Bank of America Merrill Lynch International

Pillar 3 Disclosure

For the Quarter Ended 30 June 2016

Bank of America Merrill Lynch International Limited

Pillar 3 Disclosure for the Quarter Ended 30 June 2016

1. Overview and Purpose of Document

This document contains certain Pillar 3 disclosures for the quarter ended 30 June 2016 of Bank of America Merrill Lynch International ("BAMLI" or "the Company") and its subsidiaries (together "the Group").

In accordance with the European Banking Authority ("EBA") guidelines on materiality, proprietary and confidentiality and on disclosure frequency relating to Pillar 3 disclosures ("the Guidelines"), BAMLI has determined that it is appropriate to disclose the information prescribed by these guidelines on a quarterly basis. This document contains these disclosures, which includes information on capital adequacy and leverage. For further information on BAMLI's risk management objectives and policies, liquidity and asset encumbrance, please refer to BAMLI's annual Pillar 3 disclosure for the year ended 31 December 2015 on BAC's corporate website:

http://investor.bankofamerica.com

1.1 Bank of America Merrill Lynch International

BAMLI is a wholly owned subsidiary of Bank of America, National Association, ("BANA") and its ultimate parent is Bank of America Corporation ("BAC" or the "Enterprise"). BAMLI's activities form part of BAC's Global Banking and Markets operations in Europe, Middle East and Africa ("EMEA"). Clients include large multinational groups, financial institutions, governments and government entities and private equity firms.

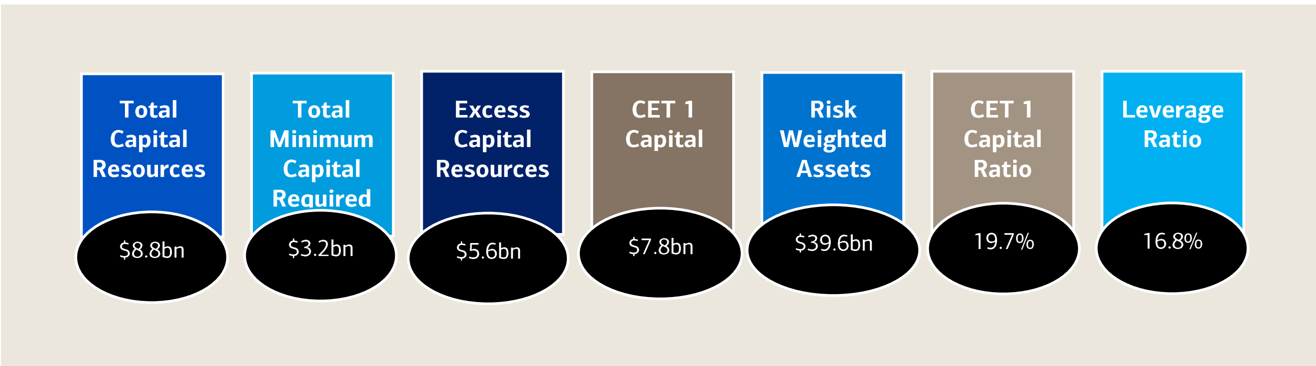
BAMLI's head office is in the United Kingdom with branches in Amsterdam, Antwerp, Dublin, Frankfurt, Madrid and Paris. The firm has the ability to trade throughout the European Economic Area ("EEA") and conduct business with international clients. The Company is authorised and regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").

As at 30 June 2016, BAMLI was rated by Fitch Ratings, Inc ("Fitch") (A / F1) and Standard & Poor's ("S&P") (A / A-1).

1.2 BAMLI's Capital Position at 30 June 2016

Figure 1 illustrates BAMLI's key capital metrics. BAMLI's Capital Resources consist predominately of Common Equity Tier 1 ("CET1") capital and the Company continues to maintain capital ratios and resources significantly in excess of its minimum requirement.

Figure 1. Summary of Key Metrics as at 30 June 2016



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

2. Basis of Preparation

The information contained in this disclosure has been prepared in accordance with the Basel III rule framework, for the purpose of explaining the basis on which BAMLI has prepared and disclosed certain information about the application of regulatory capital adequacy rules and concepts. It therefore does not constitute any form of financial statement on BAMLI or its subsidiaries, or of the wider Enterprise, and as such, is not required to be prepared in accordance with 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 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.

BAMLI has two subsidiaries which are Special Purpose Entities ("SPEs") and two subsidiaries which are ancillary services undertakings. BAMLI's subsidiaries are not required to hold regulatory capital on a standalone basis. For the purpose of this document, disclosures are based on the consolidated group consisting of BAMLI (including branches), Alie Street Investments 6 Limited, Alie Street Investments 16 Limited, Merrill Lynch (Camberley) Limited and Merrill Lynch Financial Services Limited, as separate disclosure of BAMLI the company is not regarded as materially different. The basis of consolidation used for BAMLI for prudential purposes is materially the same as the consolidation used for accounting purposes.

3. Capital Resources

Capital resources represent the amount of regulatory capital available to an entity in order to cover all risks. Defined under the Capital Requirements Directive ("CRD") IV, capital resources are designated into two tiers, Tier 1 and Tier 2. Tier 1 capital consists 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.

BAMLI's Capital Resources consists of Tier 1 and Tier 2 capital. All of BAMLI's Tier 1 capital is made up of CET1. BAMLI's Tier 2 capital is comprised of subordinated debt all of which was issued during the quarter. Table 1 gives a breakdown of BAMLI's capital resources.

Table 1. Regulatory Capital Resources

(Dollars in Millions)	Q2 2016
Ordinary Share Capital	890
Share Premium	721
Capital Contribution	5,600
Profit and Loss Account and Other Reserves (1)	606
Total Tier 1 Capital Before Deductions	7,817
Tier 1 Capital	**7,817**
Total Tier 2 Capital Before Deductions	1,000
Tier 2 Capital	**1,000**
Total Capital Resources (net of deductions)	**8,817**

(1) Profit and loss account and Other Reserves are shown here on a regulatory basis. See table 5 for a reconciliation to accounting balance sheet.

4. Minimum Capital Requirement

The Minimum Capital Requirement is the amount of Pillar 1 capital that the Capital Requirements Regulation ("CRR") requires BAMLI to hold at all times. BAMLI's total Capital Resources must be greater than its Minimum Capital Requirement, allowing for a capital excess to cover any additional obligations, for example, Pillar 2.

The Minimum Capital Requirement for BAMLI principally comprises Market Position Risk ("PRR"), Counterparty and Credit Risk ("CCR"), Operational Risk and Credit Valuation Adjustment ("CVA") requirements.

Table 2. Minimum Capital Requirement and Risk Weighted Assets

	Q2 2016	
(Dollars in Millions)	RWA	Capital Requirement
PRR on Traded Debt Instruments[(1)]	539	43
Foreign Exchange PRR	234	19
Total Market Risk (PRR)	**773**	**62**
Counterparty Risk	38	3
Credit Risk	36,624	2,930
Counterparty and Credit Risk (CCR)	**36,662**	**2,933**
Credit Valuation Adjustment (CVA)	**17**	**1**
Operational Risk	**2,178**	**174**
Total Minimum Capital Requirement	**39,630**	**3,170**

[(1)] PRR on traded debt instruments includes $19m of capital requirements in respect of securitisation exposures.

BAMLI has adopted the standardised approach for calculating PRR, CCR and CVA requirements and the basic indicator approach for Operational Risk Capital Requirements. In order to adhere to the standardised rules set out by the PRA, BAMLI uses external ratings from External Credit Assessment Institutions ("ECAIs") based on a combination of ratings provided by Moody's Investors Service, Inc ("Moody's"), Standard and Poor's Financial Services LLC ("S&P") and Fitch Ratings Inc. ("Fitch").

5. Counterparty and Credit Risk (CCR)

CCR is the risk of loss arising from a borrower or counterparty failing to meet its financial obligations. CCR capital requirements are derived from risk-weighted exposures, determined using the standardised approach. BAMLI has Credit Risk exposure as a result of non-trading book exposures and immaterial Counterparty Risk exposure.

Table 3. Counterparty and Credit Risk Minimum Capital Requirement and RWA

	Q2 2016	
(Dollars in Millions)	RWA	Capital Requirement
Corporates	32,874	2,630
Institutions	724	58
Items Representing Securitisation Positions	1,054	84
Other [1]	2,010	161
Total	36,662	2,933

[1] Other comprises of exposures to Public Sector Entities, Regional Governments or Local Authorities, Exposures in Default, Short-term claims on institutions and corporates and Other Assets.

6. 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.

As a result of this, CRD IV legislation allows for the calculation of a transitional leverage ratio, permitting various deductions to capital in the years leading to 2018. However the PRA, as local regulator, require transitional Tier 1 capital to be calculated on a fully phased in basis. Therefore, the transitional and fully phased-in leverage ratios are computed in the same manner.

CRD IV does not currently include a minimum Leverage Ratio requirement, however, the Basel Committee on Banking Supervision ("the Basel Committee") has indicatively proposed a minimum requirement of 3%. Any required ratio is expected to become effective for BAMLI on 1 January 2018 as indicated by the Basel Committee, with the preceding years used to refine the requirement. BAMLI's ratio is in excess of this at 16.8%.

Table 4. Transitional and Fully Phased-In Leverage Ratio

	Q2 2016
Transitional and Fully Phased-In Leverage Ratio	16.8%

7. Additional Detail on Capital Resources and Leverage

7.1 Additional Detail on Capital Resources

The below table shows a reconciliation between the accounting balance sheet values and the regulatory capital values of the items included in BAMLI's capital resources. Further details on the composition of BAMLI's capital resources are shown in tables 6 and 7.

Table 5. Regulatory Capital Resources and Reconciliation to Unaudited Balance Sheet as at 30 June 2016

	Balance per FRS 101 Balance Sheet	Adj. to Balance Sheet Items for Regulatory Capital Resources		Balance per Regulatory Capital Resources
(Dollars in Millions)		Prudential Valuation Adj.	Current Year Unaudited Profit	
Tier 1 Capital				
Share Capital	890	-	-	890
Share Premium	721	-	-	721
Capital Contribution	5,600	-	-	5,600
Profit and Loss Account and Other Reserves	833	(48)	(179)	606
Tier 1 Capital after Deductions	8,044	(48)	(179)	7,817
Tier 2 Capital				
Subordinated Liabilities	1,000	-	-	1,000
Total Capital Resources	9,044	(48)	(179)	8,817

Table 6. Capital Instrument Features

Capital instruments main features template		1	2
		CET1	T2
1	Issuer	Bank of America Merrill Lynch International	Bank of America Merrill Lynch International
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	Private Placement
3	Governing law(s) of the instrument	English	English
Regulatory Treatment			
4	Transitional CRR rules	CET1	T2
5	Post-transitional CRR rules	CET1	T2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with full voting rights	Subordinated Loan
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$1,611m comprising nominal and premium	$1,000m
9	Nominal amount of instrument	$1.00	$1,000m
9a	Issue price	$1.00	$1,000m
9b	Redemption price	N/a	N/a
10	Accounting classification	Shareholders equity	Liability - amortised cost
11	Original date of issuance	6 Sept 95 $18m 13 Nov 98 $72m 21 Dec 98 $150m 06 Sept 99 $188m 26/ Sept 05 $254m 12 Dec 06 $208m	23 May 16
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	23 May 27
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	N/a	No issuer call date. However, may repay before maturity in the event of a Tax Event or a Capital Disqualification Event, subject to prior supervisory approval.
16	Subsequent call dates, if applicable	N/a	N/a
Coupons / Dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/a	3 month LIBOR plus 176bps per annum
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/a	N/a
25	If convertible, fully or partially	N/a	N/a
26	If convertible, conversion rate	N/a	N/a
27	If convertible, mandatory or optional conversion	N/a	N/a
28	If convertible, specify instrument type convertible into	N/a	N/a
29	If convertible, specify issuer of instrument it converts into	N/a	N/a
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/a	N/a
32	If write-down, full or partial	N/a	N/a
33	If write-down, permanent or temporary	N/a	N/a
34	If temporary write-down, description of write-up mechanism	N/a	N/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated liability noted in column 2	All liabilities except the subordinated liabilities
36	Non-compliant transitioned features	N/a	No
37	If yes, specify non-compliant features	N/a	N/a
(*) Insert 'N/A' if the question is not applicable			

Table 7. Transitional Own Funds Disclosure Template (Dollars in Millions) [1]

	Common Equity Tier 1 Capital: Instruments and Reserves	Amount at Disclosure Date
1	Capital instruments and the related share premium accounts	1,611
	of which: Ordinary shares with full voting rights	1,611
2	Retained earnings	679
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	5,575
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	7,865
	Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments	
7	Additional value adjustments (negative amount)	(48)
28	Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(48)
29	Common Equity Tier 1 (CET1) Capital	7,817
45	Tier 1 Capital (T1 = CET1 + AT1)	7,817
	Tier 2 (T2) Capital: Instruments and Provisions	
46	Capital instruments and the related share premium accounts	1,000
51	Tier 2 (T2) capital before regulatory adjustments	1,000
	Tier 2 (T2) Capital: Regulatory Adjustments	
57	Total Regulatory Adjustments to Tier 2 (T2) Capital	-
58	Tier 2 (T2) Capital	1,000
59	Total Capital (TC = T1 + T2)	8,817
60	Total Risk Weighted Assets	39,630
	Capital Ratios and Buffers	
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.7%
62	Tier 1 (as a percentage of risk exposure amount)	19.7%
63	Total Capital (as a percentage of risk exposure amount)	22.2%
64	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 O-SII buffer), expressed as a percentage of risk exposure amount)	5.2%
65	of which: capital conservation buffer requirement	0.6%
66	of which: countercyclical buffer requirement	0.0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.7%

[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 BAMLI.

7.2 Additional Detail on Leverage Ratio

Leverage Approach

The leverage ratio for a quarter end is calculated using regulatory capital and balance sheet figures at a point in time. The measure of Tier 1 capital used in the computation of BAMLI's ratio is the same under both transitional and fully phased in definitions of Tier 1 capital per CRD IV.

The leverage ratio is calculated and monitored in line with regulatory requirements. Exposure is typically managed through a combination of mechanisms including risk appetite limits, collateralisation and netting arrangements. Tables 8, 9 and 10 below give detailed disclosure of the elements included in the leverage ratio calculation.

Table 8. Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

(Dollars in Millions)	Q2 2016
Total Assets as per Balance Sheet	34,209
Adjustments for Derivative Financial Instruments	10
Adjustments for Securities Financing Transactions	1,969
Adjustment for Off-Balance Sheet Items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13,259
Other Adjustments	(2,799)
Leverage Ratio Exposure	**46,648**

Table 9. Leverage Ratio Common Disclosure

(Dollars in Millions)	Q2 2016
On-Balance Sheet Exposures (excluding derivatives and SFTs)	
On-balance Sheet Items (excluding derivatives and SFTs and fiduciary assets, but including Collateral)	31,237
Asset Amounts Deducted in Determining Tier 1 Capital	(48)
Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	**31,189**
Derivative Exposures	
Replacement Cost Associated with Derivatives Transactions	-
Add-on Amounts for PFE Associated with Derivatives Transactions	76
Total Derivative Exposure	**76**
Securities Financing Transaction Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,969
Total Securities Financing Transaction Exposures	**1,969**
Off-Balance Sheet Exposures	
Off-balance Sheet Exposures at Gross Notional Amount	27,903
Adjustments for Conversion to Credit Equivalent Amounts	(14,489)
Total Off-Balance Sheet Exposures	**13,414**
Capital and Total Exposures	
Tier 1 Capital	7,817
Total Leverage Ratio Exposures	**46,648**
Leverage Ratio	
Leverage Ratio	16.8%
Choice on Transional Arrangements and Amount of Derecognised Fiduciary Items	
Choice on Transitional Arrangements for the Definition of the Capital Measure	Fully phased-in

Table 10. Split of On-Balance Sheet Exposures (excluding derivatives and SFTs)

(Dollars in Millions)	Q2 2016
Total On-Balance Sheet Exposures (excluding derivatives and SFTs), of which:	**31,237**
Trading Book Exposures	4,290
Banking Book Exposures, of which:	26,947
Exposures treated as sovereigns	36
Institutions	1,320
Corporate	22,249
Exposures in default	104
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,239