

BofA Securities Europe SA

Pillar 3 Disclosure

For the Quarter Ended 30 June 2020

1. Overview and Purpose of Document

This document contains certain Pillar 3 disclosures for the quarter ended 30 June 2020 of BofA Securities Europe SA (“BofASE” or “the Company”).

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”), BofASE has determined that it is appropriate to disclose the information prescribed by these guidelines on a semi-annual basis. This document contains these disclosures, which includes information on capital adequacy and leverage.

For further information on BofASE’s risk management objectives and policies, please refer to BofASE’s annual Pillar 3 disclosure for the year ended 31 December 2019 on Bank of America’s corporate website:

<http://investor.bankofamerica.com>

1.1 BofASE

BofASE is owned by NB Holdings Corporation (which holds 99.9% of BofASE) and Merrill Lynch Group Holdings I, L.L.C. (which holds 0.1% of BofASE), and its ultimate parent is Bank of America Corporation (“BAC” or “the Enterprise”). BofASE’s activities form part of BAC’s Global Banking and Markets operations in Europe, Middle East and Africa (“EMEA”), and will serve as Bank of America’s primary Broker Dealer for clients in the European Economic Area ex United Kingdom (“EEA ex UK”).

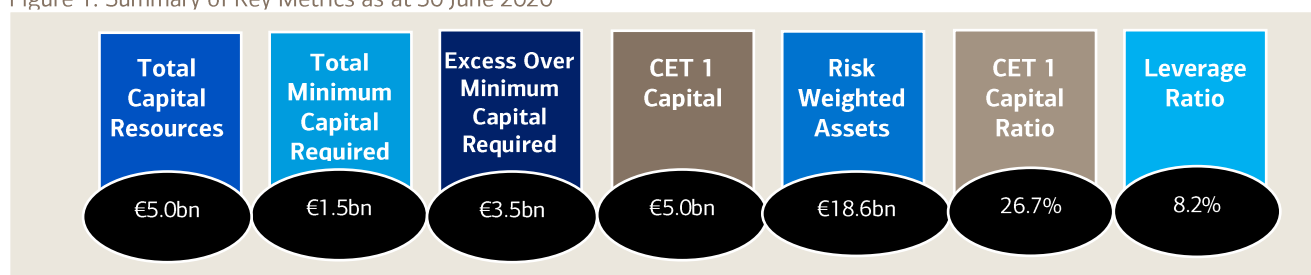
BofASE’s head office is in France. The Company is authorised as an investment firm by the Autorité de Contrôle Prudentiel et de Résolution (“ACPR”) and is regulated by the ACPR and the Autorité des Marchés Financiers (“AMF”). BofASE has the ability to trade throughout the European Economic Area (“EEA”) and conduct business with international clients.

As at 30 June 2020, BofASE was rated by Fitch Ratings, Inc (“Fitch”) (AA- / F1+) and Standard & Poor’s (“S&P”) (A+ / A-1).

1.2 BofASE’s Capital Position as at 30 June 2020

Figure 1 illustrates BofASE’s key capital metrics. BofASE’s Capital Resources consist entirely 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 2020



Note: All of BofASE’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 Pillar 3 disclosure has been prepared in accordance with the Basel III rule framework, on an individual basis, for the purpose of explaining the basis on which BofASE 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 BofASE, or of the wider Enterprise, and as such, is not prepared in accordance with International Financial Reporting Standards (“IFRS”) or French Generally Accepted Accounting Principles (“French GAAP”). 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 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 investment firms. Any financial information included herein is unaudited.

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

3. Capital Resources

Capital resources represent the amount of regulatory capital available to an entity to cover all risks. Defined under Capital Requirements Directive ("CRD") IV, 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.

BofASE's Capital Resources consists entirely of Tier 1 capital. All of BofASE's Tier 1 capital is made up of CET1. Table 1 shows a breakdown of the capital resources of BofASE.

Table 1. Regulatory Capital Resources and Ratios Summary

	BofASE
	Q2 2020
<i>(Euros in Millions)</i>	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	5,149
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(193)
Common Equity Tier 1 (CET1) Capital	4,956
Additional Tier 1 (AT1) capital	-
Tier 1 Capital (T1 = CET1 + AT1)	4,956
Tier 2 (T2) Capital	-
Total Capital (TC = T1 + T2)	4,956
Total Risk Weighted Assets	18,572
Common Equity Tier 1 (as a percentage of risk exposure amount)	26.7%
Tier 1 (as a percentage of risk exposure amount)	26.7%
Total Capital (as a percentage of risk exposure amount)	26.7%

4. Minimum Capital Requirement

BofASE is subject to a Minimum Capital Requirement set out in the Capital Requirements Regulation (Pillar 1 Capital Requirement). BofASE is also required to hold capital in addition to the Minimum Capital Requirement to meet local ACPR obligations and CRD IV 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

(Euros in Millions)	BofASE	
	RWAs	Minimum capital requirements
	Q2 2020	Q2 2020
Credit risk (excluding CCR)	439	35
Of which the standardised approach	439	35
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	11,499	920
Of which mark to market	7,749	620
Of which original exposure	-	-
Of which: comprehensive approach for credit risk mitigation (for SFTs)	1,936	155
Of which internal model method (IMM)	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	174	14
Of which CVA	1,640	131
Settlement risk	26	2
Securitisation exposures in the banking book (after the cap)	0	0
Of which IRB approach	-	-
Of which IRB supervisory formula approach (SFA)	-	-
Of which internal assessment approach (IAA)	-	-
Of which standardised approach	0	0
Market risk	5,363	429
Of which the standardised approach	1,137	91
Of which IMA	4,226	338
Large exposures	-	-
Operational risk	1,245	100
Of which basic indicator approach	-	-
Of which standardised approach	1,245	100
Of which advanced measurement approach	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-
Floor adjustment	-	-
Total	18,572	1,486

BofASE 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 CRD IV, BofASE 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 ACPR, including Value at Risk (“VaR”) and the standardised approach.

5. Leverage Ratio

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under the Capital Requirements Regulation (“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.

The CRR does not currently include a binding minimum Leverage Ratio requirement. 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 binding minimum Leverage Ratio requirement of 3%, as well as a number of changes to the calculation of the exposure measure. These amendments apply from 28th June 2021. BofASE’s leverage ratio is in excess of the incoming minimum requirement at 8.2%, calculated based on the current CRR exposure measure.

Table 3. Leverage Ratio Summary

	BofASE
	Q2 2020
<i>(Euros in Millions)</i>	
Tier 1 Capital	4,956
Total Leverage Ratio Exposures	60,120
Leverage Ratio	8.2%