American Countries[1]	Asia	Japan	Other Asia	Other Geographical Areas[2]	Total
	Net value														
Central governments or central banks	**7,648**	3,425	—	2,215	—	2,008	**8**	—	—	8	**718**	718	—	—	8,374
Institutions	**2,084**	—	—	250	1,000	834	**274**	104	—	170	**3**	—	3	—	2,361
Corporates	**10,553**	7,469	2,248	27	—	809	**13,609**	6,688	6,803	117	**881**	—	881	—	25,042
Claims on institutions and corporate with a short-term credit assessment	**991**	106	32	296	43	514	**537**	417	—	120	**547**	284	263	—	2,075
Other exposures	**248**	4	—	—	—	244	**313**	151	—	163	**7**	—	7	287	856
Total	**21,523**	**11,004**	**2,279**	**2,788**	**1,043**	**4,408**	**14,741**	**7,360**	**6,803**	**577**	**2,155**	**1,002**	**1,154**	**287**	**38,707**

[1] Only countries which have exposures greater than $1B have been disclosed separately. Other countries within a given region have been aggregated together as "Other Countries"

[2] 'Other Geographical areas' comprises exposures to International Organisations and Multilateral Development Banks

Over the course of 2021, exposures to institutions and corporates based in the Americas region decreased, mainly due to liquidity management and intercompany funding activity.

The following table shows a breakdown of exposures by industry or counterparty types and exposure classes as at 31 December 2021 for MLI.

Table A2.T4. – EU CRB-D Concentration of Exposures by Industry or Counterparty Types

($ in Millions)	2021					
	Bank	Broker Dealer	Other Financial	Sovereign & Government Related	Other [1]	Total
Central governments or central banks	—	—	—	8,374	—	8,374
Institutions	626	1,729	—	—	6	2,361
Corporates	63	2,218	21,733	—	1,028	25,042
Claims on institutions and corporate with a short-term credit assessment	1,888	187	—	—	—	2,075
Other exposures	—	1	318	495	41	856
Total	**2,577**	**4,135**	**22,050**	**8,869**	**1,074**	**38,707**

[1] Industry classification of "Other" comprises Energy & Commodities, Industrial & Commercial Companies, Insurance, Central Counterparties and Hedge Fund

Over the course of 2021, exposures to institutions and corporates decreased due to liquidity management and intercompany funding activity.

The following table shows a breakdown of on-balance sheet net exposures by residual maturity and exposure classes as at 31 December 2021 for MLI.

Table A2.T5. – EU CRB-E Maturity of Exposures

	2021				
($ in Millions)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years & No stated maturity	Total
	Net exposure value				
Central governments or central banks	3,425	4,496	—	342	**8,263**
Institutions	11	353	—	—	**364**
Corporates	429	13,122	274	272	**14,097**
Claims on institutions and corporate with a short-term credit assessment	1,717	81	—	—	**1,798**
Other exposures	—	412	2	326	**740**
Total	**5,582**	**18,463**	**276**	**940**	**25,262**

Over the course of 2021, exposures have decreased primarily on exposures to institutions which are on demand, and to corporates with maturity less than or equal to one year, primarily from liquidity management and intercompany funding activity.

The following table shows the credit quality of exposures by exposure class and instrument type as at 31 December 2021 for MLI.

Table A2.T6. – EU CR1-A Credit Quality of Exposures by Exposure Class and Instrument

	2021						
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
($ in Millions)	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	—	8,374	—	—	—	—	8,374
Institutions	—	2,361	—	—	—	—	2,361
Corporates	2	25,042	—	—	—	—	25,044
Claims on institutions and corporate with a short-term credit assessment	—	2,075	—	—	—	—	2,075
Other exposures	1	852	—	—	—	—	853
Exposures in default [1]	4	—	—	—	—	—	4
Total	**4**	**38,703**	**—**	**—**	**—**	**—**	**38,707**
of which: Loans	3	5,327	—	—	—	—	5,330
of which: Debt Securities	1	5,618	—	—	—	—	5,619
of which: Off-balance-sheet exposures	—	13,444	—	—	—	—	13,444

[1] In line with EBA guidance, defaulted exposures are shown both as "Exposures in Default" and in the exposure class that corresponded to the exposure before default. Any duplication is not included in the "Total" row

Over the second half of 2021, MLI's exposures to corporates and central governments or central banks decreased, mainly due to liquidity management and intercompany funding activity.

The following table shows the credit quality of on-balance-sheet and off-balance-sheet exposures by industry as at 31 December 2021 for MLI.

Table A2.T7. – EU CR1-B Credit Quality of Exposures by Industry or Counterparty Types

	2021						
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
($ in Millions)	Defaulted exposures	Non-defaulted exposures					
Bank	—	2,577	—	—	—	—	2,577
Broker Dealer	1	4,134	—	—	—	—	4,135
Other Financial	2	22,049	—	—	—	—	22,050
Sovereign & Government Related	1	8,869	—	—	—	—	8,869
Other [1]	—	1,074	—	—	—	—	1,074
Total	**4**	**38,703**	**—**	**—**	**—**	**—**	**38,707**

[1] Industry classification of "Other" comprises Energy & Commodities, Industrial & Commercial Companies, Insurance, Central Counterparties and Hedge Fund

Over the second half of 2021, MLI's exposures to other financial counterparties decreased, mainly due to intercompany funding activity.

The following table shows the credit quality of on-balance-sheet and off-balance-sheet exposures by geography as at 31 December 2021 for MLI.

Table A2.T8. – EU CR1-C Credit Quality of Exposures by Geography

	2021						
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
($ in Millions)	Defaulted exposures	Non-defaulted exposures					
EMEA	**3**	**21,521**	**—**	**—**	**—**	**—**	**21,523**
United Kingdom	1	11,003	—	—	—	—	11,004
Luxembourg	—	2,279	—	—	—	—	2,279
France	—	2,788	—	—	—	—	2,788
Saudi Arabia	—	1,043	—	—	—	—	1,043
Other EMEA Countries[1]	1	4,407	—	—	—	—	4,408
Americas	**1**	**14,739**	**—**	**—**	**—**	**—**	**14,741**
United States Of America	1	7,360	—	—	—	—	7,360
Curacao	—	6,803	—	—	—	—	6,803
Other Americas Countries[1]	1	576	—	—	—	—	577
Asia	**—**	**2,155**	**—**	**—**	**—**	**—**	**2,155**
Japan	—	1,002	—	—	—	—	1,002
Other Asia Countries	—	1,154	—	—	—	—	1,154
Other Geographical Areas [2]	**—**	**287**	**—**	**—**	**—**	**—**	**287**
Total	**4**	**38,703**	**—**	**—**	**—**	**—**	**38,707**

[1] Only countries which have exposures greater than $1bn have been disclosed separately. Other countries within a given region have been aggregated together as "Other Countries"

[2] Other Geographical Areas comprises exposures to International Organisations and Multilateral Development Banks

Over the second half of 2021, MLI's exposures to EMEA and Asia decreased due to liquidity management and intercompany funding activity.

No template for EU CR1-D Ageing of Past-Due Exposures is included in document because there are no balances past due to disclose.

The following table shows an overview of performing and non-performing exposures and the related provisions as at 31 December 2021 for MLI.

Table A2.T9. – EU CR1-E Non-Performing and Forborne Exposures

	2021												
	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collateral and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
($ in Millions)					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Loans	5,330	—	—	3	3	—	—	—	—	—	—	—	—
Debt Securities	5,619	—	—	1	1	—	—	—	—	—	—	—	—
Off-balance sheet exposures	13,444	—	—	—	—	—	—	—	—	—	—	—	—

Over the second half of 2021, off-balance sheet exposures decreased driven by intercompany funding activity.

No template for EU CR2-A Changes in Stock of General and Specific Credit Risk Adjustment is included in the document because there are no credit risk adjustments to disclose.

The following table shows the changes in stock of defaulted loans and debt securities as at 31 December 2021 for MLI.

Table A2.T10. – EU CR2-B Changes in the Stock of Defaulted and Impaired Loans and Debt Securities

	2021
($ in Millions)	Gross carrying value defaulted exposures
Opening balance	**3**
Loans and debt securities that have defaulted or impaired since the last reporting period	—
Returned to non-defaulted status	—
Amounts written off	—
Other changes	1
Closing balance	**4**

Over the second half of 2021, there have been no material changes.

The following table shows the extent of the use of CRM techniques as at 31 December 2021 for MLI.

Table A2.T11. – EU CR3 CRM Techniques – Overview

	2021				
($ in Millions)	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	1,767	—	3,563	—	—
Total debt securities	5,619	—	—	—	—
Total exposures	**7,386**	**—**	**3,563**	**—**	**—**
Of which defaulted	4	—	—	—	—

Over the second half of 2021, exposures to debt securities increased due to liquidity management.

The following table shows the effect of all CRM techniques as at 31 December 2021 for MLI.

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

	2021					
	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
($ in Millions)	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Central governments or central banks	8,263	111	8,263	111	597	7 %
Regional governments or local authorities	2	87	2	87	89	100 %
Public sector entities	119	—	119	—	—	0 %
Multilateral development banks	31	—	31	—	—	0 %
International organisations	256	—	256	—	—	0 %
Institutions	364	1,997	364	210	308	54 %
Corporates	14,097	10,944	4,197	683	4,853	99 %
Retail	—	—	—	—	—	0 %
Secured by mortgages on immovable property	2	—	2	—	2	100 %
Exposures in default	4	—	4	—	6	150 %
Items associated with particularly high risk	52	—	52	—	78	150 %
Covered bonds	—	—	—	—	—	0 %
Claims on institutions and corporate with a short-term credit assessment	1,798	276	1,798	9	715	40 %
Collective investments undertakings	—	—	—	—	—	0 %
Equity exposures	269	—	269	—	504	187 %
Other Items	5	28	5	6	11	100 %
Total	**25,262**	**13,444**	**15,362**	**1,106**	**7,163**	**43 %**

Over the second half of 2021, risk weighted exposure amounts to corporates increased, mainly due to intercompany funding activity in the period.

The following table shows the breakdown of exposures under the standardised approach by exposure class and risk weight as at 31 December 2021 for MLI.

Table A2.T13. – EU CR5 Standardised Approach

	2021																	
	Risk Weight																Total	Of which unrated
($ in Millions)	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
Central governments or central banks	7,203	—	—	—	718	—	—	—	—	453	—	—	—	—	—	—	**8,374**	103
Regional governments or local authorities	—	—	—	—	—	—	—	—	—	89	—	—	—	—	—	—	**89**	4
Public sector entities	119	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**119**	—
Multilateral development banks	31	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**31**	—
International organisations	256	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**256**	—
Institutions	—	—	—	—	300	—	103	—	—	169	—	—	—	2	—	—	**574**	416
Corporates	—	—	—	—	—	—	71	—	—	4,807	—	—	—	1	—	—	**4,879**	4,758
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**	—
Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	—	**2**	2
Exposures in default	—	—	—	—	—	—	—	—	—	—	4	—	—	—	—	—	**4**	4
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	52	—	—	—	—	—	**52**	52
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**	—
Claims on institutions and corporate with a short-term credit assessment	—	—	—	—	844	—	878	—	—	42	44	—	—	—	—	—	**1,807**	—
Collective investments undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**	—
Equity exposures	—	—	—	—	—	—	—	—	—	113	—	156	—	—	—	—	**269**	269
Other Items	—	—	—	—	—	—	—	—	—	11	—	—	—	—	—	—	**11**	11
Total	**7,609**	**—**	**—**	**—**	**1,861**	**—**	**1,053**	**—**	**—**	**5,685**	**99**	**156**	**—**	**3**	**—**	**—**	**16,467**	**5,618**

Over the second half of 2021, exposures to corporates increased, partly offset by a reduction in exposure to institutions mainly due to intercompany funding activity.

The following table shows a comprehensive view of the methods used to calculate CCR regulatory requirements and the main parameters used within each method for MLI as at 31 December 2021.

Table A2.T14. – EU CCR1 Analysis of CCR Exposure by Approach

($ in Millions)	2021						
	Notional	Replacement Cost/ Current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		11,101	177,626			71,827	40,838
Original exposure	n/a					n/a	n/a
Standardised approach		n/a		n/a	n/a	n/a	n/a
IMM (for derivatives & SFTs)				n/a	n/a	n/a	n/a
Financial collateral simple method (for SFTs)						n/a	n/a
Financial collateral comprehensive method (for SFTs)						56,030	41,077
VaR for SFTs						n/a	n/a
Total							81,915

The following table shows CVA by approach for MLI as at 31 December 2021.

Table A2.T15. – EU CCR2 CVA Capital Charge

($ in Millions)	2021	
	Exposure value	RWAs
Total portfolios subject to the advanced method	—	—
(i) VaR component (including the 3× multiplier)	—	—
(ii) SVaR component (including the 3× multiplier)	—	—
All portfolios subject to the standardised method	55,680	20,596
Based on the original exposure method	—	—
Total subject to the CVA capital charge	**55,680**	**20,596**

Over the second half of 2021, capital requirements for CVA reduced due to a reduction in derivative exposures.

The following table shows the breakdown of exposures to qualifying and non-qualifying Central Counterparty as at 31 December 2021 for MLI.

Table A2.T16. – EU CCR8 Exposures to CCPs

($ in Millions)	2021	
	EAD post CRM	RWAs
Exposures to QCCPs (total)		**1,217**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	30,302	606
(i) OTC derivatives	16,101	322
(ii) Exchange-traded derivatives	8,599	172
(iii) SFTs	5,602	112
(iv) Netting sets where cross-product netting has been approved	—	—
Segregated initial margin	—	
Non-segregated initial margin	7,573	151
Prefunded default fund contributions	835	459
Alternative calculation of own funds requirements for exposures		7,245
Exposures to non-QCCPs (total)		—

Over the second half of 2021, the underlying movements are driven by market, collateral and portfolio changes.

The following table shows a breakdown of CCR exposures under the standardised approach, by exposure class and risk weight, as at 31 December 2021 for MLI.

Table A2.T17. – EU CCR3 Standardised Approach – CCR Exposures by Regulatory Portfolio and Risk

	2021												
	Risk Weight											Total	Of which unrated
($ in Millions)	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
Central governments or central banks	774	—	—	—	147	255	—	—	3,811	—	—	**4,988**	4,228
Regional governments or local authorities	—	—	—	—	45	6	—	—	7	—	—	**58**	45
Public sector entities	59	—	—	—	1,177	—	—	—	22	—	—	**1,259**	1,199
Multilateral development banks	122	—	—	—	—	—	—	—	—	—	—	**122**	—
International organisations	2	—	—	—	—	—	—	—	—	—	—	**2**	2
Institutions	—	37,875	—	—	17,884	19,714	—	—	328	—	—	**75,801**	46,755
Corporates	—	—	—	—	1,469	7,155	—	—	46,250	41	—	**54,914**	42,866
Retail	—	—	—	—	—	—	—	—	—	—	—	**—**	—
Claims on institutions and corporate with a short-term credit assessment	—	—	—	—	6,383	20,506	—	—	1,360	427	—	**28,677**	—
Other Items	—	—	—	—	—	—	—	—	—	—	—	**—**	—
Total	**958**	**37,875**	**—**	**—**	**27,105**	**47,635**	**—**	**—**	**51,779**	**468**	**—**	**165,821**	**95,096**

Over the second half of 2021, CCR exposures reduced, mainly driven by a reduction in exposures to institutions and corporates.

The following table shows the impact of netting and collateral held on derivative and Secured Financing Transaction exposures held as at 31 December 2021 for MLI.

Table A2.T18. – EU CCR5-A Impact of Netting and Collateral Held on Exposure Values

	2021						
	Gross positive fair value or net carrying amount	Netting benefits		Netted current credit exposure	Collateral held		Net credit exposure
($ in Millions)		Applied	Not Applied		Used	Not Used	
Derivatives	176,456	(152,952)	(779)	23,504	(19,077)	(33,824)	4,427
SFTs	714,299	(684,267)	(3,930)	30,032	—	(23,302)	30,032
Total	**890,755**	**(837,219)**	**(4,709)**	**53,536**	**(19,077)**	**(57,126)**	**34,459**

Note: These values can differ from the Accounting balance sheet for example, due to differences in netting and off balance sheet items.

The following table shows the breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivative transactions or to SFTs as at 31 December 2021 for MLI.

Table A2.T19. – EU CCR5-B Composition of Collateral for Exposures to CCR

	2021			
	Collateral used in derivative transactions		Collateral used in SFTs	
($ in Millions)	Fair Value of collateral received	Fair Value of collateral posted	Fair Value of collateral received	Fair Value of collateral posted
Cash	33,887	35,489	295,818	346,294
Non Cash	17,701	4,454	475,347	368,005
Total	**51,588**	**39,943**	**771,165**	**714,299**

Over the second half of 2021, collateral values have moved in line with exposures.

The following table shows exposures to credit derivative transactions broken down between derivatives bought or sold for MLI.

Table A2.T20. – EU CCR6 Credit Derivatives Exposures

	2021		
	Credit derivative hedges		Other credit derivatives
($ in Millions)	Protection bought	Protection sold	
Notionals			
Single-name credit default swaps	3,424	3,543	102,057
Index credit default swaps	1,107	249	190,080
Other credit derivatives	50	325	65,377
Total Notional	**4,581**	**4,117**	**357,513**
Fair Values	—	—	—
Positive fair value (asset)	226	379	6,869
Negative fair value (liability)	(39)	(116)	(7,262)

Over the second half of 2021, the notional amount of credit derivatives decreased, primarily on index credit default swaps.

Table A2.T21. – EU OV1 Quarterly Overview of RWAs

		MLI			MLUKCH Group		
		RWAs		Minimum capital requirements	RWAs		Minimum capital requirements
($ in Millions)		Q4 2021	Q3 2021	Q4 2021	Q4 2021	Q3 2021	Q4 2021
1	**Credit risk (excluding CCR)**	**6,772**	**6,111**	**542**	**6,566**	**6,145**	**525**
2	Of which the standardised approach	6,772	6,111	542	6,566	6,145	525
3	Of which the foundation IRB approach	—	—	—	—	—	—
4	Of which the advanced IRB approach	—	—	—	—	—	—
5	Of which equity IRB under the simple risk-weighted approach or the IMA	—	—	—	—	—	—
6	**CCR**	**103,532**	**106,994**	**8,283**	**103,338**	**106,816**	**8,267**
7	Of which mark to market	41,288	43,890	3,303	41,289	43,855	3,303
8	Of which original exposure	—	—	—	—	—	—
9	Of which the standardised approach	—	—	—	—	—	—
9a	Of which: comprehensive approach for credit risk mitigation (for SFTs)	41,189	40,859	3,295	41,004	40,732	3,280
10	Of which internal model method	—	—	—	—	—	—
11	Of which risk exposure amount for contributions to the default fund of a CCP	459	489	37	459	489	37
12	Of which CVA	20,596	21,756	1,648	20,585	21,740	1,647
13	**Settlement risk**	**482**	**169**	**39**	**482**	**169**	**39**
14	**Securitisation exposures in the banking book (after the cap)**	**5,620**	**5,445**	**450**	**5,620**	**5,413**	**450**
15	Of which IRB approach	—	—	—	—	—	—
16	Of which IRB supervisory formula approach	—	—	—	—	—	—
17	Of which internal assessment approach	—	—	—	—	—	—
18	Of which standardised approach	5,620	5,445	450	5,620	5,413	450
19	**Market risk**	**39,940**	**36,755**	**3,195**	**40,381**	**37,221**	**3,230**
20	Of which the standardised approach	16,853	16,032	1,348	17,294	16,498	1,384
21	Of which IMA	23,086	20,723	1,847	23,086	20,723	1,847
22	**Large exposures**	**6,892**	**11,098**	**551**	**5,724**	**9,314**	**458**
23	**Operational risk**	**10,919**	**10,919**	**873**	**10,781**	**10,781**	**863**
24	Of which basic indicator approach	—	—	—	—	—	—
25	Of which standardised approach	10,919	10,919	873	10,781	10,781	863
26	Of which advanced measurement approach	—	—	—	—	—	—
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**391**	**391**	**31**	**—**	**—**	**—**
28	Floor adjustment	—	—	—	—	—	—
29	**Total**	**174,547**	**177,883**	**13,964**	**172,893**	**175,859**	**13,831**

MLI and the Group's Minimum Capital Requirement decreased during the quarter. This was primarily driven by a reduction in capital requirements for large exposure risk as exposures to affiliated companies decreased in the quarter.

Appendix 3 – Index

Article	Article Name	Article Reference Detail	Description	Document Reference	Page Section Number(s)
431	Scope of disclosure requirements	431(1)	Requirement to publish Pillar 3 disclosures	MLI and MLUKCH Group publish Pillar 3 disclosures	n/a
		431(2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	Not applicable	n/a
		431(3)	Institutions shall adopt a formal policy to comply with the disclosure requirements in Part Eight of CRR	Section 1.3. Disclosure Policy	14
		431(4)	Explanation of ratings decision upon request	Not applicable	n/a
432	Non-material, proprietary or confidential information	432(1)	Institutions may omit information that is not material if certain conditions are respected	Section 1.1.3. Other Entities Section 1.2. Basis of Preparation Section 4.4.4. Equities Exposures in the Non-Trading Book	9, 10, 60
		432(2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected	Not applicable	n/a
		432(3)	Where 432(2) applies this must be stated in the disclosures, and more general information must be disclosed	Not applicable	n/a
		432(4)	Use of 432 (1), (2) or (3) is without prejudice to scope of liability for failure to disclose material information	Not applicable	n/a
433	Frequency of disclosure	433	Disclosures must be published once a year at a minimum, and more frequently if necessary	MLI and MLUKCH Group publish Pillar 3 disclosures annually at minimum, with quarterly disclosures also published in accordance with EBA guidelines EBA/ GL/2014/14	n/a
434	Means of disclosures	434(1)	To include all disclosures in one appropriate medium, or provide clear cross-references	All Pillar 3 disclosures required under Part Eight of CRR are included in this document with the exception of the disclosure for remuneration policy required under CRR article 450. The remuneration disclosure is published separately and is signposted in Section 6. Additional Information on Remuneration Disclosure of this document.	n/a
		434(2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy the Pillar 3 disclosure requirements if appropriate	Not applicable	n/a
435	Risk management objectives and policies	435(1)(a)-(d)	Objectives and policies for each separate category of risk	Section 4.3. Key Risk Types	39
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436	Scope of application	436(a)	Name of institution	Section 1.1. Overview and Purpose of Document	9
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				Explanations of Differences between Accounting and Regulatory Exposure Amounts - subheading under Section 1.2.2.2.	13
		436(c)	Impediments to transfer of own funds between parent and subsidiaries	Section 2.1.4. Transferability of Capital within the Group	18
		436(d)	Capital shortfalls in any subsidiaries outside the scope of consolidation	Not Applicable	n/a
		436(e)	Use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries	Not Applicable	n/a

Article	Article Name	Article Reference Detail	Description	Document Reference	Page Section Number(s)
437	Own funds	437(1)(a)	Reconciliation of regulatory capital amounts to balance sheet	Table 5.7.T1. – Regulatory Capital Resources Reconciliation to Accounting Balance Sheet	81
		437(1)(b)	Description of the main features of Capital Instruments issued	Table 5.7.T2. – MLUKCH Group Capital Instrument Features Table 5.7.T3. – MLI Capital Instrument Features	82, 83
		437(1)(c)	Full terms and conditions of Capital Instruments issued		
		437(1)(d)-(e)	Disclosure of prudential filters, deductions, and any restrictions applied to the calculation of own funds	Table 5.7.T4. – Own Funds Disclosure Template	84
		437(1)(f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a different basis	Not Applicable	n/a
438	Capital requirements	438(a)	Approach to assessing adequacy of capital levels	Section 2.4. Capital Management	21
		438(b)	Result of ICAAP on demand from authorities	Not Applicable	n/a
		438(c)	Capital requirement amounts for credit risk for each Standardised approach exposure class	Table 2.2.2.T1. – RWAs and Minimum Capital Requirement Table A2.T12. – EU CR4 Standardised approach – Credit Risk Exposure and CRM Effects	20, 99
		438(d)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class	Not Applicable	n/a
		438(e)	Capital requirements amounts for market risk, settlement risk, or large exposures	Table 2.2.2.T1. – RWAs and Minimum Capital Requirement	20
		438(f)	Capital requirement amounts for operational risk		
		438 last paragraph	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Not Applicable	n/a
439	Exposure to counterparty credit risk	439(a)	Discussion of process to assign internal capital and credit limits to CCR exposures	Section 4. Risk Management, Objectives, and Policy	31
		439(b)	Discussion of process to secure collateral and establishing reserves		
		439(c)	Discussion of management of wrong-way exposures	Section 4.4. Other Risk Considerations	59
		439(d)	Discussion of collateral to be provided in the event of a ratings downgrade		
		439(e)	Derivation of net derivative credit exposure	Table A2.T18. – EU CCR5-A Impact of Netting and Collateral Held on Exposure Values	102
				Table A2.T19. – EU CCR5-B Composition of Collateral for Exposures to CCR	103
		439(e) and (f)	Derivation of derivative exposures and exposure values for applicable counterparty credit risk methods	Table A2.T14. – EU CCR1 Analysis of CCR Exposure by Approach	101
				Table A2.T15. – EU CCR2 CVA Capital Charge	101
				Table A2.T16. – EU CCR8 Exposures to CCPs	101
		439(g) and (h)	Notional amounts of credit derivatives	Table A2.T20. – EU CCR6 Credit Derivatives Exposures	103
		439(i)	Estimate of alpha, if applicable	Not Applicable	n/a
440	Capital buffers	440	Countercyclical buffer	Section 5.6. Capital Buffers	78
441	Indicators of global systemic importance	441	Disclosure of the indicators of global systemic importance	Not required for U.K. firms that are not G-SIIs	n/a

Article	Article Name	Article Reference Detail	Description	Document Reference	Page Section Number(s)
442	Credit risk adjustments	442(a)	Definitions of past due and impaired	Section 5.4.4. Credit Quality of Assets	75
		442(b)	Approaches for calculating specific and general credit risk adjustments		
		442(c)	Total and average net credit risk exposures pre-CRM and by exposure class	Table A2.T2. – EU CRB-B Total and Average Net Amount of Exposures Table A2.T6. – EU CR1-A Credit Quality of Exposures by Exposure Class and Instrument	93, 96
		442(d)	Geographical breakdown of credit risk exposures pre-CRM and by exposure class	Table A2.T3. – EU CRB-C Geographical Breakdown of Exposures	94
		442(e)	Industry breakdown of credit risk exposures pre-CRM and by exposure class	Table A2.T4. – EU CRB-D Concentration of Exposures by Industry or Counterparty Types	95
		442(f)	Breakdown of credit risk exposures pre-CRM by residual maturity and exposure class	Table A2.T5. – EU CRB-E Maturity of Exposures	96
		442(g)	Impaired and past due exposures, specific and general credit risk adjustments, and impairment charges for the period, by industry	Table A2.T6. – EU CR1-A Credit Quality of Exposures by Exposure Class and Instrument Table A2.T7. – EU CR1-B Credit Quality of Exposures by Industry or Counterparty Types Table A2.T8. – EU CR1-C Credit Quality of Exposures by Geography Table A2.T9. – EU CR1-E Non-Performing and Forborne Exposures	96, 97, 97, 98
		442(h)	Impaired and past due exposures, and amounts of specific and general credit risk adjustments by geographical area		
		442(i)	Reconciliation of changes in specific and general credit risk adjustments for impaired exposures	Table A2.T10. – EU CR2-B Changes in the Stock of Defaulted and Impaired Loans and Debt Securities	98
443	Unencumbered assets	443	Encumbered and unencumbered assets	Section 3.2. Encumbered and Unencumbered Assets	25
444	Use of ECAIs	444(a)	Names of the ECAIs used in the calculation of Standardised approach risk-weighted assets and reasons for any changes	Section 2.2.1. Summary of 2021 Capital Requirement Section 5.4.1. Counterparty Credit Risk by Type Section 5.4.3. Counterparty Credit Exposure by Credit Quality Step	18, 71, 73
		444(b)	Exposure classes associated with each ECAI		
		444(c)	Description of the process used to transfer credit assessments to non-trading book items		
		444(d)	Mapping of external rating to CQS	Section 5.4.3. Counterparty Credit Exposure by Credit Quality Step	73
		444(e)	Exposure value pre and post-credit risk mitigation, by CQS	Table A2.T13. – EU CR5 Standardised Approach Table A2.T17. – EU CCR3 Standardised Approach – CCR Exposures by Regulatory Portfolio and Risk	100, 102
445	Exposure to market risk	445	Position risk, large exposures, FX, settlement risk, commodities risk and specific interest rate risk of securitisation positions	Table 5.3.T1. – EU MR 1 Market Risk under the Standardised Approach Table 2.2.2.T1. – RWAs and Minimum Capital Requirement	65, 20
446	Operational risk	446	Approaches used to calculate own funds requirements for operational risk	Section 2.2.1. Summary of 2021 Capital Requirement	18
447	Exposures in equities not included in the trading book	447	Exposures in equities not included in the trading book	Section 4.4.4. Equities Exposures in the Non-Trading Book	60
448	Exposure to interest rate risk on positions not included in the trading book	448	Exposure to interest rate risk on positions not included in the trading book	Section 4.3.3. Market Risk	44

Article	Article Name	Article Reference Detail	Description	Document Reference	Page Section Number(s)
449	Exposure to securitisation positions	449(a)	Objectives in relation to securitisation activity	Section 5.5.1. Securitisation Activities	75
		449(b)	Nature of other risks in securitised assets, including liquidity	Section 4.4.7. Securitisation Risk Governance and Reporting	60
		449(c)	Risks in re-securitisation activity from seniority of underlying securitisations and underlying assets		
		449(d)	The different roles played by the institution in the securitisation process	Section 5.5.1. Securitisation Activities	75
		449(e)	Indication of the extent of involvement in roles played		
		449(f)	Processes in place to monitor changes in credit and market risks of securitisation exposures, and how the processes differ for re-securitisation exposures	Section 4.4.7. Securitisation Risk Governance and Reporting	60
		449(g)	Description of the institution's policies with respect to hedging and unfunded protection to mitigate the risks of retained securitisation and re-securitisation exposures	Not applicable. MLI has no retained exposures.	n/a
		449(h)	Approaches to the calculation of risk-weighted assets for securitisations	Section 5.5.2. Regulatory Capital Treatment	76
		449(i)	Types of SSPEs used to securitise third-party exposures as a sponsor	Not applicable. MLI does not currently act as sponsor.	n/a
		449(j)	Summary of accounting policies for securitisations	Section 5.5.3. Accounting Treatment	76
		449(k)	Names of the ECAIs used for securitisations	Section 5.5.2. Regulatory Capital Treatment	76
		449(l)	Description of Internal Assessment Approach where the IRB approach is used	Not applicable. MLI uses standardised approach not IRB.	n/a
		449(m)	Explanation of significant changes in quantitative disclosures	For any changes that are significant in quantitative disclosures, key movements are explained where applicable under the relevant tables	n/a
		449(n)	As appropriate, separately for the Banking and trading book securitisation exposures:	n/a	n/a
		449(n)(i)	Amount of outstanding exposures securitised	None	n/a
		449(n)(ii)	On balance sheet securitisation retained or purchased, and off balance sheet exposures	Table 5.5.5.T1. – Current Exposure by Exposure Type to Securitisations	77
		449(n)(iii)	Amount of assets awaiting securitisation	None	n/a
		449(n)(iv)	Early amortisation treatment; aggregate drawn exposures, capital requirements	Not applicable. See Section 5.5.5. Securitisation Exposures	77
		449(n)(v)	Deducted or 1,250%-weighted securitisation positions	Table 5.5.5.T2. – Securitisation Positions Risk Weighted at 1,250%	77
		449(n)(vi)	A summary of securitisation activity of the current period, including the amount of exposures securitised and recognised gains or losses on sales	Section 5.5.1. Securitisation Activities	75
		449(o)	Separately for the trading and the non-trading book:	Table 5.5.5.T3. – Securitisation Exposures and Capital Requirements by Risk Weight	78
		449(o)(i)	Retained and purchased positions and associated capital requirements, broken down by risk-weight bands		
		449(o)(ii)	Retained and purchased re-securitisation positions before and after hedging and insurance; exposure to financial guarantors broken down by credit worthiness		
		449(p)	Impaired assets and recognised losses related to exposures securitised by the institution and held in the banking book, by exposure type	Not applicable. All trading book and non-trading book exposures originated and securitised by MLI have been derecognised.	n/a
		449(q)	Outstanding exposures securitised by the institution and subject to a capital requirement for market risk, broken down into traditional and synthetic, by exposure type;		
		449(r)	Whether the institution has provided non-contractual financial support to securitisation vehicles	No non-contractual financial support provided	n/a
450	Remuneration policy	450	Remuneration Disclosure	Section 6.1. Remuneration Disclosure	89

Article	Article Name	Article Reference Detail	Description	Document Reference	Page Section Number(s)
451	Leverage	451(1)(a)	The leverage ratio, and whether any transitional provisions are applied	Section 2.5.1. Summary Table 2.5.1.T1. – Leverage Ratio	22, 22
		451(1)(b)	Breakdown of leverage ratio exposure measure and reconciliation to financial statements	Table 5.8.2.T1. – Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures Table 5.8.2.T2. – Leverage Ratio Common Disclosure Table 5.8.2.T3. – Split of On-Balance Sheet Exposures (Excluding Derivatives, SFTs and exempted exposures)	85, 86, 86
		451(1)(c)	Where applicable, the amount of derecognised fiduciary items	Not Applicable	n/a
		451(1)(d)	Description of the processes used to manage the risk of excessive leverage	Section 5.8.3. Management of Excessive Leverage	87
		451(1)(e)	Factors that impacted the leverage ratio during the year	Section 2.5.2. Key Movements in 2021	23
452	Use of the IRB Approach to credit risk	452(a)	Permission for use of the IRB approach from the competent authority	Not applicable. MLI does not use the IRB approach.	n/a
		452(b)	Explanation of:		
		452(b)(i)	Internal rating scales, mapped to external ratings;		
		452(b)(ii)	Use of internal ratings for purposes other than capital requirement calculations;		
		452(b)(iii)	Management and recognition of credit risk mitigation;		
		452(b)(iv)	Controls around ratings systems		
		452(c)(i)-(v)	Description of ratings processes for each IRB asset class, provided separately		
		452(d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB		
		452(e)-(f)	For each exposure class, disclosed separately by obligor grade: Total exposure, separating loans and undrawn exposures where applicable, and exposure-weighted average risk weight		
		452(g)	Actual specific risk adjustments for the period and explanation of changes		
		452(h)	Commentary on drivers of losses in preceding period.		
		452(i)	Estimates against actual losses for sufficient period, and historical analysis to help assess the performance of the rating system over a sufficient period		
		452(j)	For all IRB exposure classes:		
		452(j) (i)-(ii)	Where applicable, PD and LGD by each country where the bank operates		
453	Use of credit risk mitigation techniques	453(a)	Use of on and off-balance sheet netting	Section 4.3. Key Risk Types; Credit Risk; Loss and Credit Risk Mitigation Activities	39
		453(b)	Collateral valuation management		
		453(c)	Types of collateral used		
		453(d)	Main types of guarantor and credit derivative counterparty, and creditworthiness		
		453(e)	Market or credit risk concentrations within credit mitigation taken		
		453(f)	Exposure value covered by eligible collateral	Table A2.T11. – EU CR3 CRM Techniques – Overview	98, 99
		453(g)	Exposures covered by guarantees or credit derivatives	Table A2.T12. – EU CR4 Standardised approach – Credit Risk Exposure and CRM Effects	

Article	Article Name	Article Reference Detail	Description	Document Reference	Page Section Number(s)
454	Use of the Advanced Measurement Approaches to operational risk	454	For institutions using the Advanced Measurement Approaches to operational risk, a description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	Not Applicable	n/a
455	Use of Internal Market Risk Models	455(a)(i)	Characteristics of the market risk models	Section 4.3.3. Market Risk Section 5.3. Market Risk	44, 64
		455(a)(ii)	Methodologies used to measure incremental default and migration risk (IRC) and comprehensive risk measure (CRM)		
		455(a)(iii)	Stress testing applied to the portfolios		
		455(a)(iv)	Approaches used for back-testing and model validation		
		455(b)	Scope of the internal model permission		
		455(c)	Policies and procedures for determining trading book classification and compliance with prudential valuation requirements	Explanations of Differences between Accounting and Regulatory Exposure Amounts; Section 5.3.1. Internal Model Based Capital Requirement	66
		455(d)	Highest, lowest and mean values over the year of VaR, SVaR, IRC and CRM	Table 5.3.1.T1. – MR 3 IMA Values for Trading Portfolios	70
		455(e)	Market risk internal model based own funds requirements	Table 5.3.T2. – EU MR 2-A Market Risk under the IMA Table 5.3.T3. – EU MR 2-B RWA Flow Statements of Market Risk Exposures under the IMA	65, 66
		455(f)	Weighted average liquidity horizon for portfolios covered by internal models for IRC and CRM	Section 5.3.1. Internal Model Based Capital Requirement Incremental Risk Charge; Comprehensive Risk Measure subheading under Section 5.3.1.	66
		455(g)	Comparison of end-of-day VaR measures compared with one day changes in the portfolio's value	Figure 5.3.1.F1. – EU MR 4 Comparison of VaR Estimates with Gains/Losses	68