ML UK Capital Holdings Limited

Including Merrill Lynch International

Pillar 3 Disclosure

For the Quarter Ended 30 September 2020

1. Overview and Purpose of Document

This document contains certain Pillar 3 disclosures for the quarter ended 30 September 2020 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.

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"), MLUKCH as the parent of MLI 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, leverage and liquidity.

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 2019 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. The firm has the ability to trade throughout the European Economic Area ("EEA") and conduct business with international clients. MLI is authorised by the PRA and regulated by the FCA and PRA.

As at 30 September 2020, MLI was rated by Fitch Ratings Inc. ("Fitch") (AA- / F1+) and Standard & Poor's ("S&P") (A+ / A-1).

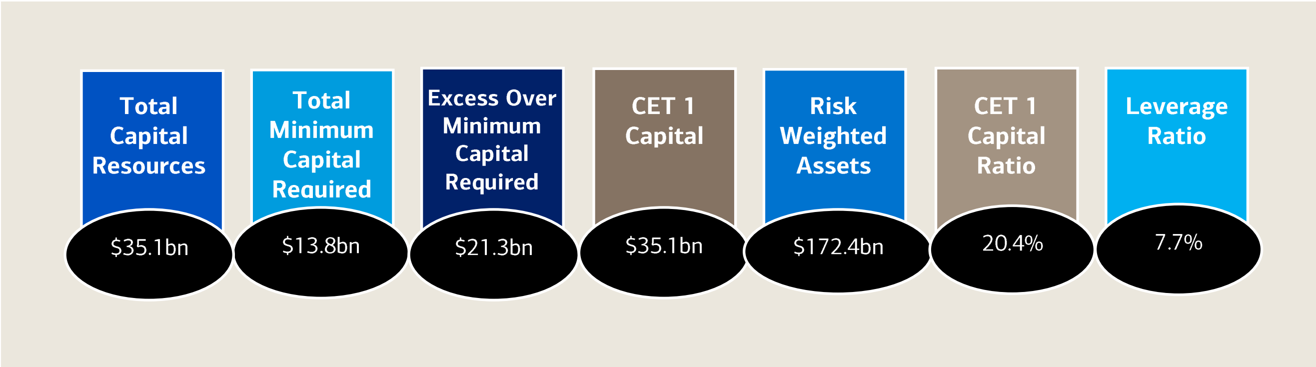
1.3 Other Entities

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 2020

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.

Figure 1. Summary of MLI's Key Metrics as at 30 September 2020



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 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 the MLUKCH Group and MLI have 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 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.

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 this temporary treatment.

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.

Tier 1 capital is the primary component of MLI and the Group's Capital Resources. All of MLI and the Group's Tier 1 capital is made up of CET1. Table 1 shows a breakdown of the capital resources of MLI and the Group.

Table 1. Regulatory Capital Resources and Ratios Summary

(Dollars in Millions)	MLI	MLUKCH Group
Common Equity Tier 1 (CET1) capital before regulatory adjustments	36,361	35,544
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(1,264)	(1,264)
Common Equity Tier 1 (CET1) Capital	**35,097**	**34,281**
Additional Tier 1 (AT1) capital	-	-
Tier 1 Capital (T1 = CET1 + AT1)	**35,097**	**34,281**
Tier 2 (T2) Capital	-	800
Total Capital (TC = T1 + T2)	**35,097**	**35,081**
Total Risk Weighted Assets	**172,421**	**170,877**
Common Equity Tier 1 (as a percentage of risk exposure amount)	20.4%	20.1%
Tier 1 (as a percentage of risk exposure amount)	20.4%	20.1%
Total Capital (as a percentage of risk exposure amount)	20.4%	20.5%

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 local PRA 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

	MLI			MLUKCH Group		
	RWAs		Minimum capital requirements	RWAs		Minimum capital requirements
(Dollars in Millions)	Q3 2020	Q2 2020	Q3 2020	Q3 2020	Q2 2020	Q3 2020
Credit risk (excluding CCR)	**5,226**	**5,522**	**418**	**5,220**	**5,536**	**418**
Of which the standardised approach	5,226	5,522	418	5,220	5,536	418
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	**115,863**	**114,388**	**9,269**	**115,736**	**114,311**	**9,259**
Of which mark to market	51,732	51,618	4,139	51,734	51,620	4,139
Of which original exposure	-	-	-	-	-	-
Of which the standardised approach	-	-	-	-	-	-
Of which: comprehensive approach for credit risk mitigation (for SFTs)	39,163	38,348	3,133	39,033	38,269	3,123
Of which internal model method (IMM)	-	-	-	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	369	328	30	369	328	30
Of which CVA	24,599	24,094	1,968	24,599	24,094	1,968
Settlement risk	**203**	**664**	**16**	**203**	**664**	**16**
Securitisation exposures in the banking book (after the cap)	**4,221**	**4,182**	**338**	**4,187**	**4,139**	**335**
Of which IRB approach	-	-	-	-	-	-
Of which IRB supervisory formula approach (SFA)	-	-	-	-	-	-
Of which internal assessment approach (IAA)	-	-	-	-	-	-
Of which standardised approach	4,221	4,182	338	4,187	4,139	335
Market risk	**32,305**	**36,101**	**2,584**	**32,488**	**36,085**	**2,599**
Of which the standardised approach	16,453	14,971	1,316	16,636	14,955	1,331
Of which IMA	15,852	21,130	1,268	15,852	21,130	1,268
Large exposures	**3,303**	**-**	**264**	**2,165**	**-**	**173**
Operational risk	**10,976**	**10,976**	**878**	**10,879**	**10,879**	**870**
Of which basic indicator approach	-	-	-	-	-	-
Of which standardised approach	10,976	10,976	878	10,879	10,879	870
Of which advanced measurement approach	-	-	-	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**323**	**284**	**26**	**-**	**-**	**-**
Floor adjustment	-	-	-	-	-	-
Total	**172,421**	**172,116**	**13,794**	**170,877**	**171,614**	**13,670**

4.1 Key Movements in the Quarter

MLI and the MLUKCH Group's Minimum Capital Requirement remained broadly flat at the end of Q3 compared to the end of Q2.

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 CRD IV, 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						
(Dollars in Millions)	VaR	SVaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWAs at previous quarter end	4,608	4,367	2,567	1,832	7,756	21,130	1,690
Regulatory adjustment(1)	(2,047)	(3,453)	(94)	(1,022)	-	(6,616)	(529)
RWAs at the previous quarter-end (end of the day)	2,561	914	2,473	810	7,756	14,514	1,161
Movement in the risk levels	(1,986)	(382)	(1,030)	(170)	1,118	(2,450)	(196)
Methodology and policy	-	-	-	-	(2,805)	(2,805)	(224)
RWAs at the end of the reporting period (end of the day)	576	532	1,443	640	6,069	9,259	741
Regulatory adjustment(1)	3,506	1,951	-	1,136	-	6,593	527
RWAs at the end of the reporting period	**4,082**	**2,483**	**1,443**	**1,775**	**6,069**	**15,852**	**1,268**

(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, with reductions in VaR and Stressed VaR, IRC, CRM and Risks Not in VaR (RNIV) add-ons.

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.

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.

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, these amendments are expected to apply in the UK from 1 January 2022.

MLI's and the Group's leverage ratios are in excess of the incoming minimum requirement at 7.7% and 7.6% respectively, calculated based on the current CRR exposure measure.

Table 4. Leverage Ratio Summary

(Dollars in Millions)	MLI	MLUKCH Group
Tier 1 Capital	35,097	34,281
Total Leverage Ratio Exposures	453,928	449,598
Leverage Ratio	7.7%	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

(USD in Millions)	MLI Total weighted value (average)			
Quarter ending on	**31-Dec-19**	**31-Mar-20**	**30-Jun-20**	**30-Sep-20**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
Liquidity Buffer	29,962	29,868	31,620	32,630
Total Net Cash Outflows	13,886	14,493	16,247	17,190
Liquidity Coverage Ratio (%)	219%	209%	198%	192%

(USD in Millions)	MLUKCH Total weighted value (average)			
Quarter ending on	**31-Dec-19**	**31-Mar-20**	**30-Jun-20**	**30-Sep-20**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
Liquidity Buffer	29,962	29,868	31,620	32,630
Total Net Cash Outflows	13,860	14,464	16,218	17,158
Liquidity Coverage Ratio (%)	219%	209%	198%	193%

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.

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-EU Global Systemically Important Institution ("G-SII") per the CRR definition are required to hold a minimum amount of MREL. BAC is a non-EU 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 issued $2.5bn of eligible liabilities in Q1 2020. 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 2020	
(Dollars in Millions)	**MLI**	**MLUKCH Group**
Total MREL Resources Available	37,597	36,781
Total RWA	172,421	170,877
MREL as a percentage of RWA	21.8%	21.5%
Leverage Ratio Exposure Measure	453,928	449,598
MREL as a percentage of Leverage Ratio Exposure Measure	8.3%	8.2%