

The background of the slide features a complex, abstract pattern of overlapping geometric shapes in various shades of blue, ranging from dark navy to a lighter sky blue. The shapes create a sense of depth and movement, with some areas appearing more prominent than others.

ML UK Capital Holdings Limited
Including Merrill Lynch International

Pillar 3 Disclosure

For the Quarter Ended 30 September 2021

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

1. Overview and Purpose of Document

This document contains certain Pillar 3 disclosures for the quarter ended 30 September 2021 of ML UK Capital Holdings Limited (“MLUKCH”), its sole operating subsidiary Merrill Lynch International (“MLI” or “the Company”) and its other non-operating subsidiaries (together “the Group” or “the MLUKCH Group”).

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

The information contained herein predominantly relates to MLI as the sole operating subsidiary of MLUKCH. For further information on MLI’s risk management objectives and policies, liquidity and asset encumbrance, please refer to the MLUKCH Group annual Pillar 3 disclosure for the year ended 31 December 2020 on BAC’s corporate website:

<http://investor.bankofamerica.com>

1.1 ML UK Capital Holdings

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

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

1.2 Merrill Lynch International

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

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

As at 30 September 2021, MLI was rated by Fitch Ratings Inc. (“Fitch”) (AA / F1+) and Standard & Poor’s (“S&P”) (A+ / A-1).

1.3 Other Entities

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

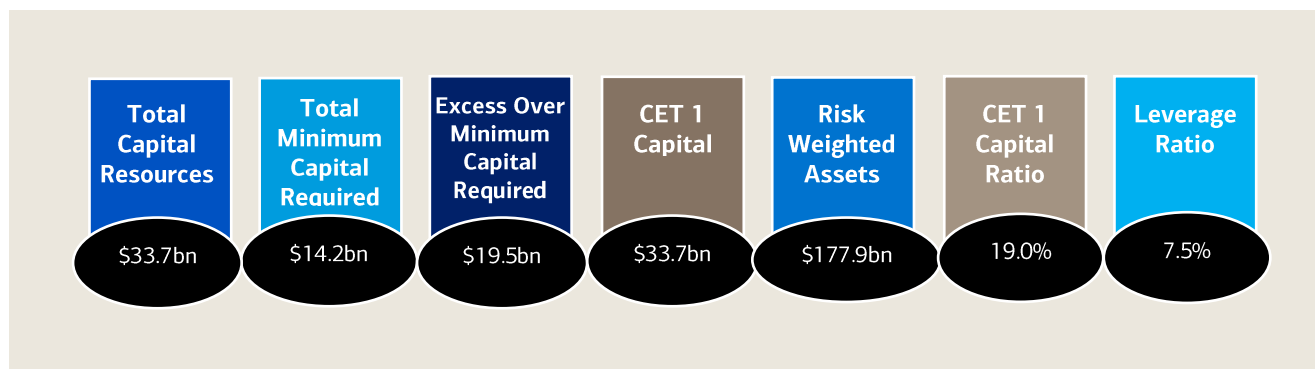
1.4 MLI’s Capital Position at 30 September 2021

Figure 1 illustrates MLI’s key capital metrics. MLI’s Capital Resources consist entirely of Common Equity Tier 1 (“CET1”) capital and MLI continues to maintain capital ratios and resources significantly in excess of its minimum requirement.

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

Figure 1. Summary of MLI's Key Metrics as at 30 September 2021



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

2. Basis of Preparation

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

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 into U.K. law, and therefore continue to apply following the U.K.'s exit from the European Union. 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.

After the U.K.'s exit from the European Union 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. For the purposes of this disclosure, any reference to an EU regulation, including to a Binding Technical Standard and Guidelines, is a reference to the U.K. version of that regulation, unless otherwise stated.

The information contained in this disclosure has been prepared in accordance with the requirements of Part Eight of the CRR, for the purpose of explaining the basis on which the MLUKCH Group and MLI have prepared and disclosed certain information about the application of regulatory capital adequacy rules and concepts.

It does not constitute any form of financial statement on 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 is not directly comparable with the annual financial statements and the disclosure is not required to be audited by external auditors.

In addition, the report does not constitute any form of contemporary or forward looking record or opinion on the Group, the Company or the Enterprise. Although the Pillar 3 disclosure is intended to provide transparent information on a common basis, the information contained in this document may not be directly comparable with the information provided by other banks. Any financial information included herein is unaudited.

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

The basis of consolidation used for the MLUKCH Group for prudential purposes is the same as the consolidation used for accounting purposes. Figures for the Group are presented on a consolidated basis. Figures for MLI are presented on a solo basis.

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

Transitional Impact of IFRS9

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in 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 IFRS9 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 COVID-19 pandemic. The CRR 'quick fix' is part of a series of measures taken by European institutions to mitigate the impact of the COVID-19 pandemic on institutions across EU Member States. In addition to the flexibility already provided in the existing rules, the CRR 'quick fix' introduces certain adjustments to the CRR, including temporary measures, intended, inter alia, to enhance credit flows to companies and households, thereby supporting the EU's economy.

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

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

Neither MLI nor the MLUKCH Group have chosen to apply the temporary treatment available in Article 468.

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

3. Capital Resources

Capital resources represent the amount of regulatory capital available to an entity 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.

Table 1 shows a breakdown of the capital resources of MLI and the Group.

Table 1. Regulatory Capital Resources and Ratios Summary

<i>(Dollars in Millions)</i>	MLI	MLUKCH Group
Common Equity Tier 1 (CET1) capital before regulatory adjustments	35,512	35,567
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(1,791)	(1,791)
Common Equity Tier 1 (CET1) Capital	33,721	33,776
Additional Tier 1 (AT1) capital	-	-
Tier 1 Capital (T1 = CET1 + AT1)	33,721	33,776
Tier 2 (T2) Capital	-	-
Total Capital (TC = T1 + T2)	33,721	33,776
Total Risk Weighted Assets	177,883	175,859
Common Equity Tier 1 (as a percentage of risk exposure amount)	19.0%	19.2%
Tier 1 (as a percentage of risk exposure amount)	19.0%	19.2%
Total Capital (as a percentage of risk exposure amount)	19.0%	19.2%

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

4. Minimum Capital Requirement

MLI and the Group are subject to a Minimum Capital Requirement set out in the CRR (Pillar 1 Capital Requirement). MLI and the Group are also required to hold capital in addition to the Minimum Capital Requirement to meet PRA obligations and CRD buffers (Pillar 2 Capital Requirements).

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

Table 2. Overview of RWAs and Minimum Capital Requirement

	MLI			MLUKCH Group		
	RWAs		Minimum capital requirements	RWAs		Minimum capital requirements
	Q3 2021	Q2 2021	Q3 2021	Q3 2021	Q2 2021	Q3 2021
<i>(Dollars in Millions)</i>						
Credit risk (excluding CCR)	6,111	5,467	489	6,145	5,476	492
Of which the standardised approach	6,111	5,467	489	6,145	5,476	492
Of which the foundation IRB (FIRB) approach	-	-	-	-	-	-
Of which the advanced IRB (AIRB) approach	-	-	-	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-	-	-
CCR	106,994	113,072	8,560	106,816	112,936	8,545
Of which mark to market	43,890	45,371	3,511	43,855	45,371	3,508
Of which original exposure	-	-	-	-	-	-
Of which the standardised approach	-	-	-	-	-	-
Of which: comprehensive approach for credit risk mitigation (for SFTs)	40,859	43,679	3,269	40,732	43,559	3,259
Of which internal model method (IMM)	-	-	-	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	489	318	39	489	318	39
Of which CVA	21,756	23,704	1,740	21,740	23,689	1,739
Settlement risk	169	425	14	169	425	14
Securitisation exposures in the banking book (after the cap)	5,445	5,501	436	5,413	5,467	433
Of which IRB approach	-	-	-	-	-	-
Of which IRB supervisory formula approach (SFA)	-	-	-	-	-	-
Of which internal assessment approach (IAA)	-	-	-	-	-	-
Of which standardised approach	5,445	5,501	436	5,413	5,467	433
Market risk	36,755	40,075	2,940	37,221	40,401	2,978
Of which the standardised approach	16,032	18,106	1,283	16,498	18,431	1,320
Of which IMA	20,723	21,969	1,658	20,723	21,969	1,658
Large exposures	11,098	9,855	888	9,314	8,008	745
Operational risk	10,919	10,919	873	10,781	10,781	863
Of which basic indicator approach	-	-	-	-	-	-
Of which standardised approach	10,919	10,919	873	10,781	10,781	863
Of which advanced measurement approach	-	-	-	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	391	391	31	-	-	-
Floor adjustment	-	-	-	-	-	-
Total	177,883	185,704	14,231	175,859	183,493	14,069

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

4.1 Key Movements in the Quarter

MLI and the MLUKCH Group's Minimum Capital Requirement reduced over the quarter. This was mainly due to a reduction in capital requirements for counterparty credit risk, as derivative and securities financing exposures decreased in the quarter.

Within the Group, MLI has adopted the standardised approach for calculating Counterparty Risk, Credit Risk and Operational Risk Capital Requirements. In order to adhere to the standardised rules in CRR, MLI uses external ratings where available from External Credit Assessment Institutions ("ECAIs") based on a combination of Moody's Investors Service, Inc. ("Moody's"), S&P and Fitch.

The approach used for Market Risk is a combination of models approved by the PRA, including Value at Risk ("VaR") and the standardised approach. The Group applies the standardised approach to all other exposures.

Table 3 shows a reconciliation of movements in RWAs under the Internal Model Approach ("IMA") for MLI's Market Risk.

Table 3. EU MR 2-B RWA Flow Statements of Market Risk Exposures under the IMA

	MLI					
	VaR	SVaR	IRC	CRM	Other	Total RWAs
(Dollars in Millions)						
RWAs at previous quarter end	1,971	4,235	6,636	1,540	7,587	21,969
Regulatory adjustment ⁽¹⁾	(1,335)	(2,810)	-	(1,249)	-	(5,393)
RWAs at the previous quarter-end (end of the day)	637	1,424	6,636	291	7,587	16,576
Movement in the risk levels	(384)	(659)	(2,616)	(49)	514	(3,194)
RWAs at the end of the reporting period (end of the day)	253	766	4,020	242	8,101	13,382
Regulatory adjustment ⁽¹⁾	2,199	2,552	1,526	1,064	-	7,341
RWAs at the end of the reporting period	2,452	3,318	5,546	1,306	8,101	20,723
						1,658

⁽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 decreased during the quarter, mainly driven by a reduction in Stressed VaR and Incremental Risk Charge.

5. Leverage Ratio

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under the CRR rules.

The requirement for the calculation and reporting of leverage ratios was introduced as part of CRD IV in 2014, and amended by the European Commission Delegated Act (EU) 2015/62 in 2015.

In October 2021, the PRA published Policy Statement PS21/21 – The UK Leverage Ratio Framework. This policy statement implements a number of changes to the current calculation of the leverage ratio exposure measure, and becomes effective from 1 January 2022.

For firms which are subject to the UK leverage ratio framework, the policy statement also implements a binding minimum leverage ratio of 3.25%. This minimum requirement will apply to MLI and the MLUKCH Group from 1 January 2023.

Currently MLI does not have a binding leverage requirement. MLI's and the Group's leverage ratios are in excess of the incoming minimum requirement at 7.5% and 7.6% respectively, calculated based on the current CRR exposure measure.

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

Table 4. Leverage Ratio Summary

	MLI	MLUKCH Group
<i>(Dollars in Millions)</i>		
Tier 1 Capital	33,721	33,776
Total Leverage Ratio Exposures	447,999	443,876
Leverage Ratio	7.5%	7.6%

6. Liquidity Coverage Ratio (“LCR”) Disclosure

The MLUKCH Group is subject to the 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.

Table 5 discloses average weighted values of the liquidity buffer, total net cash outflows and the LCR of MLI and of the MLUKCH Group.

Table 5. LCR Disclosure

	MLI			
<i>(USD in Millions)</i>	Total weighted value (average)			
Quarter ending on	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21
Number of data points used in the calculation of averages	12	12	12	12
Liquidity Buffer	32,529	32,683	31,242	30,112
Total Net Cash Outflows	16,992	16,484	14,771	13,588
Liquidity Coverage Ratio (%)	194%	202%	215%	223%

	MLUKCH			
<i>(USD in Millions)</i>	Total weighted value (average)			
Quarter ending on	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21
Number of data points used in the calculation of averages	12	12	12	12
Liquidity Buffer	32,529	32,683	31,242	30,112
Total Net Cash Outflows	16,958	16,454	14,733	13,549
Liquidity Coverage Ratio (%)	194%	203%	216%	224%

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.

ML UK Capital Holdings Limited – Including Merrill Lynch International

Pillar 3 Disclosure for the Quarter Ended 30 September 2021

7. Minimum Requirements for Own Funds & Eligible Liabilities

As part of amendments to the CRR which were published in the Official Journal of the EU as Regulation (EU) 2019/876, the international standard to meet a minimum amount of Total Loss Absorbing Capacity (“TLAC”) became effective for certain types of Investment Firms and Credit Institutions in June 2019. In the CRR this is referred to as Minimum Requirements for Own Funds & Eligible Liabilities (“MREL”).

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

MREL resources are comprised of qualifying capital resources and eligible liabilities. In order for liabilities that are not capital resources to qualify as eligible, they must meet certain criteria such as having a minimum residual maturity of at least one year, and being subordinated to other operating liabilities.

MLI and the MLUKCH Group had \$2.5bn of eligible liabilities in issuance at the end of September 2021. Total MREL resources for MLI and the Group are equal to Tier 1 capital, plus eligible liabilities issued. Table 6 shows MLI and MLUKCH’s key metrics relating to MREL requirements.

Table 6. Key metrics – MREL Requirements

	Q3 2021	
	MLI	MLUKCH Group
<i>(Dollars in Millions)</i>		
Total MREL Resources Available	36,221	36,276
Total RWA	177,883	175,859
MREL as a percentage of RWA	20.4%	20.6%
Leverage Ratio Exposure Measure	447,999	443,876
MREL as a percentage of Leverage Ratio Exposure Measure	8.1%	8.2%