

**ML UK Capital Holdings Limited
Including Merrill Lynch International
Pillar 3 Disclosure**

As at 31 December 2022

Contents

1.	Introduction	8
2.	Capital Resources and Minimum Capital Requirement	19
3.	Liquidity Position and Encumbered and Unencumbered Assets	29
4.	Risk Management, Objectives, and Policy	41
5.	Further Detail on Capital Requirement, Capital Resources, Leverage, Securitisation and Capital Buffers	73
6.	Additional Information on Remuneration Disclosure	121
7.	Appendices	123

List of Figures & Tables

Figures	
Figure 1.1.4.F1. – Summary of MLI’s Key Metrics as at 31 December 2022	10
Figure 1.4.F1. – High Level Ownership Chart	17
Figure 2.2.1.F1. – Summary of MLI’s Minimum Capital Requirement	22
Figure 4.2.5.F1. – MLI Risk Governance Structure	49
Figure 5.3.1.F1. – UK MR4 Comparison of VaR Estimates with Gains/Losses	78
Tables	
Table 1.2.1.1.T1. – UK LI1 Differences Between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories	12
Table 1.2.2.2.T1. – UK LI2 Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements	13
Table 1.2.2.2.1.T1. - UK PV1 Prudent valuation adjustments (PVA)	16
Table 2.1.2.T1. – UK KM1 - Key Metrics template	20
Table 2.2.2.T1. – UK OV1 - Overview of risk weighted exposure amounts	23
Table 2.3.1.T1. – Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio	25
Table 2.5.1.T1. – Leverage Ratio	27
Table 3.2.T1. – UK AE1 Encumbered and Unencumbered Assets	30
Table 3.2.T2. – UK AE2 Collateral received and own debt securities issued	32
Table 3.2.T3. – UK AE3 Sources of Encumbrance	34
Table 3.3.2.T1. – UK LIQ1 Quantitative information of LCR	35
Table 3.4.2.T1. – UK LIQ2 Net Stable Funding Ratio	39
Table 4.3.3.T1. – Differences between Regulatory and Management Reporting Purposes VaR	58
Table 4.3.3.1.T1. – UK IRRBB1 - Quantitative information on IRRBB	61
Table 5.2.T1. – Key Metrics - MREL Requirements	74
Table 5.3.T1. – UK MR1 - Market Risk under the Standardised Approach	75
Table 5.3.T2. – UK MR 2-A Market Risk under the Internal Model Approach (“IMA”)	76
Table 5.3.T3. – UK MR 2-B RWA Flow Statements of Market Risk Exposures under the IMA	76
Table 5.3.1.T1. – UK MR 3 IMA Values for Trading Portfolios	80
Table 5.4.1.T1. – UK CQ5 Credit Quality of Loans and Advances by Industry	82
Table 5.4.2.T1. – UK CQ4 Quality of Non-Performing Exposures by Geography	84
Table 5.4.2.T2. – UK CR1-A Maturity of Exposures	89
Table 5.4.3.T1. – UK CCR1 Analysis of CCR Exposure by Approach	90
Table 5.5.5.T1. – UK-SEC1 Securitisation Exposures in the Non-Trading Book	94
Table 5.5.5.T2. – UK-SEC2 Securitisation Exposures in the Trading Book	95
Table 5.5.5.T3. – UK-SEC4 Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements - Institution Acting as Investor	96
Table 5.6.T1. – UK CCyB1 - MLI Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	97
Table 5.6.T2. – UK CCyB2 - MLI Amount of institution-specific countercyclical capital buffer	101
Table 5.6.T3. – UK CCyB1 - MLUKCH Group Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	101
Table 5.6.T4. – UK CCyB2 - MLUKCH Group CCyB - Amount of institution-specific countercyclical capital buffer	105
Table 5.7.T1. – UK CC2 - Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements	106
Table 5.7.T2. – UK CCA MLUKCH Group - Main Features of Regulatory Own Funds Instruments and Eligible Liabilities Instruments	108
Table 5.7.T3. – UK CCA MLI - Main Features of Regulatory Own Funds Instruments and Eligible Liabilities Instruments	110
Table 5.7.T4. – UK CC1 - Composition of regulatory own funds	111
Table 5.8.2.T1. – UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	117

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

Table 5.8.2.T2. – UK LR2 - LRCom: Leverage Ratio Common Disclosure.....	117
Table 5.8.2.T3. – UK LR3 - LRSpl Split-up of On-Balance Sheet Exposures (Excluding Derivatives, SFTs and exempted exposures).....	119
Table 5.9 T1 - UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts.....	120
Table A1.T1. – MLUKCH Directors Board Membership and Experience.....	124
Table A1.T2. – MLI Directors Board Membership and Experience.....	124
Table A2.T1. – UK LI3 Outline of the Differences in the Scopes of Consolidation (Entity by Entity).....	126
Table A2.T2. – UK CR1 Performing and Non-Performing Exposures and Related Provisions.....	127
Table A2.T3. – UK CR3 CRM Techniques Overview: Disclosure of the Use of Credit Risk Mitigation Techniques.....	130
Table A2.T4. – UK CR4 Standardised Approach -Credit Risk Exposure and CRM Effects.....	131
Table A2.T5. – UK CR5 Standardised Approach.....	133
Table A2.T6. – UK CQ3 Credit Quality of Performing and Non-Performing Exposures by Past Due Days.....	134
Table A2.T8. – UK CCR2 Transactions Subject to Own Funds Requirements for CVA Risk.....	136
Table A2.T9. – UK CCR3 Standardised Approach – CCR Exposures by Regulatory Exposure Class and Risk Weights.....	137
Table A2.T10. – UK CCR5 Composition of Collateral for CCR Exposures.....	138
Table A2.T11. – UK CCR6 Credit Derivatives Exposures.....	138
Table A2.T12. – UK CCR8 Exposures to CCPs.....	139

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

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	Collateralised 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
GCOR	Global Compliance and Operational Risk
GDP	Gross Domestic Product
GMFR	Global Markets and Financial Risk
GMRAs	Global Master Repurchase Agreements

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

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
LEI	Legal Entity Identifier
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	Standard & Poor's Global Ratings, Inc.
SA-CCR	Standardised Approach for Counterparty Credit Risk
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

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

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
YoY	Year-on-Year

ML UK Capital Holdings Limited Including Merrill Lynch International

1. Introduction
As at 31 December 2022

1.1. Overview and Purpose of Document

This document contains the Pillar 3 disclosure as at 31 December 2022 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”), and the minimum requirement for own funds and eligible liabilities (“MREL”). 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’s Legal Entity Identifier (“LEI”) is 549300CVIBRU3WFIED25.

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.

1.1.1.1. 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. MLI’s LEI is GGDZP1UYGU9STUHRDP48.

As at 31 December 2022, MLI was rated by Fitch Ratings, Inc. (“Fitch”) (AA / F1+) and S&P Global Ratings, Inc. (“S&P”) (A+ / A-1).

1.1.1.2. Other Entities

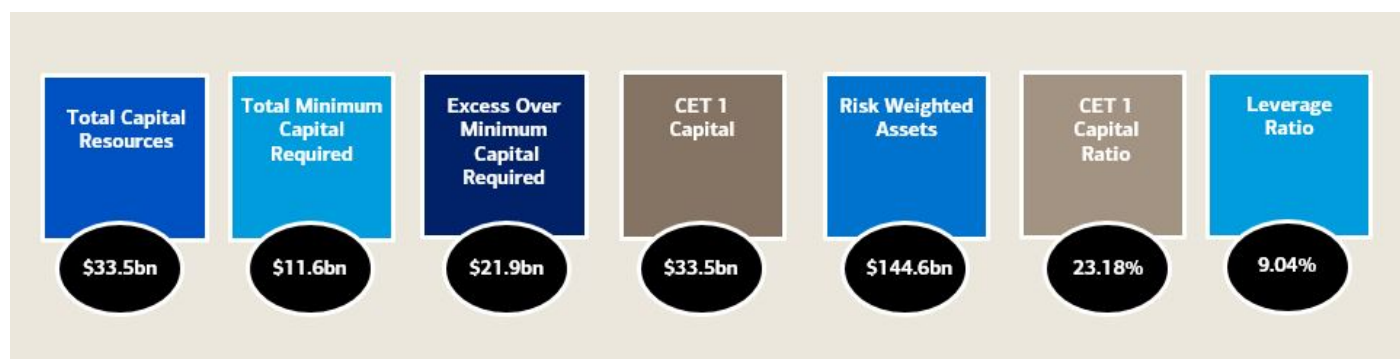
MLUKCH is also the Parent Financial Holding Company to a small number of non-operating subsidiaries. Although consolidated into the Group, they are not separately disclosed in this document on the grounds of materiality.

1.1.2. MLI’s Capital Position at 31 December 2022

MLI’s Capital Resources consist entirely of Common Equity Tier 1 (“CET1”) capital. As at 31 December 2022, MLI’s CET1 ratio was 23.18% which significantly exceeds the Pillar 1 CET1 minimum requirement of 4.5%, and the reported

Leverage ratio of 9.04% is in excess of the minimum regulatory requirement of 3.25%, which MLI is subject to effective from 1 January 2023.

Figure 1.1.4.F1. – Summary of MLI’s Key Metrics as at 31 December 2022



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 originally implemented in the European Union (“EU”) via the Capital Requirements Directive (“CRD”) and the Capital Requirements Regulation (“CRR”). 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.

MLI and MLUKCH disclosures have been prepared to comply with the requirements of the UK Capital Requirements Regulation (“CRR”) and the associated onshored binding technical standards that were created by the European Union (Withdrawal) Act 2018. The onshored CRR has subsequently been amended by a number of statutory instruments and is split across primary legislation and the PRA rulebook. Any reference to an EU regulation, including to Binding Technical Standards and Guidelines, is a reference to the U.K. on-shored version of that regulation, unless otherwise stated. This includes the Capital Requirements Directive V (“CRD V”), published in the EU in June 2019, which was transposed in the UK on 28 December 2020 on publication of the PRA policy statement *PS29/20 Capital Requirements Directive V (CRD V)*.

The information contained in these Pillar 3 disclosures is presented in accordance with the Disclosure (CRR) part of the PRA rulebook, which became effective from 1 January 2022. A number of new or amended Pillar 3 disclosures have been introduced in line with these updates and therefore comparatives are not provided where there has been a change in the guidelines for disclosures that were reportable for 31 December 2021. 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 2019 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. – UK LI1 Differences Between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

	2022					
	b	c	d	e	f	g
	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
<i>(\$ in Millions)</i>						
Assets						
Investments	339	339	—	—	—	—
Debtors: Amounts owed from affiliated companies	3,289	3,289	—	—	—	—
Deferred tax	533	—	—	—	—	533
Pension	252	—	—	—	—	252
Trading assets	216,842	1,043	163,860	484	215,314	—
Debt securities at FVOCI	4,389	4,389	—	—	—	—
Resale agreements and securities borrowed	98,929	—	98,929	—	98,946	—
Debtors	61,924	3,197	47,398	—	—	11,329
Cash at bank and in hand	5,610	5,610	—	—	—	—
Total assets	392,106	17,867	310,187	484	314,260	12,114
Liabilities						
Bank loans and overdrafts	85	—	—	—	—	85
Trading liabilities	188,914	—	162,369	—	188,914	—
Repurchase agreements and securities loaned	74,847	—	74,847	—	74,864	—
Creditors	66,158	3,298	44,311	—	8,340	10,209
Repurchase agreements and securities loaned: Amounts falling due after more than one year	3,114	—	3,114	—	3,114	—
Creditors: Amounts falling due after more than one year	22,430	—	—	—	—	22,430
Total liabilities	355,548	3,298	284,640	0	275,233	32,725

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 (UK LIA)

UK 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. – UK LI2 Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

		a	b	c	d	
		Total	Items subject to			
(\$ in Millions)			Credit Risk Framework	Securitisation Framework	CCR Framework	Market Risk Framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template L11)	379,993	17,867	484	310,187	314,260
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template L11)	322,824	3,298	—	284,640	275,233
3	Total net amount under the regulatory scope of consolidation	57,169	14,569	484	25,546	39,028
4	Off-balance-sheet amounts	331,464	13,095	188	318,180	—
5	Differences in valuations	(1,186)	—	—	(1,186)	—
6	Differences due to different netting rules, other than those already included in row 2	333,911	424	—	333,487	—
7	Differences due to consideration of provisions	—	—	—	—	—
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(610,473)	(55)	(35)	(610,383)	—
9	Differences due to credit conversion factors	(11,947)	(11,947)	—	—	—
10	Differences due to Securitisation with risk transfer	—	—	—	—	—
11	Other differences	58,760	54	0	58,706	—
12	Exposure amounts considered for regulatory purposes	157,699	16,141	638	124,350	39,028

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 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

Differences Due to the Use of Credit Risk Mitigation Techniques

- In counterparty credit risk ("CCR"), differences arise between accounting carrying values and regulatory exposure as a result of the application of credit risk mitigation, relating to financial collateral received in derivative and securities financing transactions ("SFTs")

Differences Due to Credit Conversion Factors

- Off-balance sheet exposures are multiplied by a credit conversion factor as defined in the PRA Rulebook, in order to determine the regulatory exposure value

Other Differences

- Under the standardised approach for counterparty credit risk an add-on for potential future credit exposure ("PFE") is applied for derivative exposures, and an additional alpha factor of 1.4 is applied in determining the regulatory exposure value

1.2.2.2.1. Prudential Valuation Adjustment

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 V, and related interpretive guidance, as applicable under the PRA Rulebook.

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Table 1.2.2.2.1.T1. - UK PV1 Prudent valuation adjustments (PVA)

		a	b	c	d	e	UK e1	UK e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty				
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	270	423	25	289	28	37	51	561	450	112
2	Set not applicable in the UK										
3	Close-out cost	106	188	15	42	21	3	4	189	186	3
4	Concentrated positions	77	143	7	32				259	245	15
5	Early termination										
6	Model risk	21	20	0			74		57	20	37
7	Operational risk	19	33	2	19	2			75	64	11
8	Set not applicable in the UK										
9	Set not applicable in the UK										
10	Future administrative costs	13	18	2	10	1			44		44
11	Set not applicable in the UK										
12	Total Additional Valuation Adjustments (AVAs)								1186	963	222

1.3. Disclosure Policy

MLUKCH and MLI have adopted a formal policy to comply with the requirements included in the Disclosure (CRR) part of the PRA rulebook, in accordance with Article 431(3). The ML UK Capital Holdings Ltd and Merrill Lynch International Pillar 3 Disclosure Policy sets out the internal processes, systems and controls used to verify that the disclosures are appropriate and in compliance with regulatory requirements, and that the disclosures convey MLI's risk profile comprehensively to market participants.

Article 431(3) also requires that at least one member of the management body or senior management shall attest in writing that the disclosures required under the Pillar 3 framework within PRA Rulebook have been made in accordance with the policy and associated internal processes, systems and controls. The written attestation is included below:

Senior Management Attestation

"I attest that the disclosures provided in the MLUKCH year-end Pillar 3 disclosure have been prepared in accordance with the internal processes, systems and controls detailed in the MLUKCH & MLI Pillar 3 Disclosure Policy, which has been approved by the MLI and MLUKCH Boards."

The MLUKCH Pillar 3 Disclosures have been attested by:

EMEA Chief Financial Officer, MLI Executive Director and MLUKCH Executive Director

Martin Butler

UK/CEEMEA Chief Risk Officer and MLUKCH Executive Director

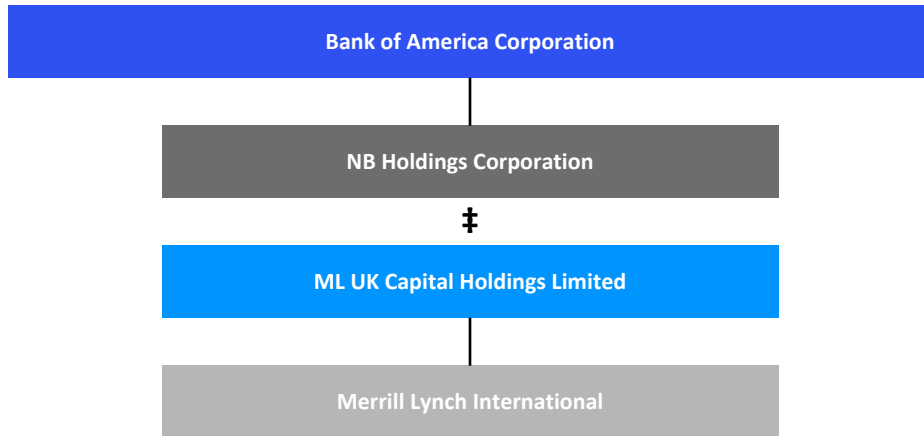
Peter O'Flynn

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 Disclosure (CRR) part of the PRA rulebook, 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

ML UK Capital Holdings Limited Including Merrill Lynch International

2. Capital Resources and Minimum Capital Requirement As at 31 December 2022

2.1. Capital Resources

2.1.1. Summary of 2022 Capital Resources

Capital Resources represent the amount of regulatory capital available to an entity in order to cover all risks. Defined within the PRA Rulebook, 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. – UK KM1 - Key Metrics template.

MLI's Capital Resources of \$33.5B (2021: \$33.7B) consist entirely of Tier 1 capital. All of MLI's Tier 1 capital is made up of CET1.

2.1.2. Key Movements in 2022

The following table shows a summary of MLI and MLUKCH's key capital, leverage and liquidity metrics as at 31 December 2022.

MLI and the Group's capital resources remained broadly flat in Q4 2022 compared to Q2 2022. MLI and the Group's total risk weighted exposure amount reduced by \$5.4bn and \$6.2bn respectively in Q4 2022 compared to Q2 2022. This was mainly due to a reduction in risk weighted exposure amounts for market risk as Core and Stressed Value at Risk (“VaR”) reduced in the period.

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Table 2.1.2.T1. – UK KM1 - Key Metrics template

(\$ in Millions)		MLI		MLUKCH Group	
		Q4 2022	Q2 2022	Q4 2022	Q2 2022
Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	33,521	33,397	33,595	33,444
2	Tier 1 capital	33,521	33,397	33,595	33,444
3	Total capital	33,521	33,397	33,595	33,444
Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	144,624	149,997	143,228	149,452
Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	23.18 %	22.26 %	23.46 %	22.38 %
6	Tier 1 ratio (%)	23.18 %	22.26 %	23.46 %	22.38 %
7	Total capital ratio (%)	23.18 %	22.26 %	23.46 %	22.38 %
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	1.83 %	1.83 %	1.83 %	1.83 %
UK 7b	Additional AT1 SREP requirements (%)	0.61 %	0.61 %	0.61 %	0.61 %
UK 7c	Additional T2 SREP requirements (%)	0.81 %	0.81 %	0.81 %	0.81 %
UK 7d	Total SREP own funds requirements (%)	11.25 %	11.25 %	11.25 %	11.25 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50 %	2.50 %	2.50 %	2.50 %
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a	0.00 %	0.00 %	0.00 %	0.00 %
9	Institution specific countercyclical capital buffer (%)	0.22 %	0.05 %	0.22 %	0.05 %
UK 9a	Systemic risk buffer (%)	0.00 %	0.00 %	0.00 %	0.00 %
10	Global Systemically Important Institution buffer (%)	0.00 %	0.00 %	0.00 %	0.00 %
UK 10a	Other Systemically Important Institution buffer	0.00 %	0.00 %	0.00 %	0.00 %
11	Combined buffer requirement (%)	2.72 %	2.55 %	2.72 %	2.55 %
UK 11a	Overall capital requirements (%)	13.97 %	13.79 %	13.97 %	13.80 %
12	CET1 available after meeting the total SREP own funds requirements (%)	11.93 %	11.01 %	12.21 %	11.13 %
Leverage ratio					
13	Total exposure measure excluding claims on central banks	370,917	366,740	366,865	362,483
14	Leverage ratio excluding claims on central banks (%)	9.04 %	9.11 %	9.16 %	9.23 %
Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)				
14b	Leverage ratio including claims on central banks (%)				
14c	Average leverage ratio excluding claims on central banks (%)				
14d	Average leverage ratio including claims on central banks (%)				
14e	Countercyclical leverage ratio buffer (%)				
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	31,451	30,873	31,451	30,873
UK 16a	Cash outflows - Total weighted value	48,705	47,073	48,657	47,028
UK 16b	Cash inflows - Total weighted value	34,496	33,604	34,496	33,604
16	Total net cash outflows (adjusted value)	14,397	13,657	14,355	13,618
17	Liquidity coverage ratio (%)	220.91 %	227.58 %	221.56 %	228.24 %
Net Stable Funding Ratio					
18	Total available stable funding	67,396		63,963	
19	Total required stable funding	60,450		56,830	
20	NSFR ratio (%)	111.68 %		112.80 %	

Note that MLI and the Group are not currently in scope for disclosure of additional leverage ratio disclosure requirements as this only applies to LREQ firms as defined in the PRA Rulebook. Therefore these disclosures are not currently made.

Also, in accordance with the PRA's Policy Statement PS17/21, MLI and the Group are required to disclose the Net Stable Funding Ratio and related elements thereof, calculated as an average of four quarter ends, with the first

disclosures being required after 1 January 2023. Therefore disclosure of key metrics relating to the Net Stable Funding Ratio are not made for periods prior to December 2022.

2.1.3. Minimum Requirements for Own Funds and Eligible Liabilities

MLUKCH and MLI are 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 ("RWA") or 6% of the total exposure measure set out in CRR Article 429(4) from 27 June 2019, as amended and implemented in the UK. These requirements for own funds and eligible liabilities apply in parallel with a firm specific Minimum Requirements for Own Funds & Eligible Liabilities ("MREL") set by the Bank of England ("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 \$36.0B consisting of \$33.5B 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 BAC Group (UK LIB)

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 2022 Capital Requirement

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 refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations. Credit and Counterparty Credit capital requirements are derived from RWAs, determined using the Standardised Approach for exposures.

Credit Valuation Adjustment ("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 tranching. 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.

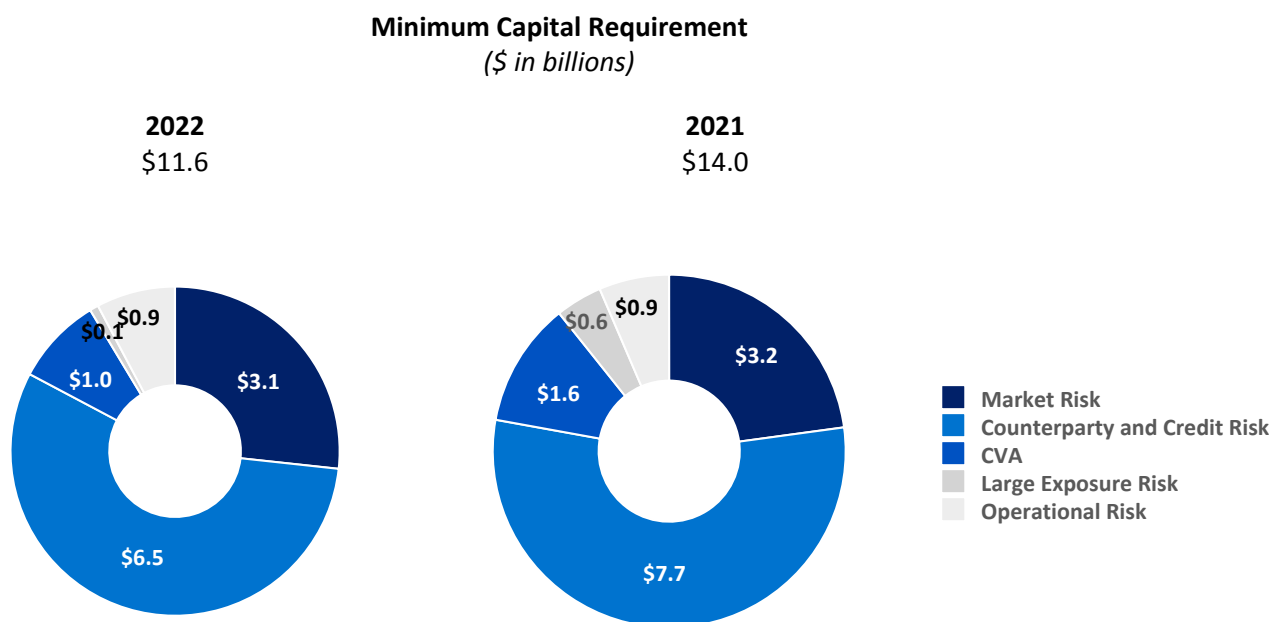
Amounts below the thresholds for deduction correspond to items not deducted from Own Funds, in accordance with the PRA Rulebook Definition of Capital chapter.

Table 2.2.2.T1. – UK OV1 - Overview of risk weighted exposure amounts summarises RWAs and Minimum Capital Requirements for MLUKCH and MLI by risk type. MLUKCH and MLI are subject to and calculate Minimum Capital Requirements as 8% of RWAs in accordance with article 92 of the CRR, as applicable under the PRA Rulebook.

MLI and the Group are also required to hold capital in addition to the Minimum Capital Requirement to meet PRA obligations and Capital Requirement Directive (“CRD”) buffers.

The Minimum Capital Requirement principally comprises of Credit Risk, Market Risk, and Operational Risk requirements. MLI has a Minimum Capital Requirement of \$11.6B (2021: \$14.0B) 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



2.2.1.1. Use of Standardised Approach (UK CRD)

In order to adhere to the standardised approaches laid out in the PRA Rulebook, 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.

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

MLI complies with the standard association for mapping of external ratings of each nominated ECAI with the credit quality steps, as published by the European Banking Authority (“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.

2.2.2. Key Movements in 2022

MLI's Minimum Capital Requirement decreased from \$14.0B in 2021 to \$11.6B in 2022. This was primarily driven by a decrease in counterparty credit risk and large exposure capital requirements in the year.

Table 2.2.2.T1. – UK OV1 - Overview of risk weighted exposure amounts

		MLI		MLUKCH Group	
		Risk weighted exposure amounts (RWEAs)	Total own funds requirements	Risk weighted exposure amounts (RWEAs)	Total own funds requirements
		2022	2022	2022	2022
<i>(\$ in Millions)</i>					
1	Credit risk (excluding CCR)	6,829	546	5,998	480
2	Of which the standardised approach	6,829	546	5,998	480
3	Of which the foundation IRB (FIRB) approach	—	—	—	—
4	Of which slotting approach	—	—	—	—
UK 4a	Of which equities under the simple risk-weighted approach	—	—	—	—
5	Of which the advanced IRB (AIRB) approach	—	—	—	—
6	Counterparty credit risk - CCR	81,915	6,553	81,841	6,547
7	Of which the standardised approach	32,667	2,613	32,655	2,612
8	Of which internal model method (IMM)	—	—	—	—
UK 8a	Of which exposures to a CCP	511	41	514	41
UK 8b	Of which credit valuation adjustment - CVA	12,893	1,031	12,898	1,032
9	Of which other CCR	35,844	2,867	35,775	2,862
10	Empty set in the UK				
11	Empty set in the UK				
12	Empty set in the UK				
13	Empty set in the UK				
14	Empty set in the UK				
15	Settlement risk	570	46	570	46
16	Securitisation exposures in the non-trading book (after the cap)	4,127	330	4,127	330
17	Of which SEC-IRBA approach	—	—	—	—
18	Of which SEC-ERBA (including IAA)	2,082	167	2,082	167
19	Of which SEC-SA approach	1,529	122	1,529	122
UK 19a	Of which 1250%/ deduction	516	41	516	41
20	Position, foreign exchange and commodities risks (Market risk)	38,921	3,114	39,398	3,152

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

		MLI		MLUKCH Group	
		Risk weighted exposure amounts (RWEAs)	Total own funds requirements	Risk weighted exposure amounts (RWEAs)	Total own funds requirements
		2022	2022	2022	2022
(\$ in Millions)					
21	Of which the standardised approach	13,898	1,112	14,375	1,150
22	Of which IMA	25,023	2,002	25,023	2,002
UK 22a	Large exposures	884	71		
23	Operational risk	11,377	910	11,294	903
UK 23a	Of which basic indicator approach	—	—	—	—
UK 23b	Of which standardised approach	11,377	910	11,294	903
UK 23c	Of which advanced measurement approach	—	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	609	49	—	—
25	Empty set in the UK				
26	Empty set in the UK				
27	Empty set in the UK				
28	Empty set in the UK				
29	Total	144,624	11,570	143,228	11,458

Table 2.2.2.T1. – UK OV1 - Overview of risk weighted exposure amounts shows a breakdown of the RWAs and Minimum Capital Requirement of MLI and the Group.

The decrease in RWAs from \$174.5B in 2021 to \$144.6B in 2022 is mainly driven by a \$21.6B decrease in counterparty credit risk RWA in the year. This was due to a decrease in derivative risk weighted 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 \$22.0B (2021: \$19.7B). The Group's capital resources in excess of its Minimum Capital Requirements were \$22.1B as at 31 December 2022.

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 2022, 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 19.30% to 23.18%, this was also the cause of MLUKCH's Tier 1 ratio increasing to 23.46% as at 31 December 2022.

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

(\$ in Millions)	MLI		MLUKCH Group	
	2022	2021	2022	2021
Total Capital Resources	33,521	33,650	33,595	33,714
Total Pillar 1 Minimum Capital Requirement	11,570	13,964	11,458	13,831
Surplus over Requirement	21,951	19,686	22,137	19,883
Tier 1 Capital Resources	33,521	33,650	33,595	33,714
Risk Weighted Assets	144,624	174,547	143,228	172,893
Tier 1 Capital Ratio	23.18 %	19.30 %	23.46 %	19.50 %

2.4. Capital Management (UK OVC)

MLI views capital as an important source of financial strength, and is committed to managing its capital in a manner consistent with applicable laws, rules and regulations. 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 so that MLI meets all regulatory capital requirements, and so that MLI's ability to continue as a going concern is safeguarded. 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 (3.25% of RWAs).

As of 31 December 2022, MLI and the Group's TCRs were set at 11.25% 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 came into force from 1 January 2022. Included in these amendments is a minimum leverage ratio capital requirement of 3.25%, which applies to MLI and the MLUKCH Group from 1 January 2023.

As at 31 December 2022, MLI did 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 9.04% and 9.16% respectively.

Table 2.5.1.T1. – Leverage Ratio

	MLI		MLUKCH Group	
	2022	2021	2022	2021
Leverage Ratio	9.04 %	8.20 %	9.16 %	8.30 %

2.5.2. Key Movements in 2022 (UK LRA)

MLI's leverage ratio increased from 8.20% at 31 December 2021 to 9.04% at 31 December 2022. This was mainly driven by a reduction in on balance sheet exposures in the year.

ML UK Capital Holdings Limited Including Merrill Lynch International

3. Liquidity Position and Encumbered and Unencumbered Assets As at 31 December 2022

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.

The MLUKCH Group is also subject to the Net Stable Funding Ratio (“NSFR”) which requires the Group to hold stable sources of funding to support its activities.

3.1.2. Liquidity Position

As of 31 December 2022, MLI, as MLUKCH’s sole operating subsidiary, was in compliance with its regulatory and internal liquidity requirements. Table 3.3.2.T1. – UK LIQ1 Quantitative information of LCR presents MLI’s and the MLUKCH Group’s LCR. MLI’s average monthly LCR for the trailing twelve month period ending December 2022 was 221% and the MLUKCH Group’s was 222%.

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 (UK AE4)

Asset encumbrance occurs when an asset is pledged as collateral or used to secure a transaction from which it cannot be freely withdrawn.

Encumbered on-balance sheet assets in the MLUKCH Group consist primarily of debt and equity trading securities which are delivered as collateral into secured funding transactions such as repurchase agreements, stock lending and collateral swaps, or as margin under derivatives agreements. The MLUKCH Group also holds encumbered cash, reported within ‘Other Assets’, which is pledged as margin under derivatives agreements.

The majority of the MLUKCH Group’s assets in this disclosure relate to derivatives and reverse repo transactions, shown as ‘Other Assets’, which are reported as cash and are therefore not subject to encumbrance. In most instances, the firm has rehypothecation rights over the securities received in these transactions and therefore this collateral is generally onwards encumbered in secured funding transactions or pledged as margin under derivatives agreements. These securities form the majority of ‘Collateral received by the reporting institution’ within table 3.2.T2. ‘UK AE2 Collateral received and own debt securities issued’ and are shown as encumbered, demonstrating that asset encumbrance is an integral part of the MLUKCH Group’s business model. As a result, there are robust collateral management strategies and systems in place to manage asset encumbrance on a business as usual and stress basis and the profile is controlled through its risk limits and metrics framework.

The values contained within this disclosure represent the median of the MLUKCH Group’s quarterly regulatory Asset Encumbrance submissions over 2022. The disclosure is prepared in accordance with the requirements of Article 443 of the PRA Rulebook and is based on accounting information produced in line with international accounting standards.

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Table 3.2.T1. – UK AE1 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. – UK AE1 Encumbered and Unencumbered Assets

		MLUKCH Group							
		2022							
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA ⁽³⁾		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
(\$ in Millions)		010	030	040	050	060	080	090	100
010	Assets of the reporting institution ⁽¹⁾	66,093	19,009			351,119	4,864		
030	Equity Instruments	21,083	5,414	21,083	5,414	11,090	270	11,090	270
040	Debt Securities	21,051	13,686	21,051	13,686	5,692	4,600	5,692	4,600
050	of which: covered bonds	1	—	1	—	—	—	—	—
060	of which: securitisations	695	—	695	—	47	—	47	—
070	of which: issued by general governments	12,309	10,913	12,309	10,913	4,608	4,211	4,608	4,211
080	of which: issued by financial corporations	3,696	1,036	3,696	1,036	835	256	835	256
090	of which: issued by non-financial corporations	4,002	1,420	4,002	1,420	409	16	409	16
120	Other assets ⁽²⁾	24,772	—			333,944	—		

		MLUKCH Group							
		2021							
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA ⁽³⁾		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
(\$ in Millions)		010	030	040	050	060	080	090	100
010	Assets of the reporting institution ⁽¹⁾	71,522				328,359			
030	Equity Instruments	26,131		26,131		15,714		15,714	
040	Debt Securities	16,924		16,924		5,583		5,583	
050	of which: covered bonds	—		—		—		—	
060	of which: securitisations	646		646		38		38	
070	of which: issued by general governments	11,814		11,814		5,040		5,040	
080	of which: issued by financial corporations	2,714		2,714		275		275	
090	of which: issued by non-financial corporations	2,287		2,287		265		265	
120	Other assets ⁽²⁾	28,430				306,442			

⁽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 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.

⁽²⁾ The majority of unencumbered Other Assets relates to derivative assets not available for encumbrance.

⁽³⁾ HQLA = High-Quality Liquid Assets; EHQLA = Extremely High-Quality Liquid Assets

Table 3.2.T2. – UK AE2 Collateral received and own debt securities issued provides detail on both the fair value of encumbered collateral received and collateral received that is available for encumbrance.

Table 3.2.T2. – UK AE2 Collateral received and own debt securities issued

		MLUKCH Group							
		2022				2021			
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance				Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA	of which EHQLA and HQLA			of which notionally eligible EHQLA and HQLA	of which EHQLA and HQLA		
(\$ in Millions)		010	030	040	060	010	030	040	060
130	Collateral received by the reporting institution	277,813	217,813	63,416	28,539	349,221		65,993	
140	Loans on demand	—	—	—	—	—		—	
150	Equity instruments	62,703	19,897	9,536	2,364	67,359		10,366	
160	Debt securities	208,581	196,654	27,102	25,934	281,920		28,272	
170	of which: covered bonds	111	—	—	—	2		—	
180	of which: securitisations	414	—	6,787	6,779	336		8,667	
190	of which: issued by general governments	195,654	191,572	20,826	20,664	271,045		18,708	
200	of which: issued by financial corporations	6,748	3,039	466	100	6,526		327	
210	of which: issued by non-financial corporations	4,481	1,213	588	40	3,783		704	
220	Loans and advances other than loans on demand	—	—	24,795	—	—		26,926	
230	Other collateral received	—	—	—	—	—		—	
240	Own debt securities issued other than own covered bonds or securitisations	—	—	—	—	—		—	
241	Own covered bonds and asset-backed securities issued and not yet pledged			—	—			—	
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	348,086	238,360			420,058			

⁽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. – UK AE3 Sources of Encumbrance outlines the value of liabilities against which assets have been encumbered and the respective asset values.

Table 3.2.T3. – UK AE3 Sources of Encumbrance

		MLUKCH Group			
		2022		2021	
		Matching Liabilities, Contingent Liabilities or Securities Lent	Assets, collateral received and own debt securities Issued other than covered bonds and securitisations encumbered	Matching Liabilities, Contingent Liabilities or Securities Lent	Assets, collateral received and own debt securities Issued other than covered bonds and securitisations encumbered
		010	030	010	030
(\$ in Millions)					
010	Carrying amount of selected financial liabilities	181,263	185,444	240,117	242,402

3.3. LCR Disclosures (UK LIQB)

3.3.1. LCR Disclosure Requirements

The LCR disclosures have been made in accordance with Article 451a of the PRA Rulebook, requiring firms to disclose the average LCR for each quarter of the previous twelve months. The objective of the LCR disclosure requirements is to provide market participants with information to assess institutions' liquidity positions and risk management.

3.3.2. LCR Disclosure Template

Table 3.3.2.T1. – UK LIQ1 Quantitative information of LCR below discloses average weighted and unweighted values of the liquidity buffer, total net cash outflows, the LCR ratio, and provides details of cash outflows and cash inflows of MLI and of the MLUKCH Group.

Table 3.3.2.T1. – UK LIQ1 Quantitative information of LCR ⁽¹⁾

(\$ in Millions)		MLI							
		Total unweighted value (average)				Total weighted value (average)			
		a	b	c	d	e	f	g	h
UK1a	Quarter ending on	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22
UK1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					30,527	30,873	31,799	31,451
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	—	—	—	—	—	—	—	—
3	Stable deposits	—	—	—	—	—	—	—	—
4	Less stable deposits	—	—	—	—	—	—	—	—
5	Unsecured wholesale funding	4,233	4,644	5,067	5,257	4,233	4,644	5,067	5,257
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—	—	—	—	—
7	Non-operational deposits (all counterparties)	4,233	4,644	5,067	5,257	4,233	4,644	5,067	5,257
8	Unsecured debt	—	—	—	—	—	—	—	—
9	Secured wholesale funding					28,589	27,960	28,692	29,284
10	Additional requirements	11,989	11,799	11,747	11,662	10,814	10,582	10,442	10,302
11	Outflows related to derivative exposures and other collateral requirements	11,989	11,753	11,677	11,595	10,805	10,572	10,404	10,265
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	49	46	70	67	9	9	37	37
14	Other contractual funding obligations	18,231	19,255	18,920	17,900	2,182	2,624	2,798	2,643
15	Other contingent funding obligations	13,625	13,603	13,669	13,665	1,291	1,264	1,243	1,218
16	TOTAL CASH OUTFLOWS					47,108	47,073	48,242	48,705
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	225,313	210,367	193,401	180,541	29,325	28,191	28,107	28,314
18	Inflows from fully performing exposures	1,427	1,535	1,781	2,043	606	598	708	884
19	Other cash inflows	3,972	4,815	5,186	5,299	3,972	4,815	5,186	5,299
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	TOTAL CASH INFLOWS	230,712	216,717	200,368	187,883	33,903	33,604	34,002	34,496
UK-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	173,806	166,221	155,396	150,350	33,903	33,604	34,002	34,496
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					30,527	30,873	31,799	31,451
22	TOTAL NET CASH OUTFLOWS					13,501	13,657	14,428	14,397
23	LIQUIDITY COVERAGE RATIO					227.60 %	227.58 %	222.79 %	220.91 %

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

(\$ in Millions)		MLUKCH Group							
		Total unweighted value (average)				Total weighted value (average)			
		a	b	c	d	e	f	g	h
UK1a	Quarter ending on	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22
UK1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					30,527	30,873	31,799	31,451
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	—	—	—	—	—	—	—	—
3	Stable deposits	—	—	—	—	—	—	—	—
4	Less stable deposits	—	—	—	—	—	—	—	—
5	Unsecured wholesale funding	4,233	4,644	5,067	5,257	4,233	4,644	5,067	5,257
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—	—	—	—	—
7	Non-operational deposits (all counterparties)	4,233	4,644	5,067	5,257	4,233	4,644	5,067	5,257
8	Unsecured debt	—	—	—	—	—	—	—	—
9	Secured wholesale funding					28,589	27,960	28,692	29,284
10	Additional requirements	11,989	11,799	11,747	11,662	10,814	10,582	10,442	10,302
11	Outflows related to derivative exposures and other collateral requirements	11,989	11,753	11,677	11,595	10,805	10,572	10,404	10,265
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	49	46	70	67	9	9	37	37
14	Other contractual funding obligations	18,231	19,255	18,920	17,900	2,182	2,624	2,798	2,643
15	Other contingent funding obligations	11,428	11,337	11,335	11,262	1,239	1,218	1,197	1,170
16	TOTAL CASH OUTFLOWS					47,056	47,028	48,195	48,657
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	225,313	210,367	193,401	180,541	29,325	28,191	28,107	28,314
18	Inflows from fully performing exposures	1,427	1,535	1,781	2,043	606	598	708	884
19	Other cash inflows	3,972	4,815	5,186	5,299	3,972	4,815	5,186	5,299
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	TOTAL CASH INFLOWS	230,712	216,717	200,368	187,883	33,903	33,604	34,002	34,496
UK-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	173,806	166,221	155,396	150,350	33,903	33,604	34,002	34,496
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					30,527	30,873	31,799	31,451
22	TOTAL NET CASH OUTFLOWS					13,458	13,618	14,388	14,355
23	LIQUIDITY COVERAGE RATIO					228.35 %	228.24 %	223.42 %	221.56 %

⁽¹⁾ The disclosed values and figures are simple averages of the preceding 12 LCR monthly reporting observations for each quarter.

3.3.3. Main Drivers of the LCR

The LCR aims to ensure that sufficient High Quality Liquid Assets (“HQLA”) is held to cover a projected 30-calendar day stress period. MLI calculates the LCR pursuant to the Liquidity chapter of the PRA Rulebook.

MLI largely holds HQLA in the form of HQLA qualifying securities (predominantly government bonds) and withdrawable cash held at the Central Bank.

MLI’s cash flows are modelled in accordance with the Liquidity chapter of the PRA Rulebook. Pillar 1 outflows are related, but not limited to, secured wholesale funding activity, derivative exposures and other derivatives related collateral requirements.

Cash inflows are related, but not limited to, secured wholesale funding activity, derivatives exposures and unsecured lending to affiliates.

For the year ending 31 December 2022 the 12 month average LCR was 220.91% for MLI and 221.56% for the MLUKCH Group.

3.3.4. Concentration of Funding Sources

MLI aims to achieve sufficient diversification of funding sources and actively monitors the tenor of liabilities to ensure long term assets are adequately funded. MLI’s primary sources of funding are equity, unsecured debt from affiliates and secured wholesale funding. Both liquidity and funding concentration risk is managed according to internal policies.

3.3.5. Derivative Exposures and Potential Collateral Calls

Derivative exposures give rise to inherent uncertainty and liquidity risk from contractual and behavioural implications of a combined stress environment. Both are modelled as part of the LCR, including impact of credit rating agency downgrades, monitoring historical changes in variation margin and expected counterparty behaviour and collateral flows.

MLI undertakes derivative exposures both with clients or to hedge client activity. Risks in relation to this are monitored and measured through internal and regulatory liquidity stress testing and metrics.

3.3.6. Currency Mismatch in the LCR

MLI’s business activity is conducted in USD as well as other currencies, predominantly EUR, GBP and JPY. To mitigate the potential exposures that can result from fluctuations in currencies, MLI monitors and ensures sufficient liquidity resources are available to mitigate currency mismatches. MLI’s separately reportable currency exposures in line with the Liquidity chapter of the PRA Rulebook are EUR, USD, and GBP.

3.3.7. Other Items in the LCR

The PRA may require a firm to hold additional HQLA to cover risks not captured in Pillar 1 LCR. This is referred to as Pillar 2. MLI identifies and documents liquidity risk drivers in the Internal Liquidity Adequacy Assessment Process (“ILAAP”), with the PRA setting Pillar 2 add ons as part of the Liquidity SREP. HQLA is held to cover both Pillar 1 and Pillar 2 requirements.

3.4. NSFR Disclosures

3.4.1. NSFR Disclosure Requirements

The Net Stable Funding Ratio (“NSFR”) came into effect from 1st January 2022 per the Liquidity chapter of the PRA Rulebook and aims to ensure that firms maintain a stable funding structure over a long term horizon, complementing the shorter term LCR.

MLI aims to achieve sufficient diversification of funding sources and actively monitors the tenor of liabilities to ensure long term assets are adequately funded.

3.4.2. NSFR Disclosure Templates

Table 3.4.2.T1. below discloses average weighted and unweighted values of assets, liabilities and off balance sheet items that make up the NSFR of MLI and of the MLUKCH Group.

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Table 3.4.2.T1. – UK LIQ2 Net Stable Funding Ratio⁽¹⁾

		MLI				
		Year ended 31 December 2022				
		a	b	c	d	e
		Unweighted value by residual maturity (average)				Weighted value (average)
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
(\$ in millions)						
Available stable funding (ASF) Items						
1	Capital items and instruments	35,574	—	—	—	35,574
2	Own funds	35,574	—	—	—	35,574
3	Other capital instruments		—	—	—	—
4	Retail deposits		—	—	—	—
5	Stable deposits		—	—	—	—
6	Less stable deposits		—	—	—	—
7	Wholesale funding:		93,528	3,246	26,549	31,822
8	Operational deposits		29	—	—	14
9	Other wholesale funding		93,500	3,246	26,549	31,808
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	736	59,558	—	—	—
12	NSFR derivative liabilities	736				
13	All other liabilities and capital instruments not included in the above categories		59,558	—	—	—
14	Total available stable funding (ASF)					67,396
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					8,346
UK-15a	Assets encumbered for more than 12m in cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		1,496	—	—	748
17	Performing loans and securities:		115,349	3,081	29,099	32,635
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		52,670	2,430	40	1,668
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		61,857	101	3,626	8,330
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		175	23	132	211
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		647	526	25,302	22,425
25	Interdependent assets		—	—	—	—
26	Other assets:		54,680	43	15,094	18,706
27	Physical traded commodities				4,028	3,424
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		4,647	—	7,883	10,650
29	NSFR derivative assets		72			72
30	NSFR derivative liabilities before deduction of variation margin posted		27,188			1,359
31	All other assets not included in the above categories		22,773	43	3,182	3,200
32	Off-balance sheet items		311	—	—	16
33	Total RSF					60,450
34	Net Stable Funding Ratio (%)					111.68 %

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

		MLUKCH Group				
		Year ended 31 December 2022				
		a	b	c	d	e
		Unweighted value by residual maturity (average)				Weighted value (average)
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
(\$ in millions)						
Available stable funding (ASF) Items						
1	Capital items and instruments	35,645	—	—	—	35,645
2	Own funds	35,645	—	—	—	35,645
3	Other capital instruments		—	—	—	—
4	Retail deposits		—	—	—	—
5	Stable deposits		—	—	—	—
6	Less stable deposits		—	—	—	—
7	Wholesale funding:		93,482	3,246	23,045	28,319
8	Operational deposits		29	—	—	14
9	Other wholesale funding		93,453	3,246	23,045	28,304
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	736	59,488	—	—	—
12	NSFR derivative liabilities	736				
13	All other liabilities and capital instruments not included in the above categories		59,488	—	—	—
14	Total available stable funding (ASF)					63,963
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					8,346
UK-15a	Assets encumbered for more than 12m in cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		1,496	—	—	748
17	Performing loans and securities:		115,229	3,081	25,622	29,145
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		52,670	2,430	40	1,668
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		61,737	101	252	4,944
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		175	23	132	211
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		647	526	25,198	22,322
25	Interdependent assets		—	—	—	—
26	Other assets:		54,680	43	14,963	18,576
27	Physical traded commodities				4,028	3,424
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		4,647	—	7,883	10,650
29	NSFR derivative assets		72			72
30	NSFR derivative liabilities before deduction of variation margin posted		27,188			1,359
31	All other assets not included in the above categories		22,773	43	3,052	3,070
32	Off-balance sheet items		311	—	—	16
33	Total RSF					56,830
34	Net Stable Funding Ratio (%)					112.80 %

⁽¹⁾ The disclosed values and figures are simple averages of the preceding 4 NSFR quarterly reporting observations.

3.4.3. Drivers and Composition of the NSFR

MLI's NSFR required stable funding is primarily driven by securities, secured funding and derivatives activity. Available stable funding consists primarily of equity and unsecured affiliate debt.

ML UK Capital Holdings Limited Including Merrill Lynch International

4. Risk Management, Objectives, and Policy As at 31 December 2022

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 2023 Risk Framework in December 2022. The key enhancements from the 2022 Risk Framework include the addition of an overview of capital limits in the capital planning process as well as enhanced 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 2023 Risk Framework in March 2023.

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
- 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 (UK OVA)

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 (UK OVA)

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 2022, the Group's total assets prepared in accordance with FRS 101 totalled \$388.5B, and for MLI standalone \$392.1B, and comprised principally of derivative assets, equities, fixed income securities, and sale and repurchase transaction positions. The Group has \$33.6B of regulatory Capital Resources (MLI: \$33.5B), consisting entirely of CET1 capital of \$33.6B (MLI: \$33.5B). The Group has a Tier 1 capital ratio of 23.46% (MLI: 23.2%), and the Group's leverage ratios is 9.16% (MLI: 9.04%). The Group's twelve-month average LCR was 221.56% (MLI: 220.91%).

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 2022, MLI had balances with affiliates within customer receivables of \$11.0B (2021: \$13.9B), balances with affiliates within repurchase agreements and securities loaned transactions of \$32.5B (2021: \$23.8B), and balances with affiliates within customer payables of \$7.3B (2021: \$6.1B).

MLI has over 38% of exposures with counterparties externally rated between AAA and A- or equivalent. Although generally assessed internally as being of high quality, 60% 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 VaR for MLI during 2022 was \$87M.

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 principles:

- **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-legal operational losses, residual risk level and direction, past due issues, operations, systems performance, information security, third party vendors, change management and financial crimes

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. 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 (UK OVA)

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 utilises 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 (UK OVA)

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 granularity

Functional risk managers arrange risk reporting to address the requirements of MLI Management bodies as appropriate.

4.2.5. Risk Governance (UK OVA, UK OVB)

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.

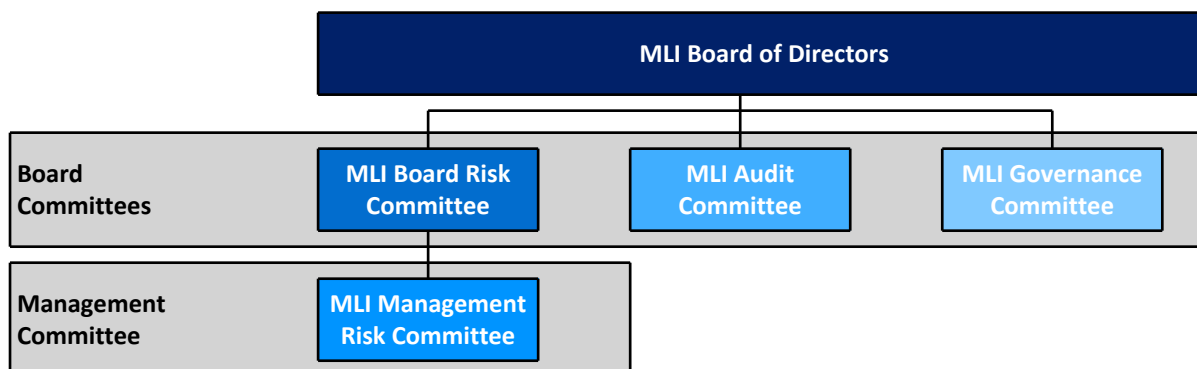
Corporate Audit maintains independence from the Company's Businesses and Governance & Control Functions by reporting directly to the Audit Committee of the MLI Board.

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 assess their continuing effectiveness. The MLI Board met five times during 2022.

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 2022.

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) 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 eleven times during 2022.

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 four times during 2022.

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 four times during 2022.

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 (UK OVB)).

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 2022, there were no changes to the Head of Corporate Audit, Head of Compliance Risk or Chief Risk Officer roles during the year. Any new appointments are 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 (UK OVA)

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 (e.g. competitor actions, changing customer preferences, product obsolescence, and technology developments).

Strategic Risk Management

MLI proactively considers strategic risk in the strategic planning process which feeds into the capital, liquidity and financial planning processes throughout the year. MLI continuously evaluates the internal and external environment, including the perspective of external experts, and its strengths, weaknesses, opportunities and threats. During the strategic and capital planning processes, the MLI Board provides credible challenge to senior management's assumptions and recommendations and approves the strategic and capital plans after a comprehensive assessment of the risks.

MLI sets strategies within the context of overall risk appetite. MLI strategic plans are consistent with risk appetite, the capital plan and liquidity requirements and specifically address strategic risks.

MLI tracks performance to the strategic plan and analyses progress throughout the year. Senior management continuously monitors business performance throughout the year with several existing processes ranging from the monitoring of financial and operating performance, to the management of the MLI Recovery Plan and the regular assessment of earnings and risk profile. Senior management 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.

MLI sets capital limits in the capital planning process. As part of the capital planning process, MLI establishes capital management triggers to help ensure it maintains adequate capital, including during periods of stress. MLI manages its capital position in line with its Capital Plan and its Capital Management Policy, and tracks performance with capital adequacy assessments throughout the year.

Strategic Risk Governance

The MLI Board is responsible for overseeing the strategic planning process and senior management's execution of the resulting strategic plan. The strategic plan is reviewed and approved annually by the MLI Board in line with the capital plan, financial operating plan, liquidity requirements, and risk appetite. Significant strategic actions, such as capital actions, material acquisitions or divestitures and recovery and resolution plans are reviewed and approved by the MLI Board as required.

Processes exist to discuss the strategic risk implications of new, expanded or modified businesses, products or services and other strategic initiatives, and to provide formal review and approval where required.

The MLI Board is also responsible for overseeing the capital planning process. Capital plans are reviewed and approved annually by the MLI Board in consideration of the entity's overall strategic plans, financial operating plans and risk appetite.

Global Risk Management, Corporate Audit, and other control functions provide input, challenge and oversight to front line unit strategic plans, initiatives and capital plans relating to MLI.

Strategic Risk Reporting

Transparency around meeting the objectives of MLI's strategic and capital plans by providing visibility to strategic risks faced is critical to effective risk management. Front line units and control functions present updates to senior management and the MLI Board on their business performance and management of strategic risk. Updates take into account analyses of performance relative to the strategic plan, capital adequacy assessments, capital management triggers, risk appetite, and performance relative to peers. Topical presentations are also made to address any developments or additional considerations as they relate to strategic or capital planning, or the strategic plan itself. The MLI Board use these updates and presentations to ensure that management actions and decisions remain consistent with strategic plans, capital plans and risk appetite.

4.3.2. Credit Risk (UK CCRA, UK CRA, UK CRC)

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 senior management with the information required to guide or redirect FLUs and certain legal entity strategic plans, if necessary.

MLI recognises that credit risk management relies heavily upon forward-looking estimates (some required by regulatory capital rules), including, but not limited to, probabilities of default, exposures at default, loss severity and collateral valuations. This makes it particularly susceptible to model risk.

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 remains within approved credit risk limits. New products and credit terms and conditions are differentiated based on risk, within the limits of risk appetite.

Credit risk management manages counterparty risk with specific policies, limits, and controls. Based on counterparty creditworthiness, limits on exposures and tenors are set for individual counterparties. 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 realised 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 limits and monitoring usage. 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, the credit performance of key concentrations under actual conditions, as well as under 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

These are all part of the 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. 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 Credit Support Annex ("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 Legal Department provides written legal advice regarding the enforceability of netting agreements for certain traded products agreements. The Global Banking and Market Legal Department performs a periodic legal review of such written legal advice, no less frequently than annually.

MLI credit risk exposure is net of collateral 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:

1. The enforceability of close-out netting under a Master Agreement
2. The enforceability of credit support agreements (if applicable) in the jurisdiction of incorporation of the counterparty in each case for the relevant type of counterparty

Where applicable for Uncleared Margin Rules ("UMR") purposes or otherwise:

1. 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
2. The ability of the collateral provider and collateral taker to recover collateral held by the custodian

Where necessary, 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 collateralised 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.

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 at least annually.

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 specialised 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, senior 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 implement 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 so 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 senior 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 including Climate Change. 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 (UK MRA, UK MRB)

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 ("IRR"):

- 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 ("MTM") basis. This risk occurs most significantly from market-making, dealing, and capital markets activity in interest rate, FX, 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 and Management

MLI adheres to the Global Markets Market Risk Policy and the Market Risk Limits Policy. In addition, the 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. The Firm's approach to managing market risk involves:

- Monitoring compliance with established market risk limits and reporting our exposures
- Diversifying exposures
- Controlling position sizes
- Evaluating mitigants, such as economic hedges in related securities or derivatives

Global Markets and Financial Risk ("GMFR") produces risk measures and monitors them against established market risk limits. These measures reflect an extensive range of scenarios, and the results are aggregated at product, business and firm-wide levels. Metrics including VaR, risk factor sensitivities and stress scenario impacts are reported to market risk managers and relevant stakeholders in GMFR and Front Line Units. The metrics are available on the applications housed in the "Market Risk Suite", which can be access for further analyses. GMFR also provides risk measures and analyses to various oversight and governance routines in the Firm.

Stress Testing

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. Ad-hoc scenarios are implemented in response or anticipation of material geopolitical / macroeconomic / market events, and analysis of stress impacts from these scenarios are provided by GMFR to facilitate the Market Risk management efforts in the entity and across the Firm.

Market Risk-Weighted Assets

MLI has been granted permission by the PRA to use an Internal Model Approach ("IMA") for calculating regulatory capital for market risk using the following models: VaR, Stressed VaR ("SVaR"), 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 in accordance with Title IV of Part Three of CRR as applied by the PRA rulebook. RWA for market risk are the sum of each of these measures multiplied by 12.5.

Value at Risk and Stressed 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 overlapping 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. The window used to calculate Regulatory SVaR is reviewed at least quarterly using various performance indicators. Performance indicators based on historic data, recent trading activity and changes in portfolio composition are considered as inputs for forecasting the window for a given current quarter. Note that the Post COVID-19 PRA supervisory guidelines were adopted in Q1 2021.

The permission provided by the PRA allows the entity to calculate model based capital requirement for “General Risk” across Categories 1-4 products (as defined in Supervisory Statement SS13/13, para 9.4).

MLI uses a historical simulation approach to calculate VaR and SVaR. A hypothetical Profit and Loss (“P&L”) distribution is generated for the current portfolio using time series of historical risk factor changes via Risk Grids / Scenarios. 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.

For both risk management purposes and regulatory capital calculations, the firm uses a single VaR model which captures risks, including those related to interest rates, equity prices, foreign exchange rates and commodity prices. As such, VaR facilitates comparison across portfolios of different risk characteristics. VaR also captures the diversification of aggregated risk at the entity level.

Key differences between the model parameters used for regulatory capital and for internal management purposes are listed in the table below.

Table 4.3.3.T1. – Differences between Regulatory and Management Reporting Purposes VaR

Parameter	MLI Regulatory VaR	MLI Stressed VaR	MLI Management VaR
Scope	Covered positions as defined by PRA approval	Covered positions as defined by PRA approval	Covered and non-covered positions
Liquidity horizon (holding period)	10 days (unscaled)	10 days (unscaled)	1 day
Historical Window	3 years	Worst 1 year back to 15/01/2007 excluding the window used for the MLI Regulatory VaR calculation	3 years

As defined in Chapter 2 of Supervisory Statement (SS) 13-13 issued by the PRA, 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. Risks Not in VaR (“RNiV”) are identified and assessed for capital purposes at least quarterly, with the majority of RNiVs being calculated on a monthly basis. These risks are capitalized through its RNiV Framework.

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 permission provided by PRA allows the entity to calculate IRC for positions in specific products listed in Table 3 in the permission letter.

The IRC model utilises 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 FX. 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 index, 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 utilises 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 permission provided by PRA allows the entity to calculate CRM for positions in specific products listed in Table 3 in the permission letter.

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 organised into sectors and regions to take into account the correlated moves across industries or markets. 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. Stress scenario tests are run weekly on the correlation trading portfolio, which capture changes in default rates, recovery rates, and credit spreads; correlations of underlying exposures; and correlations of a correlation trading position and its hedge.

Market Risk Governance

GMFR, which is independent of the revenue-producing units and reports to the Firm's Chief Risk Officer, has primary responsibility for assessing, monitoring and managing market risk through firm-wide oversight across global businesses. Managers in revenue-producing units and GMFR discuss market information, positions and estimated loss scenarios on an ongoing basis. Managers in revenue-producing units are accountable for managing risk within prescribed limits. These managers have in-depth knowledge of their positions, markets and the instruments available to hedge their exposures.

Models used in calculation of measures used for day-to-day Market Risk management and for calculation of capital requirement per IMA are developed by the Global Markets Risk Analytics ("GMRA") team and validated by the Model Risk Management ("MRM") team. These teams are part of the Global Risk Management ("GRM") division. GMFR engages with these teams as part of governance bodies overseeing model performance, model change assessments, review of measures produced by these models and their uses including in regulatory capital requirements.

GMFR engages with senior management in the entity, relevant lines of business, and at the firm-wide level through multiple committees such as the MLI Management Risk Committee, MLI Board Risk Committee and Global Markets Risk Committee. Additionally, working groups and steering councils are established to provide oversight on specific initiatives or aspects of market risk management in the entity. The details of these are elucidated in the MLI Market Risk Policy.

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.

Regulatory VaR Backtesting

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, as amended and implemented in the U.K. . 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 are documented and reported to the PRA, as appropriate, as part of regulatory reporting processes. Additionally, Specific Risk Portfolio Backtesting is performed to assess capture of specific risk. Credit specific risk is primarily driven by single-name credit spread exposures and equity specific risk is primarily driven by Equity Price and Volatility risk of individual securities.

Model Review and Validation

The models discussed above, which are used to determine Regulatory VaR, SVaR, Incremental Risk Charge and Comprehensive Risk Measure, are independently reviewed, validated and approved by Model Risk Management ("MRM").

These models are regularly reviewed and enhanced in order to better reflect the market risk exposure from changes in the composition of positions included in market risk measures, as well as variations in market conditions. Prior to implementing significant changes to models, MRM performs model validations.

Note: For additional information regarding market risk management, stress testing, backtesting, timeseries and proxy data usage see "Market Risk Management -Trading Risk Management" in "Part II – Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" in BAC's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission, and which can be found at <https://investor.bankofamerica.com/>.

4.3.3.1. Exposure to Interest Rate Risk on positions not included in the trading book (UK IRRBBA)

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 regulatory 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 4.3.3.1.T1. – UK IRRBB1 - Quantitative information on IRRBB

IRRBB metrics contained in Table 4.3.3.1.T1. – UK IRRBB1 - Quantitative information on IRRBB signify that MLI manages exposures within its risk appetite. 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 4.3.3.1.T1. – UK IRRBB1 - Quantitative information on IRRBB

(\$ in millions)		a		b		c		d		e		f	
		ΔEVE		ΔNII		Tier 1 Capital							
Period		Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
10	Parallel shock up	14	13	502	413								
20	Parallel shock down	(57)	(98)	(423)	(134)								
30	Steeper shock	(27)	(14)										
40	Flattener shock	0	(43)										
50	Short rates shock up	9	27										
60	Short rates shock down	(48)	(21)										
70	Maximum	(57)	(98)	502	413								
80	Tier 1 Capital									33,408	33,614		

4.3.4. Liquidity Risk (UK LIQA)

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 MLI Liquidity Risk Policy ("LRP"), which is approved by the MLI Board, and defines the approach to monitoring and 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 Risk Appetite Statement clearly defines the amount of liquidity or funding MLI is willing to put at risk, consistent with applicable 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 Corporation) 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
- NSFR = Available Stable Funding divided by Required Stable Funding (metric was introduced on 1 January 2022, in line with deadlines for regulatory compliance)

The primary objective of liquidity risk management is to ensure that MLI can meet expected or unexpected cash flow and collateral needs while continuing to support its businesses and customers under a range of economic conditions. Consistent with the Risk Framework, the main components to achieve MLI's liquidity risk management objectives include:

1. Clear accountability residing with FLUs for the liquidity risk inherent in their activities
2. Management of MLI's liquidity and funding activities by Treasury
3. Independent oversight of front line unit activities by Global Risk Management
4. Maintaining sufficient liquidity buffers which are readily convertible to cash for use by MLI if necessary during periods of significant liquidity stress
5. Ensuring appropriate diversification of funding tenors and sources considering MLI's asset profile and legal entity structure
6. Transferring the economic costs and benefits of liquidity risk to the appropriate lines of business through the Funds Transfer Pricing ("FTP") process
7. Maintaining a contingent funding plan that allows MLI to react across all market and economic conditions

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.

MLI has in place a number of internal and external contingency funding options to raise cash during a liquidity stress. Treasury, in conjunction with business stakeholders, would exercise the appropriate options. As a general rule, actions that are quicker to execute, raise more cash, and have fewer detrimental franchise, capital, or tax consequences would be prioritised.

In addition, MLI conducts its own liquidity assessment, under its Internal Liquidity Adequacy Assessment Process (“ILAAP”), prepared with reference to relevant regulatory guidance and reviewed and approved by the MLI Board. The ILAAP demonstrates MLI has an appropriate framework to manage its liquidity and funding risk and adequate liquidity buffers and stable funding to deliver on its business strategy while continuing to operate within the MLI Board risk appetite.

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 help 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.

The MLI Liquidity Adequacy Statement (“LAS”) has been documented as a statement of the MLI Board’s consideration of the Internal Liquidity Adequacy Assessment Process (“ILAAP”) and prepared with reference to relevant ECB guidance. The ILAAP demonstrates MLI has an appropriate framework to manage its liquidity and funding risk and adequate liquidity buffers and stable funding to deliver on its business strategy while continuing to operate within the MLI Board risk appetite.

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. Operational Risk and Compliance Risk (UK ORA)

Definition

MLI operates in a highly regulated environment and serves a wide range of customers across many jurisdictions. 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 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 materialise.

Operational Risk is the risk of loss resulting from inadequate or failed processes or systems, people, or from external events. MLI 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 materialise.

Operational Risk and Compliance 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 MLI's front line units. MLI has 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.

Front Line Units 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 organisation, 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. GCOR 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 GCOR 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. GCOR independently assesses compliance and operational risk, monitors business activities and processes, determines and develops tests to be conducted by the Enterprise Independent Testing unit, and reports on the state of the control environment. GCOR 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 GCOR 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 GCOR 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.

In alignment with the Basel Committee MLI defines operational resilience as the ability of a company to deliver Critical Services through disruption, regardless of the source of disruption. Being operationally resilient is a key objective of sound operational risk management. Processes, data flows and systems supporting critical services must be designed from the outset to be well-controlled and resilient. This requires solid process engineering, robust capabilities, and controls to prevent, detect and mitigate operational failures. Being operationally resilient enables MLI to continuously serve customers, clients and financial markets, even during periods of operational stress. In addition, a formal 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 MLI. 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, MLI's controls are designed to 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: (1) processes to collect due diligence information relating to customers, including verification of customer identity; and (2) 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 MLI.

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" as amended and implemented in the U.K 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 core 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.

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. These risks extend to fourth parties where work is further subcontracted. 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.

Front line units 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 achieve 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 MLI.

Conduct Risk Management

MLI's approach to managing conduct risk is documented in the Conduct Risk Management Program, which is organised around a framework of five distinct segments that work together to (1) reinforce BAC's expectations for employee conduct as outlined in our Code of Conduct, (2) describe the infrastructure, program and practices we use to prevent employee misconduct, (3) define the systems and controls designed to detect employee misconduct, (4) outline a consistent approach for evaluating and disciplining employees when misconduct occurs, and (5) address the governance process for escalating conduct-related matters to senior management and the boards of directors

Operational Risk and Compliance Risk Governance

GCOR 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.

Operational Risk and Compliance Risk Reporting

GCOR reporting and escalation to senior management and the boards of directors is essential to provide 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, as applicable.

Technology Risk

Technology risk is the risk of application and infrastructure failures that can occur due to changes to the environment, inadequate monitoring or 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 MLI's second line of defence. MLI has to establish controls to ensure MLI's processes operate effectively and mitigate technology 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 business objectives, promote stability, and minimise execution and operating risks.

Through established governance structures, processes exist to enable appropriate and effective oversight of technology risk. These activities and routines enable management to debate technology risks and monitor control performance to allow for senior management and board-level escalation, as appropriate.

Information Security Risk

Information security risk is the risk of a disruptive or destructive attack, a technology failure leading to incremental data risk, or 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, MLI employs a multi-layered and intelligence-led Global Information Security Program, which is focused on preparing for, 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 and 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, use, and external transmission of data. A strong data risk management program is essential as a reliance is placed on data to make important decisions and serve MLI's core customers and clients. Front Line Units 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 serve as foundational components of the Company's adherence to the Basel Committee's Risk Data Aggregation and Risk Reporting principles. 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 help 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 (i.e. Legal, GRM including Risk, Compliance and Climate Risk and Environment and Social Governance), this includes senior representatives from MLI. The committee is co-chaired by the President - International and the MLI Head of Credit Risk. 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 Residual Outlook, the number of items taken to the EMEA Reputational Risk Committee in the quarter and key Reputational Risk metrics for MLI are provided to the MLI BRC on a quarterly basis.

4.4. Other Risk Considerations

4.4.1. Wrong-Way Risk (UK CCRA)

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, the BAC Credit Risk Committee, and MLI MRC.

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-collateralisation 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 monitoring metrics, based on appropriate measures and levels, taking into account market liquidity, risk appetite stress scenarios and business rationale. Limits and monitoring metrics are reviewed and monitored by the Global Markets and Financial Risk team. The permanent limits and monitoring metrics 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 monitoring metrics for each pegged currency, across different ratings buckets and at the single name and portfolio level. The monitoring metrics are reviewed and monitored by the Global Markets and Financial Risk team. The permanent monitoring metric changes are approved by the BAC Market Risk Executive.

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 2022 and can be found at <https://investor.bankofamerica.com/>.

4.4.6. Impact of a Credit Rating Downgrade on OTC Collateral (UK CCRA)

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 2022, MLI was in excess of both internal and regulatory liquidity requirements, with a one-notch and two-notch downgrade scenario resulting in \$44M and \$175M of incremental additional outflows, respectively in line with contractual obligations in OTC derivative contracts.

4.4.7. Securitisation Risk Governance and Reporting (UK SECA)

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. Product Initiatives

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 Product Risk Management – Enterprise Policy, which establishes requirements designed to consistently identify and mitigate risks associated with New, Modified, Expanded, Stop-sell and Exit Products (collectively referred to as “Product Initiatives”). This Policy requires that Product Initiatives be assessed across applicable key risk types, including consistency with Enterprise Risk Appetite, prior to product implementation.

Under this Policy, the business is required to develop and maintain process and procedures related to the governance of Product Initiatives throughout the Product Lifecycle. The Product Lifecycle includes New Product Development, Launch, Ongoing Product Management, Modify / Expand, and Stop-Sell / Exit, each with a set of key requirements. Key requirements include (but are not limited to) initial Product Risk Classification and Product Risk Assessment, relevant Committee Approval, inclusion in the Product Inventory, Post-Implementation Review in addition to required reporting and documentation.

4.4.9. Geopolitical and Macroeconomic Factors

Global market conditions in 2022 were markedly different from the prior year – volatility dominated (both in markets and in politics) amidst growing concern over geopolitics, record inflation, and rising rates. Volatility was particularly pronounced in the UK where three different prime ministers held office, and a mini budget announcement in September led to turmoil in the UK pension sector as gilt yields rose to the highest level since 2002. The political events caused significant market volatility and forced intervention by the BOE to prevent broader financial instability.

Geopolitical risks were heightened in 2022, driven by conflict between Russia and Ukraine, tensions between China and Hong Kong/Taiwan, and tensions between the U.S. and China. Due to the ongoing conflict between Russia and Ukraine there was significant volatility in financial and commodities markets, and multiple jurisdictions implemented various economic sanctions. MLI's direct exposure to Russia remains immaterial.

Meanwhile, consumer prices continued to accelerate driven by elevated food and energy prices, with the UK Consumer Price Index at a 40-year high and Euro Area inflation reaching a record high. Most central banks responded by tightening monetary policies, hiking interest rates to fight inflation which led to an increased cost of borrowing.

In Equities, global market capitalisation returned to pre-COVID levels and volatility remained elevated, while the technology sector in particular faced a challenging year. The high interest rate environment impacted cash and secondary Equities, putting pressure on company valuations. In Fixed Income, Currencies and Commodities, credit

spreads widened, translating to higher borrowing costs for companies. In primary markets, activity was down across the board. Market activities within the Investment Banking was lower in 2022 as compared to 2021 especially in Equity Capital Markets.

Looking ahead, BAC's Global Research analysts are predicting slower growth in the Euro Area in 2023 – although a mild winter and sufficient energy inventories helped avoid a winter recession, BAC Research believes the growth outlook will continue to be challenging until the energy crisis is resolved. The UK is forecasted to undergo a mild recession as supply chain difficulties and energy prices ease and translate into lower inflation.

MLI's branches in Dubai and Qatar do not trigger specific geopolitical considerations for that region due to the immaterial size of those branches to the MLI's operations.

MLI is subject to numerous geopolitical, economic, and other risks in the jurisdictions in which it operates. MLI does business throughout the world including emerging markets. Economic or geopolitical stress in one or more countries could have a negative global impact, resulting in reduced market activity and economic output. MLI's businesses and revenue are also at risk of losses from multiple factors: currency fluctuations, financial, social or judicial instability, electoral outcomes, changes in governmental policies or policies of central banks, price controls, high inflation, protectionist trade policies, continued trade tensions and changes in legislation. The businesses and revenue of the Company are also at risk of losses as tariffs continue to rise and other restrictive actions are taken that weigh heavily on regional trade volumes and domestic demand through falling business sentiment and lower consumer confidence. These risks are especially elevated in the emerging markets.

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 2022

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 majority of MLI's counterparty and credit risk exposure is as a result of derivative exposures determined using the Standardised Approach for Counterparty Credit Risk ("SA-CCR"), and securities financing exposures determined using the financial collateral comprehensive method. Further details can be found in Section 5.4. Counterparty and 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.

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 and adopted under UK regulation, 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 2022. 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

(\$ in Millions)	2022	
	MLI	MLUKCH Group
Total RWA	144,624	143,228
MREL as a percentage of RWA	24.91 %	25.20 %
Leverage Ratio Exposure Measure	370,917	366,865
MREL as a percentage of Leverage Ratio Exposure Measure	9.71 %	9.84 %
Excluded Liabilities	330,636	327,105

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 regulatory requirements.

Table 5.3.T1. – UK MR1 - 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. – UK MR 2-A Market Risk under the Internal Model Approach ("IMA") presents a breakdown of MLI's Market Risk under the IMA. Table 5.3.T3. – UK 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. – UK MR 2-A Market Risk under the Internal Model Approach ("IMA") is presented for MLI only. Market Risk under the IMA is the same for MLI and the Group.

Table 5.3.T1. – UK MR1 - Market Risk under the Standardised Approach

(\$ in Millions)		2022	
		MLI	MLUKCH Group
		RWEAs	RWEAs
Outright products			
1	Interest rate risk (general and specific)	6,498	6,674
2	Equity risk (general and specific)	4,767	5,178
3	Foreign exchange risk	929	818
4	Commodity risk	314	314
Options			
5	Simplified approach	—	—
6	Delta-plus method	350	350
7	Scenario approach	—	—
8	Securitisation (specific risk)	1,041	1,041
9	Total	13,898	14,375

In the year ended 2022, Market Risk RWAs under the Standardised Approach decreased by \$2.9bn, mainly driven by a reduction in interest rate risk and equity risk.

Table 5.3.T2. – UK MR 2-A Market Risk under the Internal Model Approach (“IMA”)

(\$ in Millions)		2022	
		RWAs	Capital Requirements
1	VaR (higher of values a and b)	3,423	274
(a)	Previous day's VaR (VaRt-1)		83
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		274
2	SVaR (higher of values a and b)	4,032	323
(a)	Latest available SVaR (SVaRt-1)		29
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		323
3	IRC (higher of values a and b)	3,140	251
(a)	Most recent IRC measure		248
(b)	12 weeks average IRC measure		251
4	Comprehensive risk measure (higher of values a, b and c)	2,510	201
(a)	Most recent risk measure of comprehensive risk measure		201
(b)	12 weeks average of comprehensive risk measure		190
(c)	Comprehensive risk measure Floor		120
5	Other	11,918	953
6	Total	25,023	2,002

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

(\$ in Millions)		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
1	RWAs at previous period end	1,980	3,744	5,134	1,775	10,453	23,086	1,847
1a	Regulatory adjustment	(1,477)	(1,950)	—	—	—	(3,427)	(274)
1b	RWAs at the previous quarter-end (end of the day)	503	1,794	5,134	1,775	10,453	19,660	1,573
2	Movement in risk levels	532	(1,428)	(2,037)	735	1,465	(733)	(59)
3	Model updates/changes	—	—	—	—	—	—	—
4	Methodology and policy	—	—	—	—	—	—	—
5	Acquisitions and disposals	—	—	—	—	—	—	—
6	Foreign exchange movements	—	—	—	—	—	—	—
7	Other	—	—	—	—	—	—	—
8a	RWAs at the end of the disclosure period (end of the day)	1,035	366	3,097	2,510	11,918	18,926	1,514
8b	Regulatory adjustment	2,388	3,665	44	—	—	6,097	488
8	RWAs at the end of the disclosure period	3,423	4,032	3,140	2,510	11,918	25,023	2,002

⁽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 year, mainly driven by an increase in VaR and RNIV add-ons.

5.3.1. Internal Model Based Capital Requirement (UK MRB)

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.

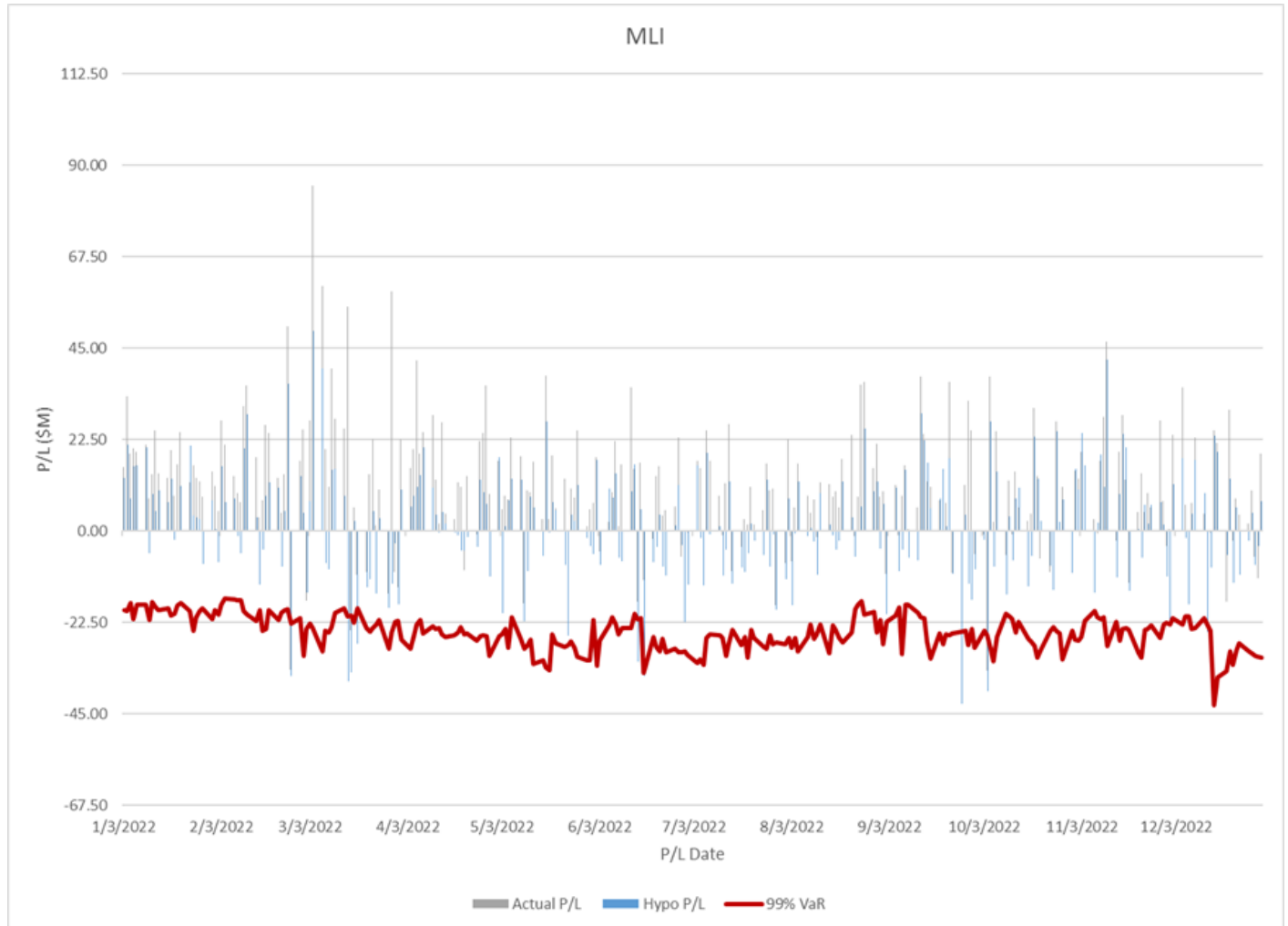
A backtesting overshooting occurs when a trading loss on day N exceeds the VaR value of the portfolio on day N-1. These overshoots are evaluated to understand the positions and market moves that produced the trading loss and to ensure that the VaR methodology accurately represents those losses.

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.

In the twelve months ending 31 December 2022, MLI trading losses as measured by Hypothetical P&L exceeded the prior day's VaR on 9 occasions, and as measured by Actual P&L exceeded the prior day's VaR on 3 occasions. The PRA approved one overshooting on Hypothetical P&L as not appropriate to count towards the capital multiplier. Therefore, the capital multiplier as at 31 December 2022 was 3.75 based on 8 counts of Hypothetical P&L exceeding the prior day's VaR, consistent with guidance provided by the PRA in application of the provisions of Article 500c of CRR.

The results are illustrated in the figure below.

Figure 5.3.1.F1. – UK MR4 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.

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 (UK MRA, UK MRB).

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. – UK 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 2022. Both VaR and Stressed VaR include a price volatility cross risk add-on.

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

(\$ in Millions)	2022
VaR (10 day 99%)	
Maximum value	169
Average value	87
Minimum value	35
Period end	83
SVaR (10 day 99%)	
Maximum value	269
Average value	125
Minimum value	18
Period end	29
IRC (99.9%)	
Maximum value	481
Average value	277
Minimum value	181
Period end	248
Comprehensive risk measure (99.9%)	
Maximum value	293
Average value	191
Minimum value	129
Period end	201

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 and Credit Risk

Counterparty and credit risk is the risk of loss arising from a borrower or counterparty failing to meet its financial obligations. Counterparty and credit risk capital requirements are derived from risk-weighted exposures, determined using the standardised approach. MLI has counterparty and 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.

The following section provides detailed information on MLI and the MLUKCH Group's regulatory credit risk and counterparty credit risk exposures.

5.4.1. Credit Risk by Type

Table 5.4.1.T1. – UK CQ5 Credit Quality of Loans and Advances by Industry sets out MLI's and the Group's credit risk exposure to non-financial corporations by industry distribution.

Table 5.4.1.T1. – UK CQ5 Credit Quality of Loans and Advances by Industry

		a	b	c	d	e	f	
		2022 MLUKCH						
		Gross carrying amount				Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non performing exposures
			Of which non performing					
	Of which defaulted							
	<i>(\$ in Millions)</i>							
010	Agriculture, forestry and fishing	—	—	—	—	—	—	
020	Mining and quarrying	—	—	—	—	—	—	
030	Manufacturing	94	—	—	94	—	—	
040	Electricity, gas, steam and air conditioning supply	147	—	—	147	—	—	
050	Water supply	—	—	—	—	—	—	
060	Construction	—	—	—	—	—	—	
070	Wholesale and retail trade	23	—	—	23	—	—	
080	Transport and storage	—	—	—	—	—	—	
090	Accommodation and food service activities	—	—	—	—	—	—	
100	Information and communication	1,431	—	—	1,431	—	—	
110	Financial and insurance activities	71	—	—	50	—	—	
120	Real estate activities	8	—	—	—	—	—	
130	Professional, scientific and technical activities	469	—	—	468	—	—	
140	Administrative and support service activities	1,474	—	—	1,271	—	—	
150	Public administration and defence, compulsory social security	—	—	—	—	—	—	
160	Education	—	—	—	—	—	—	
170	Human health services and social work activities	2	—	—	—	—	—	
180	Arts, entertainment and recreation	—	—	—	—	—	—	
190	Other services	16	—	—	—	—	—	
200	Total	3,733	—	—	3,485	—	—	

		a	b	c	d	e	f
		2022 MLI					
		Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non performing exposures
		Of which non performing					
			Of which defaulted				
(\$ in Millions)							
010	Agriculture, forestry and fishing	—	—	—	—	—	—
020	Mining and quarrying	—	—	—	—	—	—
030	Manufacturing	94	—	—	94	—	—
040	Electricity, gas, steam and air conditioning supply	147	—	—	147	—	—
050	Water supply	—	—	—	—	—	—
060	Construction	—	—	—	—	—	—
070	Wholesale and retail trade	23	—	—	23	—	—
080	Transport and storage	—	—	—	—	—	—
090	Accommodation and food service activities	—	—	—	—	—	—
100	Information and communication	1,431	—	—	1,431	—	—
110	Financial and insurance activities	71	—	—	50	—	—
120	Real estate activities	8	—	—	—	—	—
130	Professional, scientific and technical activities	469	—	—	468	—	—
140	Administrative and support service activities	1,474	—	—	1,271	—	—
150	Public administration and defence, compulsory social security	—	—	—	—	—	—
160	Education	—	—	—	—	—	—
170	Human health services and social work activities	2	—	—	—	—	—
180	Arts, entertainment and recreation	—	—	—	—	—	—
190	Other services	16	—	—	—	—	—
200	Total	3,733	—	—	3,485	—	—

5.4.2. Credit Exposure Geographic Distribution and Maturity Profile Detail

Table 5.4.2.T1. – UK CQ4 Quality of Non-Performing Exposures by Geography shows further analysis of the geographical distribution of MLI and the Group's credit risk exposure values.

The geographical distribution is reported by analysing where the counterparty is based. 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. – UK CQ4 Quality of Non-Performing Exposures by Geography

		a	b	c	d	e	f	g
		2022 MLUKCH						
		Gross carrying/nominal amount			Of which subject to impairment	Accumulated impairment	Provisions on off balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non performing exposures
			Of which non performing					
					Of which defaulted			
(\$ in Millions)								
010	On-balance-sheet exposures	165,846	—	—	114,266	—		
020	ANDORRA	4	—	—	—	—		
	ANGUILLA	64	—	—	1	—		
	AUSTRALIA	2,014	—	—	1,980	—		
	AUSTRIA	208	—	—	15	—		
	AZERBAIJAN	—	—	—	—	—		
	BAHAMAS	28	—	—	—	—		
	BAHRAIN	179	—	—	—	—		
	BELGIUM	625	—	—	625	—		
	BERMUDA	80	—	—	47	—		
	BRAZIL	871	—	—	579	—		
	BRUNEI	12	—	—	12	—		
	CANADA	2,722	—	—	1,209	—		
	CAYMAN ISLANDS	8,951	—	—	4,287	—		
	CHILE	57	—	—	56	—		
	CHINA	2,948	—	—	459	—		
	COLOMBIA	1	—	—	1	—		
	CURACAO	3,312	—	—	3,312	—		
	CZECH REPUBLIC	1,548	—	—	7	—		
	DENMARK	65	—	—	63	—		
	EGYPT	36	—	—	36	—		
	ESTONIA	—	—	—	—	—		
	FINLAND	57	—	—	57	—		
	FRANCE	13,802	—	—	6,182	—		
	GEORGIA	—	—	—	—	—		
	GERMANY	10,697	—	—	1,351	—		
	GREECE	2	—	—	2	—		
	GUERNSEY	78	—	—	64	—		
	HONG KONG	4,148	—	—	4,127	—		
	HUNGARY	1	—	—	1	—		
	ICELAND	1	—	—	—	—		
	INDIA	37	—	—	37	—		
	IRELAND	2,808	—	—	828	—		
	ISRAEL	170	—	—	45	—		
	ITALY	1,089	—	—	1,089	—		
	JAPAN	13,863	—	—	8,947	—		
	JERSEY	7	—	—	7	—		

Pillar 3 Disclosure for the Year Ended 31 December 2022

	KOREA, REPUBLIC OF (SOUTH)	811	—	—	609	—		
	KUWAIT	57	—	—	49	—		
	LIECHTENSTEIN	—	—	—	—	—		
	LUXEMBOURG	1,202	—	—	723	—		
	MACAO	—	—	—	—	—		—
	MALAYSIA	74	—	—	74	—		—
	MALTA	46	—	—	1	—		—
	MARSHALL ISLANDS	45	—	—	45	—		—
	MAURITIUS	107	—	—	—	—		—
	MEXICO	15	—	—	15	—		—
	MOROCCO	—	—	—	—	—		—
	NETHERLANDS	1,008	—	—	716	—		—
	NEW ZEALAND	11	—	—	8	—		—
	NORWAY	941	—	—	941	—		—
	OMAN	—	—	—	—	—		—
	PANAMA	37	—	—	11	—		—
	PHILIPPINES	141	—	—	—	—		—
	POLAND	1	—	—	1	—		—
	PORTUGAL	1	—	—	—	—		—
	QATAR	1,470	—	—	100	—		—
	ROMANIA	1	—	—	1	—		—
	RUSSIAN FEDERATION	2	—	—	2	—		—
	SAUDI ARABIA	139	—	—	139	—		—
	SINGAPORE	2,427	—	—	2,264	—		—
	SLOVAKIA (SLOVAK REPUBLIC)		—	—	—	—		—
	SLOVENIA	15	—	—	—	—		—
	SOUTH AFRICA	706	—	—	702	—		—
	SPAIN	242	—	—	208	—		—
	SWEDEN	27	—	—	19	—		—
	SWITZERLAND	2,329	—	—	2,175	—		—
	TAIWAN, PROVINCE OF CHINA	1,640	—	—	1,510	—		—
	THAILAND	12	—	—	12	—		—
	TURKEY	903	—	—	479	—		—
	UNITED ARAB EMIRATES	3,040	—	—	30	—		—
	UNITED KINGDOM	28,283	—	—	19,384	—		—
	UNITED STATES	49,544	—	—	48,545	—		—
	URUGUAY	3	—	—	3	—		—
	VIETNAM	—	—	—	—	—		—
	VIRGIN ISLANDS (BRITISH)	77	—	—	70	—		—
080	Off-balance-sheet exposures	24,771	—	—			—	
090	ANGUILLA	19	—	—			—	
	BRAZIL	117	—	—			—	
	CANADA		—	—			—	

Pillar 3 Disclosure for the Year Ended 31 December 2022

	CAYMAN ISLANDS	646	—	—			—	
	CHINA	3,715	—	—			—	
	FRANCE	9,484	—	—			—	
	GERMANY	28	—	—			—	
	IRELAND	2	—	—			—	
	JAPAN	5,793	—	—			—	
	LUXEMBOURG	213	—	—			—	
	MAURITIUS	5	—	—			—	
	NORWAY	379	—	—			—	
	POLAND		—	—			—	
	UNITED ARAB EMIRATES	4	—	—			—	
	UNITED KINGDOM	3,638	—	—			—	
	UNITED STATES	715	—	—			—	
	VIRGIN ISLANDS(BRITISH)	11	—	—			—	
150	Total	190,617	—	—	114,266	—	—	—

(\$ in Millions)		a	b	c	d	2022 MLI		
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non performing exposures
		Of which non performing	Of which defaulted		Of which subject to impairment			
	On-balance-sheet exposures		169,169	—		—	117,588	—
	ANDORRA	4	—	—	—	—		—
	ANGUILLA	64	—	—	1	—		—
	AUSTRALIA	2,014	—	—	1,980	—		—
	AUSTRIA	208	—	—	15	—		—
	AZERBAIJAN	—	—	—	—	—		—
	BAHAMAS	28	—	—	—	—		—
	BAHRAIN	179	—	—	—	—		—
	BELGIUM	625	—	—	625	—		—
	BERMUDA	80	—	—	47	—		—
	BRAZIL	861	—	—	569	—		—
	BRUNEI	12	—	—	12	—		—
	CANADA	2,722	—	—	1,209	—		—
	CAYMAN ISLANDS	8,951	—	—	4,287	—		—
	CHILE	57	—	—	56	—		—
	CHINA	2,948	—	—	459	—		—
	COLOMBIA	1	—	—	1	—		—
	CURACAO	3,312	—	—	3,312	—		—
	CZECH REPUBLIC	1,548	—	—	7	—		—
	DENMARK	65	—	—	63	—		—
	EGYPT	36	—	—	36	—		—
	ESTONIA	—	—	—	—	—		—
	FINLAND	57	—	—	57	—		—
	FRANCE	13,802	—	—	6,182	—		—

Pillar 3 Disclosure for the Year Ended 31 December 2022

GEORGIA	—	—	—	—	—	—	—
GERMANY	10,697	—	—	1,351	—	—	—
GREECE	2	—	—	2	—	—	—
GUERNSEY	78	—	—	64	—	—	—
HONG KONG	4,148	—	—	4,127	—	—	—
HUNGARY	1	—	—	1	—	—	—
ICELAND	1	—	—	—	—	—	—
INDIA	37	—	—	37	—	—	—
IRELAND	2,808	—	—	828	—	—	—
ISRAEL	170	—	—	45	—	—	—
ITALY	1,089	—	—	1,089	—	—	—
JAPAN	13,863	—	—	8,947	—	—	—
JERSEY	7	—	—	7	—	—	—
KOREA, REPUBLIC OF (SOUTH)	811	—	—	609	—	—	—
KUWAIT	57	—	—	49	—	—	—
LIECHTENSTEIN	—	—	—	—	—	—	—
LUXEMBOURG	1,202	—	—	723	—	—	—
MACAO	—	—	—	—	—	—	—
MALAYSIA	74	—	—	74	—	—	—
MALTA	46	—	—	1	—	—	—
MARSHALL ISLANDS	45	—	—	45	—	—	—
MAURITIUS	107	—	—	—	—	—	—
MEXICO	15	—	—	15	—	—	—
MOROCCO	—	—	—	—	—	—	—
NETHERLANDS	1,008	—	—	716	—	—	—
NEW ZEALAND	11	—	—	8	—	—	—
NORWAY	941	—	—	941	—	—	—
OMAN	—	—	—	—	—	—	—
PANAMA	37	—	—	11	—	—	—
PHILIPPINES	141	—	—	—	—	—	—
POLAND	1	—	—	1	—	—	—
PORTUGAL	1	—	—	—	—	—	—
QATAR	1,470	—	—	100	—	—	—
ROMANIA	1	—	—	1	—	—	—
RUSSIAN FEDERATION	2	—	—	2	—	—	—
SAUDI ARABIA	139	—	—	139	—	—	—
SINGAPORE	2,427	—	—	2,264	—	—	—
SLOVAKIA (SLOVAK REPUBLIC)	—	—	—	—	—	—	—
SLOVENIA	15	—	—	—	—	—	—
SOUTH AFRICA	706	—	—	702	—	—	—
SPAIN	242	—	—	208	—	—	—
SWEDEN	27	—	—	19	—	—	—
SWITZERLAND	2,329	—	—	2,175	—	—	—
TAIWAN, PROVINCE OF CHINA	1,640	—	—	1,510	—	—	—
THAILAND	12	—	—	12	—	—	—

Pillar 3 Disclosure for the Year Ended 31 December 2022

TURKEY	903	—	—	479	—	—
UNITED ARAB EMIRATES	3,040	—	—	30	—	—
UNITED KINGDOM	31,618	—	—	22,719	—	—
UNITED STATES	49,542	—	—	48,544	—	—
URUGUAY	3	—	—	3	—	—
VIETNAM	—	—	—	—	—	—
VIRGIN ISLANDS(BRITISH)	77	—	—	70	—	—
Off-balance-sheet exposures	24,771	—	—			
ANGUILLA	19	—	—			
Brazil	117	—	—			
CANADA	—	—	—			
CAYMAN ISLANDS	646	—	—			
CHINA	3,715	—	—			
France	9,484	—	—			
Germany	28	—	—			
IRELAND	2	—	—			
JAPAN	5,793	—	—			
LUXEMBOURG	213	—	—			
Mauritius	5	—	—			
NORWAY	379	—	—			
POLAND	—	—	—			
United Arab Emirates	4	—	—			
United Kingdom	3,638	—	—			
UNITED STATES	715	—	—			
VIRGIN ISLANDS(BRITISH)	11	—	—			
Total	193,940	—	—	117,588	—	—

Table 5.4.2.T2. – UK CR1-A Maturity of Exposures splits MLI and the Group's Credit Risk exposure values at the end of the year by residual maturity.

Table 5.4.2.T2. – UK CR1-A Maturity of Exposures

		a	b	c	d	e	f
		2022 MLUKCH					
		Net exposure value					
(\$ in Millions)		On demand	< 1 year	> 1 year < 5 years	> 5 years	No stated maturity	Total
1	Loans and advances		161,457				161,457
2	Debt securities		4,389				4,389
3	Total		165,846				165,846

		a	b	c	d	e	f
		2022 MLI					
		Net exposure value					
(\$ in Millions)		On demand	< 1 year	> 1 year < 5 years	> 5 years	No stated maturity	Total
	Loans and advances		161,491		3,289		164,780
	Debt securities		4,389				4,389
	Total		165,880		3,289		169,169

5.4.3. Counterparty Credit Risk Exposure

MLI and MLUKCH have exposure to counterparty credit risk arising from exposures to counterparties in derivative and securities financing transactions. MLI and MLUKCH calculate counterparty credit risk of derivative exposures using SA-CCR. For securities financing transactions, MLI and MLUKCH use the financial collateral comprehensive method.

Table 5.4.3.T1. – UK CCR1 Analysis of CCR Exposure by Approach shows a breakdown of MLUKCH's CCR exposures by approach.

Table 5.4.3.T1. – UK CCR1 Analysis of CCR Exposure by Approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre CRM	Exposure value post CRM	Exposure value	RWEA
(\$ in Millions)									
UK1	Original Exposure Method (for derivatives)				1.4				
UK2	Simplified SA-CCR (for derivatives)				1.4				
1	SA-CCR (for derivatives)	13,318	25,420		1.4	138,475	54,232	54,232	32,655
2	IMM (for derivatives and SFTs)								
2a	<i>Of which securities financing transactions netting sets</i>								
2b	<i>Of which derivatives and long settlement transactions netting sets</i>								
2c	<i>Of which from contractual cross-product netting sets</i>								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					547,372	51,295	51,295	35,818
5	VaR for SFTs								
6	Total					685,847	105,527	105,527	68,473

5.4.4. Credit Quality of Assets (UK CRB)

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 2022, the Company did not have any third party credit exposures that were more than 90 days past due or that were considered credit impaired.

5.5. Securitisation

5.5.1. Securitisation Activities (UK SECA)

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 (UK SECA)

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 ECAs: 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 (UK SECA)

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.

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

5.5.5. Securitisation Exposures

The following tables provide a summary of the exposures the Group has to securitisations as at 31 December 2022, and the aggregate amount of such securitisation exposures in the trading book and non-trading book.

The Group does not currently act as originator or sponsor for any securitisations. Therefore templates UK-SEC3 and UK-SEC5 are not disclosed.

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

Table 5.5.5.T1. – UK-SEC1 Securitisation Exposures in the Non-Trading Book

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic		Sub total	Traditional		Synthetic	Sub total	Traditional		Synthetic	Sub total
	STS		Non STS		of which SRT	STS		Non STS	STS			Non STS			
	of which SRT		of which SRT												
1 Total exposures	0	0	0	0	0	0	0	0	0	0	0	0	616	22	638
2 Retail (total)	0	0	0	0	0	0	0	0	0	0	0	0	94	—	94
3 residential mortgage	0	0	0	0	0	0	0	0	0	0	0	0	91	—	91
4 credit card	0	0	0	0	0	0	0	0	0	0	0	0	—	—	—
5 other retail exposures	0	0	0	0	0	0	0	0	0	0	0	0	3	—	3
6 re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	—	—	—
7 Wholesale (total)	0	0	0	0	0	0	0	0	0	0	0	0	523	22	545
8 loans to corporates	0	0	0	0	0	0	0	0	0	0	0	0	384	—	384
9 commercial mortgage	0	0	0	0	0	0	0	0	0	0	0	0	6	—	6
10 lease and receivables	0	0	0	0	0	0	0	0	0	0	0	0	—	—	—
11 other wholesale	0	0	0	0	0	0	0	0	0	0	0	0	85	—	85
12 re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	48	22	70

(\$ in Millions)

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

Table 5.5.5.T2. – UK-SEC2 Securitisation Exposures in the Trading Book

(\$ in Millions)

	a	b	c	d	e	f	g	h	i	j	k	l
	Institution acts as originator				Institution acts as sponsor				Institution acts as investor			
	Traditional		Synthetic	Sub total	Traditional		Synthetic	Sub total	Traditional		Synthetic	Sub total
	STS	Non STS			STS	Non STS			STS	Non STS		
1	Total exposures											
2	—	—	—	—	—	—	—	—	—	686	—	686
2	Retail (total)											
3	—	—	—	—	—	—	—	—	—	448	—	448
3	residential mortgage											
4	—	—	—	—	—	—	—	—	—	446	—	446
4	credit card											
5	—	—	—	—	—	—	—	—	—	—	—	—
5	other retail exposures											
6	—	—	—	—	—	—	—	—	—	3	—	3
6	re-securitisation											
7	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)											
8	—	—	—	—	—	—	—	—	—	—	—	—
8	loans to corporates											
9	—	—	—	—	—	—	—	—	—	—	—	—
9	commercial mortgage											
10	—	—	—	—	—	—	—	—	—	181	—	181
10	lease and receivables											
11	—	—	—	—	—	—	—	—	—	—	—	—
11	other wholesale											
12	—	—	—	—	—	—	—	—	—	56	—	56
12	re-securitisation											

Table 5.5.5.T3. – UK-SEC4 Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements - Institution Acting as Investor

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC IRBA	SEC ERBA (including IAA)	SEC SA	1250%/ deductions	SEC IRBA	SEC ERBA (including IAA)	SEC SA	1250%/ deductions	SEC IRBA	SEC ERBA (including IAA)	SEC SA	1250%/ deductions
(\$ in Millions)																		
1	Total exposures	51	2	12	402	171	—	403	194	41	—	2,082	1,529	516	—	167	122	41
2	Traditional securitisation	51	2	12	381	171	—	403	172	41	—	2,082	1,273	516	—	167	102	41
3	Securitisation	51	2	12	372	132	—	403	153	12	—	2,082	1,120	153	—	167	90	12
4	Retail underlying	11	2	2	31	48	—	64	18	11	—	627	61	136	—	50	5	11
5	Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Wholesale	40	—	10	341	84	—	339	135	1	—	1,455	1,059	17	—	116	85	1
7	Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	9	39	—	—	19	29	—	—	153	362	—	—	12	29
9	Synthetic securitisation	—	—	—	22	—	—	—	22	—	—	—	256	—	—	—	20	—
10	Securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	22	—	—	—	22	—	—	—	256	—	—	—	20	—

5.6. Capital Buffer Requirements

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.

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

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 1% as at 31 December 2022, while a further increase in the CCYB rate to 2% will become applicable from 5 July 2023.

Jurisdictions with a non-zero CCYB rate as at the end of 2022, which were recognised by Financial Policy Committee (“FPC”) on exposures of U.K. institutions, were Hong Kong (1%), Norway (2%), Czech Republic (1.5%), Slovakia (1%), Luxembourg (0.5%), Bulgaria (1%), Sweden (1%), Iceland (2%), Denmark (2%), Estonia (1%) and Romania (0.5%).

Table 5.6.T1. – UK CCyB1 - MLI Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer outlines the components of relevant credit exposures used in the calculation of CCYB by country.

Table 5.6.T1. – UK CCyB1 - MLI Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	MLI																
	General credit exposures		Relevant credit exposures risk		Market risk	Own fund requirements						Total	Risk weighted exposure amounts	Own fund requirements (%)	Countercyclical buffer rate (%)		
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book								
<i>(\$ in Millions)</i>																	
Breakdown by country:																	
ALAND ISLANDS	—	—	19	—	—	19	—	—	—	—	—	4	— %	— %			
ANDORRA	8	—	—	—	—	8	1	—	—	1	8	— %	— %				
ANGUILLA	5	—	—	—	—	5	—	—	—	—	5	— %	— %				
ARGENTINA	1	—	—	—	—	1	—	—	—	—	1	— %	— %				
AUSTRALIA	1,374	—	12	41	3	1,429	109	26	—	135	1,690	2.4 %	— %				
AUSTRIA	25	—	3	15	—	43	2	3	—	5	64	0.1 %	— %				
AZERBAIJAN	—	—	—	6	—	6	—	3	—	3	33	— %	— %				
BAHAMAS	65	—	—	—	—	65	5	—	—	5	65	0.1 %	— %				
BAHRAIN	13	—	—	1	—	14	1	1	—	2	31	— %	— %				
BARBADOS	—	—	—	—	—	—	—	—	—	—	—	— %	— %				
BELGIUM	252	—	20	25	—	298	20	15	—	35	442	0.6 %	— %				
BERMUDA	74	—	—	—	—	74	6	—	—	6	73	0.1 %	— %				
BRAZIL	264	—	—	6	—	270	50	7	—	57	712	1.0 %	— %				
BRUNEI DARUSSALAM	18	—	—	—	—	18	1	—	—	1	18	— %	— %				
CANADA	684	—	180	74	—	938	37	12	—	49	618	0.9 %	— %				
CAYMAN ISLANDS	9,071	—	—	7	48	9,126	726	2	25	753	9,416	13.4 %	— %				
CHILE	229	—	—	—	—	229	20	—	—	20	246	0.4 %	— %				

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

	MLI												
	General credit exposures		Relevant credit exposures		Market risk	Own fund requirements							
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
(\$ in Millions)													
CHINA	637	—	11	90	—	738	47	48	—	95	1,186	1.7 %	— %
COLOMBIA	4	—	—	—	—	4	—	—	—	—	4	— %	— %
COSTA RICA	4	—	—	—	—	4	1	—	—	1	7	— %	— %
CROATIA	—	—	—	—	—	—	—	—	—	—	—	— %	— %
CURACAO	27	—	—	—	—	27	2	—	—	2	27	— %	— %
CYPRUS	—	—	—	—	—	—	—	—	—	—	—	— %	— %
CZECH REPUBLIC	—	—	—	13	—	13	—	11	—	11	142	0.2 %	1.5 %
DENMARK	155	—	—	17	—	172	11	18	—	30	369	0.5 %	2.0 %
EGYPT	—	—	—	—	—	—	—	—	—	—	—	— %	— %
ESTONIA	—	—	—	—	—	—	—	—	—	—	—	— %	1.0 %
FINLAND	17	—	76	19	—	112	1	15	—	16	204	0.3 %	— %
FRANCE	428	—	376	301	—	1,105	32	73	—	105	1,318	1.9 %	— %
GEORGIA	—	—	—	—	—	—	—	—	—	—	—	— %	— %
GERMANY	744	—	74	31	—	850	60	56	—	116	1,446	2.1 %	— %
GHANA	—	—	—	—	—	—	—	—	—	—	1	— %	— %
GREECE	2	—	—	5	—	7	—	3	—	3	39	0.1 %	— %
GUAM	2	—	—	—	—	2	—	—	—	—	2	— %	— %
GUERNSEY	103	—	3	—	—	106	8	—	—	8	106	0.2 %	— %
HONG KONG	1,176	—	14	42	—	1,233	94	13	—	107	1,340	1.9 %	1.0 %
HUNGARY	—	—	—	—	—	—	—	—	—	—	1	— %	— %
ICELAND	2	—	—	1	—	3	—	3	—	3	39	0.1 %	2.0 %
INDIA	253	—	—	92	—	346	20	31	—	51	635	0.9 %	— %
INDONESIA	—	—	—	32	—	32	—	15	—	15	187	0.3 %	— %
IRAN, ISLAMIC REPUBLIC OF	—	—	—	—	—	—	—	—	—	—	—	— %	— %
IRELAND	3,056	—	908	6	345	4,316	244	78	148	469	5,868	8.4 %	— %
ISLE OF MAN	—	—	—	—	—	—	—	—	—	—	—	— %	— %
ISRAEL	218	—	—	8	—	226	6	4	—	9	117	0.2 %	— %
ITALY	248	—	255	90	—	593	20	50	—	70	880	1.3 %	— %
JAPAN	4,210	—	66	111	—	4,387	272	42	—	314	3,926	5.6 %	— %
JERSEY	81	—	25	1	—	106	6	2	—	9	108	0.2 %	— %

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

(\$ in Millions)	MLI												
	General credit exposures		Relevant credit exposures		Market risk	Own fund requirements							
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
JORDAN	—	—	—	—	—	—	—	—	—	—	—	—	—
KAZAKHSTAN	—	—	—	—	—	—	—	—	—	—	1	—	—
KENYA	—	—	—	—	—	—	—	—	—	—	—	—	—
KOREA, REPUBLIC OF	195	—	—	2	—	197	15	2	—	16	202	0.3	—
KUWAIT	70	—	—	33	—	103	3	21	—	24	297	0.4	—
LIECHTENSTEIN	—	—	—	—	—	—	—	—	—	—	—	—	—
LUXEMBOURG	4,276	—	36	16	1	4,329	312	13	1	326	4,070	5.8	0.5
MACAO	—	—	—	5	—	5	—	9	—	9	111	0.2	—
MALAYSIA	655	—	—	10	—	666	52	3	—	54	679	1.0	—
MALDIVES	—	—	—	—	—	—	—	—	—	—	—	—	—
MALTA	7	—	—	4	—	11	1	1	—	1	18	—	—
MARSHALL ISLANDS	45	—	—	—	—	45	4	—	—	4	45	0.1	—
MAURITIUS	41	—	—	—	—	42	3	—	—	4	45	0.1	—
MEXICO	131	—	35	18	—	184	10	23	—	34	423	0.6	—
MONACO	—	—	—	—	—	—	—	—	—	—	1	—	—
MONGOLIA	—	—	—	—	—	—	—	—	—	—	2	—	—
MOROCCO	—	—	—	11	—	11	—	9	—	9	118	0.2	—
NAMIBIA	1	—	—	—	—	1	—	—	—	—	1	—	—
NETHERLANDS	2,348	—	56	48	80	2,532	119	29	38	186	2,331	3.3	—
NEW ZEALAND	51	—	—	1	—	51	4	—	—	4	54	0.1	—
NICARAGUA	—	—	—	—	—	—	—	—	—	—	—	—	—
NIGERIA	—	—	—	—	—	—	—	—	—	—	—	—	—
NORWAY	41	—	16	—	—	57	2	3	—	5	67	0.1	2.0
OMAN	1	—	—	2	—	3	—	4	—	4	54	0.1	—
Other Countries	—	—	—	—	—	—	—	—	—	—	1	—	—
PAKISTAN	—	—	—	1	—	1	—	4	—	4	53	0.1	—
PANAMA	55	—	—	—	—	55	4	—	—	4	55	0.1	—
PERU	28	—	—	—	—	28	2	—	—	2	28	—	—
PHILIPPINES	3	—	—	2	—	5	—	1	—	1	15	—	—
POLAND	6	—	—	—	—	6	—	—	—	1	8	—	—
PORTUGAL	14	—	—	8	—	22	1	10	—	11	140	0.2	—

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

	MLI												
	General credit exposures		Relevant credit exposures		Market risk	Own fund requirements							
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
(\$ in Millions)													
PUERTO RICO	—	—	—	—	—	—	—	—	—	—	—	— %	— %
QATAR	93	—	—	13	—	106	7	3	—	11	133	0.2 %	— %
ROMANIA	—	—	—	3	—	3	—	1	—	1	17	— %	0.5 %
RUSSIAN FEDERATION	2	—	—	8	—	10	—	7	—	8	94	0.1 %	— %
SAUDI ARABIA	3	—	—	4	—	7	—	5	—	5	67	0.1 %	— %
SERBIA	1	—	—	—	—	1	—	—	—	—	1	— %	— %
SINGAPORE	1,801	—	17	4	—	1,822	144	10	—	154	1,925	2.7 %	— %
SLOVAKIA	—	—	—	3	—	3	—	2	—	2	29	— %	1.0 %
SOUTH AFRICA	94	—	5	20	—	120	8	13	—	20	255	0.4 %	— %
SPAIN	54	—	54	209	5	322	5	61	5	72	895	1.3 %	— %
SWEDEN	348	—	65	45	—	458	28	15	—	43	539	0.8 %	1.0 %
SWITZERLAND	1,774	—	124	91	—	1,988	111	10	—	121	1,518	2.2 %	— %
TAIWAN, PROVINCE OF CHINA	1,390	—	—	—	—	1,390	110	—	—	110	1,379	2.0 %	— %
TAJKISTAN	—	—	—	—	—	—	—	—	—	—	—	— %	— %
THAILAND	108	—	—	3	—	111	9	6	—	15	185	0.3 %	— %
TUNISIA	—	—	—	—	—	—	—	—	—	—	—	— %	— %
TURKEY	26	—	1	5	—	32	2	6	—	8	95	0.1 %	— %
UKRAINE	0	—	—	1	—	1	—	1	—	1	10	— %	— %
UNITED ARAB EMIRATES	232	—	—	9	—	241	17	5	—	22	277	0.4 %	— %
UNITED KINGDOM	7,132	—	992	222	20	8,367	505	295	7	808	10,097	14.4 %	1.0 %
UNITED STATES	9,544	—	285	23	136	9,988	651	212	106	968	12,106	17.2 %	— %
URUGUAY	6	—	—	—	—	6	—	—	—	—	6	— %	— %
UZBEKISTAN	0	—	—	1	—	1	—	—	—	—	1	— %	— %
VENEZUELA, BOLIVARIAN REPUBLIC OF	0	—	—	—	—	—	—	—	—	—	—	— %	— %
VIET NAM	0	0	—	—	—	1	—	—	—	—	3	— %	— %
VIRGIN ISLANDS, BRITISH	434	0	—	—	—	434	35	—	—	35	434	0.6 %	— %
Total	54,460	—	3,731	1,858	638	60,687	3,970	1,321	330	5,621	70,262	100.0 %	

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

Table 5.6.T2. – UK CCyB2 - MLI Amount of institution-specific countercyclical capital buffer

(\$ in Millions) a

1	Total risk exposure amount	144,624
2	Institution specific countercyclical capital buffer rate	0.2165 %
3	Institution specific countercyclical capital buffer requirement	313

Table 5.6.T3. – UK CCyB1 - MLUKCH Group Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

(\$ in Millions)

	MLUKCH Group												
	General credit exposures		Relevant credit exposures risk		Market risk	Own fund requirements							
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:													
ALAND ISLANDS	—	—	19	—	—	19	—	—	—	—	4	— %	— %
ANDORRA	8	—	—	—	—	8	1	—	—	1	8	— %	— %
ANGUILLA	5	—	—	—	—	5	—	—	—	—	5	— %	— %
ARGENTINA	1	—	—	—	—	1	—	—	—	—	1	— %	— %
AUSTRALIA	1,374	—	12	41	3	1,429	109	26	—	135	1,690	2.4 %	— %
AUSTRIA	25	—	3	15	—	43	2	3	—	5	64	0.1 %	— %
AZERBAIJAN	—	—	—	6	—	6	—	3	—	3	33	— %	— %
BAHAMAS	65	—	—	—	—	65	5	—	—	5	65	0.1 %	— %
BAHRAIN	13	—	—	1	—	14	1	1	—	2	31	— %	— %
BARBADOS	—	—	—	—	—	—	—	—	—	—	—	— %	— %
BELGIUM	252	—	20	25	—	298	20	15	—	35	442	0.6 %	— %
BERMUDA	74	—	—	—	—	74	6	—	—	6	73	0.1 %	— %
BRAZIL	21	—	2	6	—	29	2	7	—	8	105	0.2 %	— %
BRUNEI DARUSSALAM	18	—	—	—	—	18	1	—	—	1	18	— %	— %
CANADA	684	—	180	74	—	938	37	12	—	49	618	0.9 %	— %
CAYMAN ISLANDS	9,071	—	—	7	48	9,126	726	2	25	753	9,416	13.6 %	— %
CHILE	229	—	—	—	—	229	20	—	—	20	246	0.4 %	— %
CHINA	637	—	11	90	—	738	47	48	—	95	1,186	1.7 %	— %

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

	MLUKCH Group												
	General credit exposures		Relevant credit exposures		Market risk	Own fund requirements							
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
(\$ in Millions)													
COLOMBIA	4	—	—	—	—	4	—	—	—	—	4	— %	— %
COSTA RICA	4	—	—	—	—	4	1	—	—	1	7	— %	— %
CROATIA	—	—	—	—	—	—	—	—	—	—	—	— %	— %
CURACAO	27	—	—	—	—	27	2	—	—	2	27	— %	— %
CYPRUS	—	—	—	—	—	—	—	—	—	—	—	— %	— %
CZECH REPUBLIC	—	—	—	13	—	13	—	11	—	11	142	0.2 %	1.5 %
DENMARK	155	—	—	17	—	172	11	18	—	30	369	0.5 %	2.0 %
EGYPT	—	—	—	—	—	—	—	—	—	—	—	— %	— %
ESTONIA	—	—	—	—	—	—	—	—	—	—	—	— %	1.0 %
FINLAND	17	—	76	19	—	112	1	15	—	16	204	0.3 %	— %
FRANCE	428	—	376	301	—	1,105	32	73	—	105	1,318	1.9 %	— %
GEORGIA	—	—	—	—	—	—	—	—	—	—	—	— %	— %
GERMANY	744	—	74	31	—	850	60	56	—	116	1,446	2.1 %	— %
GHANA	—	—	—	—	—	—	—	—	—	—	1	— %	— %
GREECE	2	—	—	5	—	7	—	3	—	3	39	0.1 %	— %
GUAM	2	—	—	—	—	2	—	—	—	—	2	— %	— %
GUERNSEY	103	—	3	—	—	106	8	—	—	8	106	0.2 %	— %
HONG KONG	1,176	—	14	42	—	1,233	94	13	—	107	1,340	1.9 %	1.0 %
HUNGARY	—	—	—	—	—	—	—	—	—	—	1	— %	— %
ICELAND	2	—	—	1	—	3	—	3	—	3	39	0.1 %	2.0 %
INDIA	253	—	—	92	—	346	20	31	—	51	635	0.9 %	— %
INDONESIA	—	—	—	32	—	32	—	15	—	15	187	0.3 %	— %
IRAN, ISLAMIC REPUBLIC OF	—	—	—	—	—	—	—	—	—	—	—	— %	— %
IRELAND	3,056	—	908	6	345	4,316	244	78	148	469	5,868	8.5 %	— %
ISLE OF MAN	—	—	—	—	—	—	—	—	—	—	—	— %	— %
ISRAEL	218	—	—	8	—	226	6	4	—	9	117	0.2 %	— %
ITALY	248	—	255	90	—	593	20	50	—	70	880	1.3 %	— %
JAPAN	4,210	—	66	111	—	4,387	272	42	—	314	3,926	5.7 %	— %
JERSEY	81	—	25	1	—	106	6	2	—	9	108	0.2 %	— %
JORDAN	—	—	—	—	—	—	—	—	—	—	—	— %	— %
KAZAKHSTAN	—	—	—	—	—	—	—	—	—	—	1	— %	— %

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

	MLUKCH Group																
	General credit exposures		Relevant credit exposures		Market risk	Own fund requirements						Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)		
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book								
(\$ in Millions)																	
KENYA	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
KOREA, REPUBLIC OF	195	—	—	2	—	197	15	2	—	16	202	0.3	—	—	—	—	—
KUWAIT	70	—	—	33	—	103	3	21	—	24	297	0.4	—	—	—	—	—
LIECHTENSTEIN	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
LUXEMBOURG	4,276	—	36	16	1	4,329	312	13	1	326	4,070	5.9	—	—	—	—	0.5
MACAO	—	—	—	5	—	5	—	9	—	9	111	0.2	—	—	—	—	—
MALAYSIA	655	—	—	10	—	666	52	3	—	54	679	1.0	—	—	—	—	—
MALDIVES	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
MALTA	7	—	—	4	—	11	1	1	—	1	18	—	—	—	—	—	—
MARSHALL ISLANDS	45	—	—	—	—	45	4	—	—	4	45	0.1	—	—	—	—	—
MAURITIUS	41	—	—	—	—	42	3	—	—	4	45	0.1	—	—	—	—	—
MEXICO	131	—	35	18	—	184	10	23	—	34	423	0.6	—	—	—	—	—
MONACO	—	—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—
MONGOLIA	—	—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	—
MOROCCO	—	—	—	11	—	11	—	9	—	9	118	0.2	—	—	—	—	—
NAMIBIA	1	—	—	—	—	1	—	—	—	—	1	—	—	—	—	—	—
NETHERLANDS	2,348	—	56	48	80	2,532	119	29	38	186	2,331	3.4	—	—	—	—	—
NEW ZEALAND	51	—	—	1	—	51	4	—	—	4	54	0.1	—	—	—	—	—
NICARAGUA	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
NIGERIA	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
NORWAY	41	—	16	—	—	57	2	3	—	5	67	0.1	—	—	—	—	2.0
OMAN	1	—	—	2	—	3	—	4	—	4	54	0.1	—	—	—	—	—
Other Countries	—	—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—
PAKISTAN	—	—	—	1	—	1	—	4	—	4	53	0.1	—	—	—	—	—
PANAMA	55	—	—	—	—	55	4	—	—	4	55	0.1	—	—	—	—	—
PERU	28	—	—	—	—	28	2	—	—	2	28	—	—	—	—	—	—
PHILIPPINES	3	—	—	2	—	5	—	1	—	1	15	—	—	—	—	—	—
POLAND	6	—	—	—	—	6	—	—	—	1	8	—	—	—	—	—	—
PORTUGAL	14	—	—	8	—	22	1	10	—	11	140	0.2	—	—	—	—	—
PUERTO RICO	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
QATAR	93	—	—	13	—	106	7	3	—	11	133	0.2	—	—	—	—	—
ROMANIA	—	—	—	3	—	3	—	1	—	1	17	—	—	—	—	—	0.5

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

	MLUKCH Group													
	General credit exposures		Relevant credit exposures		Market risk	Own fund requirements						Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book	Total				
(\$ in Millions)														
RUSSIAN FEDERATION	2	—	—	8	—	10	—	7	—	8	94	0.1 %	— %	
SAUDI ARABIA	3	—	—	4	—	7	—	5	—	5	67	0.1 %	— %	
SERBIA	1	—	—	—	—	1	—	—	—	—	1	— %	— %	
SINGAPORE	1,801	—	17	4	—	1,822	144	10	—	154	1,925	2.8 %	— %	
SLOVAKIA	—	—	—	3	—	3	—	2	—	2	29	— %	1.0 %	
SOUTH AFRICA	94	—	5	20	—	120	8	13	—	20	255	0.4 %	— %	
SPAIN	54	—	54	209	5	322	5	61	5	72	895	1.3 %	— %	
SWEDEN	348	—	65	45	—	458	28	15	—	43	539	0.8 %	1.0 %	
SWITZERLAND	1,774	—	124	91	—	1,988	111	10	—	121	1,518	2.2 %	— %	
TAIWAN, PROVINCE OF CHINA	1,390	—	—	—	—	1,390	110	—	—	110	1,379	2.0 %	— %	
TAJIKISTAN	—	—	—	—	—	—	—	—	—	—	—	— %	— %	
THAILAND	108	—	—	3	—	111	9	6	—	15	185	0.3 %	— %	
TUNISIA	—	—	—	—	—	—	—	—	—	—	—	— %	— %	
TURKEY	26	—	1	5	—	32	2	6	—	8	95	0.1 %	— %	
UKRAINE	—	—	—	1	—	1	—	1	—	1	10	— %	— %	
UNITED ARAB EMIRATES	232	—	—	9	—	241	17	5	—	22	277	0.4 %	— %	
UNITED KINGDOM	7,084	—	992	222	20	8,319	501	295	7	804	10,049	14.5 %	1.0 %	
UNITED STATES	9,277	—	285	23	136	9,721	629	212	106	947	11,833	17.1 %	— %	
URUGUAY	6	—	—	—	—	6	—	—	—	—	6	— %	— %	
UZBEKISTAN	—	—	—	1	—	1	—	—	—	—	1	— %	— %	
VENEZUELA, BOLIVARIAN REPUBLIC OF	—	—	—	—	—	—	—	—	—	—	—	— %	— %	
VIET NAM	—	—	—	—	—	1	—	—	—	—	3	— %	— %	
VIRGIN ISLANDS, BRITISH	434	—	—	—	—	434	35	—	—	35	434	0.6 %	— %	

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

	MLUKCH Group												
	General credit exposures		Relevant credit exposures		Market risk	Own fund requirements					Total	Risk weighted exposure amounts	Own fund requirements weights (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Relevant credit exposures Securitisation positions in the non trading book				
<i>(\$ in Millions)</i>													
Total	53,902	—	3,733	1,858	638	60,131	3,896	1,321	330	5,547	69,335	100.0 %	

Table 5.6.T4. – UK CCyB2 - MLUKCH Group CCyB - Amount of institution-specific countercyclical capital buffer

<i>(\$ in Millions)</i>		a
1	Total risk exposure amount	143,228
2	Institution specific countercyclical capital buffer rate	0.2187 %
3	Institution specific countercyclical capital buffer requirement	313

MLI and the Group's Institution Specific CCyB requirement increased in 2022, mainly due to an increase in the UK CCyB rate from 0% in 2021 to 1% in 2022.

5.7. Capital Resources

Table 5.7.T1. – UK CC2 - Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements shows the accounting balance sheet, with references in column C to the balance sheet items included within the elements of MLI and the Group's own funds as reported in template UK CC1. 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. – UK CC2 - Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

		Balance sheet as in published financial statements		Reference
		MLI	MLUKCH Group	
		2022		
(\$ in Millions)				
Assets - Breakdown by asset class according to the balance sheet in the published financial statements				
	Non- Current Assets			
1	Investments	339	96	
2	Debtors: Amounts owed from affiliated companies	3,289	—	
3	Deferred tax	533	550	
	Of Which:			
3a	Tax losses carried forward	291	308	10
3b	Temporary differences with respect to share based payments	94	94	21
3c	Temporary differences with respect to loan relationships	230	230	21
3d	Temporary differences with respect to capital gains	(11)	(11)	21
3e	Temporary differences in relation to pension	(71)	(71)	15
	Current assets			
4	Pension	252	252	15
5	Trading assets	216,842	216,777	
6	Debt securities at FVOCI	4,389	4,389	
7	Resale agreements and securities borrowed	98,929	98,940	
8	Debtors	61,924	61,880	
9	Cash at bank and in hand	5,610	5,630	
10	Total assets	392,107	388,514	
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements				
	Creditors: Amounts falling due within one year			
1	Bank loans and overdrafts	85	86	
2	Trading liabilities	188,914	188,963	
	Of Which:			
2a	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(121)	(121)	27a
3	Repurchase agreements and securities loaned	74,847	74,532	
4	Creditors	66,158	66,123	
	Creditors: Amounts falling due after more than one year			
5	Repurchase agreements and securities loaned	3,114	3,027	
6	Creditors	22,430	19,132	
7	Total liabilities	355,548	351,863	

		Balance sheet as in published financial statements		Reference
		MLI	MLUKCH Group	
Shareholders' Equity				
1	Called up share capital	7,933	2,926	1
2	Share premium account	4,499	—	1
3	Other reserves	9,162	1,082	3
4	Profit and loss account	14,965	32,643	
	Of Which:			
4a	<i>Retained earnings</i>	14,020	31,680	2
4b	<i>Accumulated other comprehensive income</i>	(165)	(175)	3
4c	<i>Independently reviewed interim profits</i>	1,111	1,138	
5	Total shareholders' equity	36,559	36,651	

The following tables disclose 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. – UK CCA MLUKCH Group - Main Features of Regulatory Own Funds Instruments and Eligible Liabilities Instruments

		a	b	c	d
		CET1	AT1	T2	Eligible Liability
1	Issuer	ML UK Capital Holdings	N/A	N/A	Merrill Lynch International
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	N/A	N/A	Private Placement
2a	Public or private placement	Private	N/A	N/A	Private
3	Governing law(s) of the instrument	English	N/A	N/A	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A	Yes
	Regulatory treatment				
4	Current treatment taking into account, where applicable, 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 or eligible liabilities (Currency in million, as of most recent reporting date)	\$2,926m comprising nominal and premium	N/A	N/A	USD 2,500m
9	Nominal amount of instrument	\$1.00	N/A	N/A	USD 2,500m
UK-9a	Issue price	\$1.00 30 Dec 2015	N/A	N/A	USD 2,500m
UK-9b	Redemption price	N/A	N/A	N/A	USD 2,500m
10	Accounting classification	Shareholders equity	N/A	N/A	Liability - amortised cost
11	Original date of issuance	30-Dec-15	N/A	N/A	23-Feb-22
12	Perpetual or dated	Perpetual	N/A	N/A	Dated
13	Original maturity date	No maturity	N/A	N/A	23-Feb-24
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 53 bps
19	Existence of a dividend stopper	No	N/A	N/A	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A	N/A	Mandatory
UK-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	Noncumulative or cumulative	Non-cumulative	N/A	N/A	Cumulative

Pillar 3 Disclosure for the Year Ended 31 December 2022

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 UK 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	Fully or Partially
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
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	Contractual
UK-34b	Ranking of the instrument in normal insolvency proceedings	Equity	N/A	N/A	Subordinated Claim
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
37a	Link to the full term and conditions of the instrument (signposting)	http://investor.bankofamerica.com	N/A	N/A	http://investor.bankofamerica.com
(1) Insert 'N/A' if the question is not applicable					

Table 5.7.T3. – UK CCA MLI - Main Features of Regulatory Own Funds Instruments and Eligible Liabilities Instruments

		a	b	c	d
		CET1	AT1	T2	Eligible Liability
1	Issuer	Merrill Lynch International	N/A	N/A	Merrill Lynch International
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	N/A	N/A	Private Placement
2a	Public or private placement	Private	N/A	N/A	Private
3	Governing law(s) of the instrument	English	N/A	N/A	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A	Yes
<i>Regulatory treatment</i>					
4	Current treatment taking into account, where applicable, 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 or eligible liabilities (Currency in million, as of most recent reporting date)	\$12,432m comprising nominal and premium	N/A	N/A	USD 2,500m
9	Nominal amount of instrument	1	N/A	N/A	USD 2,500m
UK-9a	Issue price	\$1.00 19 Dec 2012 \$4.76 18 Nov 2014	N/A	N/A	USD 2,500m
UK-9b	Redemption price	N/A	N/A	N/A	USD 2,500m
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	23-Feb-22
12	Perpetual or dated	Perpetual	N/A	N/A	Dated
13	Original maturity date	No maturity	N/A	N/A	23-Feb-24
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
<i>Coupons / dividends</i>					
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 53 bps
19	Existence of a dividend stopper	No	N/A	N/A	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A	N/A	Mandatory
UK-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

Pillar 3 Disclosure for the Year Ended 31 December 2022

22	Noncumulative 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 UK 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	Fully or Partially
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
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	Contractual
UK-34b	Ranking of the instrument in normal insolvency proceedings	Equity	N/A	N/A	Subordinated Claim
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
37a	Link to the full term and conditions of the instrument (signposting)	http://investor.bankofamerica.com	N/A	N/A	http://investor.bankofamerica.com
(1) Insert 'N/A' if the question is not applicable					

Table 5.7.T4. – UK CC1 - Composition of regulatory own funds

		Amounts		Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		MLI	MLUKCH Group	
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	12,432	2,926	Shareholders' equity - 1, 2
	of which: Ordinary shares with full voting rights	12,432	2,926	
2	Retained earnings	14,021	31,680	Shareholders' equity - 4a
3	Accumulated other comprehensive income (and other reserves)	8,997	907	Shareholders' equity - 3, 4b
UK-3a	Funds for general banking risk	—	—	

Pillar 3 Disclosure for the Year Ended 31 December 2022

		Amounts		Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		MLI	MLUKCH Group	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	—	—	
5	Minority interests (amount allowed in consolidated CET1)	—	—	
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	163	190	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	35,612	35,704	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(1,186)	(1,186)	
8	Intangible assets (net of related tax liability) (negative amount)	—	—	
9	Empty set in the UK	—	—	
10	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) CRR are met) (negative amount)	(291)	(308)	Assets - 3a
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	—	—	
12	Negative amounts resulting from the calculation of expected loss amounts	—	—	
13	Any increase in equity that results from securitised assets (negative amount)	—	—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	—	
15	Defined-benefit pension fund assets (negative amount)	(181)	(181)	Assets - 3d, 4
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	—	—	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	
20	Empty set in the UK	—	—	

Pillar 3 Disclosure for the Year Ended 31 December 2022

		Amounts		Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		MLI	MLUKCH Group	
UK-20 a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—	—	
UK-20 b	of which: qualifying holdings outside the financial sector (negative amount)	—	—	
UK-20 c	of which: securitisation positions (negative amount)	—	—	
UK-20 d	of which: free deliveries (negative amount)	—	—	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(313)	(313)	Assets - 3b, 3c, 3d
22	Amount exceeding the 17,65% threshold (negative amount)	—	—	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	—	—	
24	Empty set in the UK	—	—	
25	of which: deferred tax assets arising from temporary differences	—	—	
UK-25 a	Losses for the current financial year (negative amount)	—	—	
UK-25 b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	—	—	
26	Empty set in the UK	—	—	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	—	—	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	(121)	(121)	Liabilities - 2a
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2,091)	(2,108)	
29	Common Equity Tier 1 (CET1) capital	33,521	33,595	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	—	—	
31	of which: classified as equity under applicable accounting standards	—	—	
32	of which: classified as liabilities under applicable accounting standards	—	—	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	—	—	
UK-33 a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	—	—	

Pillar 3 Disclosure for the Year Ended 31 December 2022

		Amounts		Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		MLI	MLUKCH Group	
UK-33 b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	—	—	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	—	
35	of which: instruments issued by subsidiaries subject to phase out	—	—	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	—	—	
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	—	—	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	—	
41	Empty set in the UK	—	—	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—	—	
42a	Other regulatory adjustments to AT1 capital	—	—	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—	—	
44	Additional Tier 1 (AT1) capital	—	—	
45	Tier 1 capital (T1 = CET1 + AT1)	33,521	33,595	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	—	—	
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	—	—	
UK-47 a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	—	—	
UK-47 b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	—	—	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	—	
49	of which: instruments issued by subsidiaries subject to phase out	—	—	

Pillar 3 Disclosure for the Year Ended 31 December 2022

		Amounts		Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		MLI	MLUKCH Group	
50	Credit risk adjustments	—	—	
51	Tier 2 (T2) capital before regulatory adjustments	—	—	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—	—	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	
54a	Empty set in the UK	—	—	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	—	
56	Empty set in the UK	—	—	
UK-56 a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—	—	
UK-56 b	Other regulatory adjustments to T2 capital	—	—	
57	Total regulatory adjustments to Tier 2 (T2) capital	—	—	
58	Tier 2 (T2) capital	—	—	
59	Total capital (TC = T1 + T2)	33,521	33,595	
60	Total Risk exposure amount	144,624	143,228	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	23.18 %	23.46 %	
62	Tier 1 (as a percentage of total risk exposure amount)	23.18 %	23.46 %	
63	Total capital (as a percentage of total risk exposure amount)	23.18 %	23.46 %	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.04 %	9.05 %	
65	of which: capital conservation buffer requirement	2.50 %	2.50 %	
66	of which: countercyclical buffer requirement	0.22 %	0.22 %	
67	of which: systemic risk buffer requirement	0.00 %	0.00 %	

Pillar 3 Disclosure for the Year Ended 31 December 2022

		Amounts		Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		MLI	MLUKCH Group	
UK-67 a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00 %	0.00 %	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.93 %	12.21 %	
69	[non relevant in UK]			
70	[non relevant in UK]			
71	[non relevant in UK]			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities 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)	951	951	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	243	—	
74	Empty set in the UK			
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	—	—	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	—	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	946	935	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	—	—	
79		0	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

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 in the PRA Rulebook.

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. – UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

(\$ in Millions)	a	a
	MLI	MLUKCH
	Applicable amount	Applicable amount
Total assets as per published financial statements	392,108	388,514
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	—	—
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—	—
(Adjustment for exemption of exposures to central banks)	—	—
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	—	—
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	—	—
Adjustment for eligible cash pooling transactions	—	—
Adjustment for derivative financial instruments	(20,972)	(21,003)
Adjustment for securities financing transactions (SFTs)	21,526	21,513
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,820	1,555
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	—	—
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	—	—
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	—	—
Other adjustments	(23,565)	(23,714)
Total exposure measure	370,917	366,865

Table 5.8.2.T2. – UK LR2 - LRCom: Leverage Ratio Common Disclosure

(\$ in Millions)		a	a
		MLI	MLUKCH Group
On-Balance Sheet Exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	119,087	115,319
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(20,033)	(20,033)

Pillar 3 Disclosure for the Year Ended 31 December 2022

		a	a
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	—	—
5	(General credit risk adjustments to on-balance sheet items)	—	—
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(1,971)	(1,988)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	97,083	93,299
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	31,637	31,630
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	—	—
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	45,581	45,599
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	—	—
UK-9b	Exposure determined under the original exposure method	—	—
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(5,781)	(5,781)
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	—	—
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	—	—
11	Adjusted effective notional amount of written credit derivatives	231,080	231,080
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(159,628)	(159,628)
13	Total derivatives exposures	142,890	142,901
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	281,636	281,636
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(174,038)	(174,038)
16	Counterparty credit risk exposure for SFT assets	21,526	21,513
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	—	—
17	Agent transaction exposures	—	—
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	—	—
18	Total securities financing transaction exposures	129,124	129,111
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	12,587	9,933
20	(Adjustments for conversion to credit equivalent amounts)	(10,767)	(8,378)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated associated with off-balance sheet exposures)	—	—
22	Off-balance sheet exposures	1,820	1,555
Excluded exposures			
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	—	—
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	—	—
UK-22g	(Excluded excess collateral deposited at triparty agents)	—	—
UK-22k	(Total exempted exposures)	—	—
Capital and total exposure measure			
23	Tier 1 capital (leverage)	33,521	33,595
24	Total exposure measure including claims on central banks	370,917	366,865
UK-24a	(-) Claims on central banks excluded	—	—
UK-24b	Total exposure measure excluding claims on central banks	370,917	366,865
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	9.04 %	9.16 %
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	9.04 %	9.16 %

		a	a
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	9.04 %	9.16 %
UK-25c	Leverage ratio including claims on central banks (%)	9.04 %	9.16 %
26	Regulatory minimum leverage ratio requirement (%)		
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)		
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)		
UK-27b	Of which: countercyclical leverage ratio buffer (%)		
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
UK-31	Average total exposure measure including claims on central banks		
UK-32	Average total exposure measure excluding claims on central banks		
UK-33	Average leverage ratio including claims on central banks		
UK-34	Average leverage ratio excluding claims on central banks		

Note that MLI and the Group are not currently in scope for disclosure of additional leverage ratio disclosure requirements as these apply to LREQ firms as defined in the PRA Rulebook. Therefore these disclosures are not currently made.

Table 5.8.2.T3. – UK LR3 - LRSpl Split-up of On-Balance Sheet Exposures (Excluding Derivatives, SFTs and exempted exposures)

		a	a
		MLI	MLUKCH Group
	<i>(\$ in Millions)</i>		
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	99,054	95,287
UK-2	Trading Book Exposures	75,853	75,765
UK-3	Banking Book Exposures, of which:	23,201	19,521
UK-4	Covered Bonds	—	—
UK-5	Exposures treated as Sovereigns	8,387	8,479
UK-6	Exposures to Regional Governments, MDB, International Organisations and PSE not treated as Sovereigns	3	3
UK-7	Institutions	971	972
UK-8	Secured by Mortgages of Immovable Properties	2	2
UK-9	Retail exposures	—	—
UK-10	Corporates	11,307	7,777
UK-11	Exposures in Default	11	11
UK-12	Other Exposures (e.g., Equity, Securitisations, and other Non-Credit Obligation Assets)	2,521	2,279

5.8.3. Management of Excessive Leverage (UK LRA)

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. The MLUKCH Group does not currently assess that there is a risk of excessive leverage for the group.

5.9. Operational Risk

The following table shows a breakdown of the calculation of own funds requirements for operational risk as at 31 December 2022 for the MLUKCH Group. Own funds requirements for operational risk are calculated under the Standardised Approach

Table 5.9 T1 - UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year 3	Year 2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	4,313	4,833	5,912	903	11,294
3	Subject to TSA:	4,313	4,833	5,912		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

ML UK Capital Holdings Limited Including Merrill Lynch International

6. Additional Information on Remuneration Disclosure As at 31 December 2022

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 the 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.

ML UK Capital Holdings Limited Including Merrill Lynch International

7. Appendices
As at 31 December 2022

Appendix 1 – MLUKCH and MLI Directors Board Membership and Experience (UK OVB)

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

		No. Of Directorships	
		Total	Excluding non commercial and counting group appointments as one
Martin Butler	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.	4	1
EMEA Chief Financial Officer			
Bernard Mensah	President of International for Bank of America and a member of BAC'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 of Bank of America Europe Designated Activity Company, and BANA London Branch Head. Joined BAC 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.	8	1
President of International			
Peter O Flynn	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.	4	1
Chief Risk Officer U.K. & CEEMEA			

Note: The table outlines the directors that served at 31 December 2022.

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 2022:

		No. Of Directorships	
		Total	Excluding non commercial and counting group appointments as one
Pierre de Weck	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
Chair / Non Executive Director			
Richard Keys	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 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 AWE plc. Formerly a 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 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.	3	2
Non Executive Director			

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

		No. Of Directorships	
		Total	Excluding non commercial and counting group appointments as one
Rosemary Thorne	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
Non Executive Director			
Martina Slowey	Martina is the Head of Equities for Europe, Middle East and Africa (EMEA) at Bank of America. She assumed this role in July 2020. Martina joined BAC in 2013 as head of Prime Brokerage for the UK and EMEA and later assumed responsibility for EMEA Asset Management Services and International Prime Brokerage, before becoming head of Global Asset Management Services in early 2016. Prior to joining BAC, Martina was a founding partner of Edoma Partners, an event-driven hedge fund, where she oversaw all aspects of the business, risk management, and investor relations, and she was with UBS for 14 years as head of Prime Brokerage EMEA and COO for Repo, Equity Finance & Money Markets.	1	1
Head of EMEA Equities			
Thomas Woods	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; Non-Executive member of Cordiant Capital Advisory Committee; Non-Executive director of St. Michael's Hospital Foundation; Non-Executive Director of the Finance Council of the Toronto Catholic Church Diocese; and Non-Executive Director of Catholic Health Sponsors of Ontario. 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.	10	2
Non Executive Director			
James O Neil	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 BAC 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. Jim is a Non-Executive director of Carlyle Mansions (Tenants) Limited. 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.	2	2
Head of EMEA Corporate and Investment Banking			

Note: The table outlines the directors that served at 31 December 2022. Lesley White resigned from the MLI Board on 26 September 2022.

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Appendix 2 – Supplementary Disclosure Templates

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

a Name of the entity	b Method of accounting consolidation	c Method of regulatory consolidation					h Description of the entity
		d Full consolidation	e Proportional consolidation	f Equity Method	g 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 2022-174	Full consolidation	X					Special purpose entity
Starsia Capital Limited Series 11, 12 and 13	Full consolidation	X					Special purpose entity

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

The following table shows performing and non-performing exposures and related provisions as at 31 December 2022 for MLI and the Group.

Table A2.T2. – UK CR1 Performing and Non-Performing Exposures and Related Provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		2022 MLUKCH														
		Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received		
		Performing exposures			Non performing exposures		Performing exposures accumulated impairment and provisions			Non performing exposures accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non performing exposures	
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2				Of which stage 3
(\$ in Millions)																
005	Cash balances at central banks and other demand deposits	5,800	5,800													
010	Loans and advances	161,457	161,457												97,670	
020	Central banks	6,825	6,825												6,550	
030	General governments	424	424												247	
040	Credit institutions	23,361	23,361												11,998	
050	Other financial corporations	127,113	127,113												78,628	
060	Non-financial corporations	3,734	3,734												248	
070	Of which SMEs															
080	Households															
090	Debt securities	4,389	4,389													
100	Central banks															
110	General governments	4,240	4,240													
120	Credit institutions															
130	Other financial corporations	106	106													
140	Non-financial corporations	43	43													

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
		2022 MLUKCH															
		Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received			
		Performing exposures			Non performing exposures		Performing exposures accumulated impairment and provisions			Non performing exposures accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non performing exposures		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2				Of which stage 3	
150	Off-balance-sheet exposures	24,771	24,771													24,466	
160	Central banks	4,094	4,094													4,094	
170	General governments																
180	Credit institutions	225	225													107	
190	Other financial corporations	20,452	20,452													20,264	
200	Non-financial corporations	—	—														
210	Households																
220	Total	196,417	196,417													122,136	

(\$ in Millions)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		2022 MLI														
		Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received		
		Performing exposures			Non performing exposures		Performing exposures accumulated impairment and provisions			Non performing exposures accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non performing exposures	
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2				Of which stage 3
005	Cash balances at central banks and other demand deposits	5,780	5,780													
010	Loans and advances	164,780	164,780													97,670
020	Central banks	6,825	6,825													6,550
030	General governments	424	424													247

(\$ in Millions)

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		2022 MLI														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received		
		Performing exposures			Non performing exposures			Performing exposures accumulated impairment and provisions			Non performing exposures accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write off	On performing exposures	On non performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
040	Credit institutions	23,349	23,349													11,998
050	Other financial corporations	130,448	130,448													78,628
060	Non-financial corporations	3,734	3,734													248
070	Of which SMEs															
080	Households															
090	Debt securities	4,389	4,389													
100	Central banks															
110	General governments	4,240	4,240													
120	Credit institutions															
130	Other financial corporations	106	106													
140	Non-financial corporations	43	43													
150	Off-balance-sheet exposures	24,771	24,771													24,466
160	Central banks	4,094	4,094													4,094
170	General governments															
180	Credit institutions	225	225													107
190	Other financial corporations	20,452	20,452													20,264
200	Non-financial corporations	—	—													
210	Households															
220	Total	199,720	199,720													122,136

(\$ in Millions)

The following table shows the use of credit risk mitigation techniques as at 31 December 2022 for MLI and the Group.

Table A2.T3. – UK CR3 CRM Techniques Overview: Disclosure of the Use of Credit Risk Mitigation Techniques

		2022 MLUKCH				
		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
(\$ in Millions)		a	b	c	d	e
1	Loans and advances	63,787	97,670	97,670		
2	Debt securities	4,389				
3	Total	68,176	97,670	97,670		
4	<i>Of which non-performing exposures</i>					
5	<i>Of which defaulted</i>					

		2022 MLI				
		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
(\$ in Millions)		a	b	c	d	e
1	Loans and advances	67,110	97,670	97,670		
2	Debt securities	4,389				
3	Total	71,499	97,670	97,670		
4	<i>Of which non-performing exposures</i>					
5	<i>Of which defaulted</i>					

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2021

The following table shows a breakdown of exposures under the standardised approach by exposure classes as at 31 December 2022 for MLI and the Group.

Table A2.T4. – UK CR4 Standardised Approach -Credit Risk Exposure and CRM Effects

Exposure classes	2022 MLUKCH						
	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density		
	On balance sheet exposures	Off balance sheet exposures	On balance sheet exposures	Off balance sheet amount	RWAs	RWAs density (%)	
	a	b	c	d	e	f	
1	Central governments or central banks	8,162	95	8,162	75	650	7.89 %
2	Regional government or local authorities		82		8	8	100.00 %
3	Public sector entities	43		43			0.00 %
4	Multilateral development banks	106		106			0.00 %
5	International organisations	166		166			0.00 %
6	Institutions	804	1,543	804	176	544	55.55 %
7	Corporates	7,180	8,585	3,883	789	4,114	88.07 %
8	Retail						0.00 %
9	Secured by mortgages on immovable property	2		2		2	100.00 %
10	Exposures in default	10		10		16	150.00 %
11	Exposures associated with particularly high risk	33		33		50	150.00 %
12	Covered bonds						0.00 %
13	Institutions and corporates with a short-term credit assessment	1,322	130	1,322	45	488	35.69 %
14	Collective investment undertakings						0.00 %
15	Equity	121		121		121	100.00 %
16	Other items	4	4	4	1	4	100.00 %
17	TOTAL	17,953	10,441	14,656	1,094	5,998	38.08 %

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2021

Exposure classes	2022 MLI						
	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density		
	On balance sheet exposures	Off balance sheet exposures	On balance sheet exposures	Off balance sheet amount	RWAs	RWAs density (%)	
	a	b	c	d	e	f	
1	Central governments or central banks	8,070	95	8,070	75	631	7.75 %
2	Regional government or local authorities		82		8	8	100.00 %
3	Public sector entities	43		43			0.00 %
4	Multilateral development banks	106		106			0.00 %
5	International organisations	166		166			0.00 %
6	Institutions	804	1,543	804	176	544	55.55 %
7	Corporates	10,710	11,240	4,125	789	4,356	88.65 %
8	Retail						0.00 %
9	Secured by mortgages on immovable property	2		2		2	100.00 %
10	Exposures in default	10		10		16	150.00 %
11	Exposures associated with particularly high risk	33		33		50	150.00 %
12	Covered bonds						0.00 %
13	Institutions and corporates with a short-term credit assessment	1,319	130	1,319	45	487	35.72 %
14	Collective investment undertakings						0.00 %
15	Equity	365		365		730	200.07 %
16	Other items	4	4	4	1	4	100.00 %
17	TOTAL	21,633	13,095	15,047	1,094	6,829	42.31 %

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

The following table shows a breakdown of exposures under the standardised approach by exposure classes and risk weight percentages as at 31 December 2022 for the MLUKCH Group.

Table A2.T5. – UK CR5 Standardised Approach

	Exposure classes	Risk weight															Total	Of which unrated	
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others			
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o			p
1	Central governments or central banks	6,634				1,192					411							8,237	2
2	Regional government or local authorities										8							8	6
3	Public sector entities	43																43	
4	Multilateral development banks	106																106	
5	International organisations	166																166	
6	Institutions					456		169			353				1			980	845
7	Corporates					—		1,232			3,414	22			4			4,672	3,403
8	Retail exposures																		
9	Exposures secured by mortgages on immovable property										2							2	2
10	Exposures in default											10						10	10
11	Exposures associated with particularly high risk											33						33	33
12	Covered bonds																		
13	Exposures to institutions and corporates with a short-term credit assessment					772		527			67	1			—			1,367	
14	Units or shares in collective investment undertakings																		
15	Equity exposures										121		—					121	121
16	Other items										4							4	4
17	TOTAL	6,949				2,420		1,928			4,381	66	—		6			15,750	4,428

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

The following table shows the credit quality of performing and non-performing exposures by past due days as at 31 December 2022 for MLI and the Group.

Table A2.T6. – UK CQ3 Credit Quality of Performing and Non-Performing Exposures by Past Due Days

		a	b	c	d	e	f	g	h	i	j	k	l
		2022 MLUKCH											
		Gross carrying amount/nominal amount											
		Performing exposures			Non performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
(\$ in Millions)													
005	Cash balances at central banks and other demand deposits	5,800	5,800	—		—	—	—	—	—	—	—	—
010	Loans and advances	161,457	161,457	—		—	—	—	—	—	—	—	—
020	Central banks	6,825	6,825	—		—	—	—	—	—	—	—	—
030	General governments	424	424	—		—	—	—	—	—	—	—	—
040	Credit institutions	23,361	23,361	—		—	—	—	—	—	—	—	—
050	Other financial corporations	127,113	127,113	—		—	—	—	—	—	—	—	—
060	Non-financial corporations	3,734	3,734	—		—	—	—	—	—	—	—	—
070	Of which SMEs	—	—	—		—	—	—	—	—	—	—	—
080	Households	—	—	—		—	—	—	—	—	—	—	—
090	Debt securities	4,389	4,389	—		—	—	—	—	—	—	—	—
100	Central banks	—	—	—		—	—	—	—	—	—	—	—
110	General governments	4,240	4,240	—		—	—	—	—	—	—	—	—
120	Credit institutions	—	—	—		—	—	—	—	—	—	—	—
130	Other financial corporations	106	106	—		—	—	—	—	—	—	—	—
140	Non-financial corporations	43	43	—		—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	24,771											—
160	Central banks	4,094											—
170	General governments	—											—
180	Credit institutions	225											—
190	Other financial corporations	20,452											—
200	Non-financial corporations	—											—
210	Households	—											—
220	Total	196,417	171,647	—		—	—	—	—	—	—	—	—

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

(\$ in Millions)

		a	b	c	d	e	f	g	h	i	j	k	l
		2022 MLI											
		Gross carrying amount/nominal amount											
		Performing exposures				Non performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted		
005	Cash balances at central banks and other demand deposits	5,780	5,780	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	164,780	164,780	—	—	—	—	—	—	—	—	—	—
020	Central banks	6,825	6,825	—	—	—	—	—	—	—	—	—	—
030	General governments	424	424	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	23,349	23,349	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	130,448	130,448	—	—	—	—	—	—	—	—	—	—
060	Non-financial corporations	3,734	3,734	—	—	—	—	—	—	—	—	—	—
070	Of which SMEs	—	—	—	—	—	—	—	—	—	—	—	—
080	Households	—	—	—	—	—	—	—	—	—	—	—	—
090	Debt securities	4,389	4,389	—	—	—	—	—	—	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	4,240	4,240	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	106	106	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	43	43	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	24,771											—
160	Central banks	4,094											—
170	General governments	—											—
180	Credit institutions	225											—
190	Other financial corporations	20,452											—
200	Non-financial corporations	—											—
210	Households	—											—
220	Total	199,720	174,949	—	—	—	—	—	—	—	—	—	—

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

The following table shows the exposure value and risk weighted exposure amounts from transactions subject to own funds requirements for CVA Risk as at 31 December 2022 for the MLUKCH Group.

Table A2.T8. – UK CCR2 Transactions Subject to Own Funds Requirements for CVA Risk

(\$ in Millions)

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	40,805	12,898
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	Total transactions subject to own funds requirements for CVA risk	40,805	12,898

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

The following table shows CCR exposures by regulatory exposure class and risk weights as at 31 December 2022 for the MLUKCH Group.

Table A2.T9. – UK CCR3 Standardised Approach – CCR Exposures by Regulatory Exposure Class and Risk Weights

	Exposure classes	Risk weight											Total exposure value
		a	b	c	d	e	f	g	h	i	j	k	
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	446	—	—	—	220	118	—	—	2,270	—	—	3,054
2	Regional government or local authorities	—	—	—	—	21	12	—	—	—	—	—	32
3	Public sector entities	41	—	—	—	1,265	—	—	—	11	—	—	1,317
4	Multilateral development banks	337	—	—	—	—	—	—	—	—	—	—	337
5	International organisations	12	—	—	—	—	—	—	—	—	—	—	12
6	Institutions	—	18,016	—	—	11,273	8,895	—	—	475	—	—	38,659
7	Corporates	—	—	—	—	1,448	5,269	—	—	40,161	125	—	47,002
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	8,615	22,296	—	—	1,682	521	—	33,113
10	Other items	—	—	—	—	—	—	—	—	—	—	—	—
11	Total exposure value	836	18,016	—	—	22,841	36,590	—	—	44,598	646	—	123,527

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

The following table shows the composition of collateral received and posted for CCR exposures as at 31 December 2022 for the MLUKCH Group.

Table A2.T10. – UK CCR5 Composition of Collateral for CCR Exposures

	Collateral type	Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received (\$mn)		Fair value of collateral posted (\$mn)		Fair value of collateral received (\$mn)	Fair value of collateral posted (\$mn)
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash	—	32,125		32,696	265,145	296,301
2	Debt	—	17,315	5,374	3,654	258,750	250,251
3	Equity	—	164	92	536	63,417	56,152
4	Other	—	—	—	—	208	1,618
5	Total	—	49,604	5,466	36,887	587,521	604,322

The following table shows exposures to credit derivatives as at 31 December 2022 for the MLUKCH Group.

Table A2.T11. – UK CCR6 Credit Derivatives Exposures

(\$ in Millions)

		a	b
		Protection bought	Protection sold
Notionals			
1	Single-name credit default swaps	61,629	62,243
2	Index credit default swaps	144,526	140,220
3	Total return swaps	10,107	9,378
4	Credit options	9,916	9,232
5	Other credit derivatives	1,129	700
6	Total notionals	227,306	221,772
Fair values			
7	Positive fair value (asset)	5,278	2,580
8	Negative fair value (liability)	(2,760)	(4,307)

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

The following table shows exposures to CCPs as at 31 December 2022 for the MLUKCH Group.

Table A2.T12. – UK CCR8 Exposures to CCPs

(\$ in Millions)

		a	b
		Exposure value	RWEA
1	Exposures to QCCPs (total)		514
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	15,186	304
3	(i) OTC derivatives	6,057	121
4	(ii) Exchange-traded derivatives	3,955	79
5	(iii) SFTs	5,174	103
6	(iv) Netting sets where cross-product netting has been approved	—	—
7	Segregated initial margin	—	
8	Non-segregated initial margin	2,830	57
9	Prefunded default fund contributions	887	153
10	Unfunded default fund contributions	—	—
11	Exposures to non-QCCPs (total)		—
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	—	—
13	(i) OTC derivatives	—	—
14	(ii) Exchange-traded derivatives	—	—
15	(iii) SFTs	—	—
16	(iv) Netting sets where cross-product netting has been approved	—	—
17	Segregated initial margin	—	
18	Non-segregated initial margin	—	—
19	Prefunded default fund contributions	—	—
20	Unfunded default fund contributions	—	—

ML UK Capital Holdings Limited - Including Merrill Lynch International Pillar 3 Disclosure for the Year Ended 31 December 2022

MLI and the MLUKCH Group do not follow the IRB approach and do not have an IMM approval. Therefore no IRB or IMM related templates are disclosed.

The following templates have not been disclosed as MLI and the MLUKCH Group have no relevant exposures to report:

- UK CR2 changes in the stock of non-performing loans and advances
- UK CQ1 credit quality of forborne exposures
- UK CQ7 collateral obtained by taking possession and execution processes

MLI and the MLUKCH Group do not have any exposures classified as non-performing. Therefore the following templates are not required to be disclosed:

- UK CR2a changes in the stock of non-performing loans and advances and related net accumulated recoveries
- UK CQ2 quality of forbearance
- UK CQ6 collateral valuation – loans and advances
- UK CQ8 Collateral obtained by taking possession and execution processes – vintage breakdown

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

Appendix 3 – Index

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
Title i General Principles						
431	Disclosure Requirements and Policies	431(1)	For Information	Requirement to publish Pillar 3 disclosures	MLI and MLUKCH Group publish Pillar 3 disclosures	NA
		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. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures	1.3. Disclosure Policy	17
		431(4)		Quantitative disclosures shall be accompanied by a qualitative narrative in order for the users of information to understand the quantitative disclosures	Throughout document	N/A
		431(5)		Explanation of ratings decision upon request	Not applicable	N/A
432	Non-material, proprietary or confidential information	432(1)	For Information	Institutions may omit information that is not material. Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.	1.1.1.2. Other Entities 1.2. Basis of Preparation 4.4.4. Equities Exposures in the Non-Trading Book	9, 10, 70
		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
433	Frequency and Scope of disclosure	433		Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a, 433b and 433c Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter. Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.	MLI and MLUKCH Group publish Pillar 3 disclosures annually at minimum, with quarterly disclosures also published in accordance with this article	N/A

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
433a	Disclosures by Large Institutions	433a(1)	For Information	Large institutions shall disclose the information outlined below with the following frequency:	N/A - MLI and MLUKCH avail of derogation available in article 433a(2)	N/A
		433a(1)(a)		all the information required under this Part on an annual basis;		
		433a(1)(b)		on a semi-annual basis the information referred to		
		433a(1)(c)		on a quarterly basis the information referred to		
		433a(2)		By way of derogation from paragraph 1, large institutions other than G-SIIs that are non-listed institutions shall disclose the information outlined below with the following frequency	MLI and MLUKCH Group publish Pillar 3 disclosures in accordance with this article	N/A
		433a(2)(a)		all the information required under this Part on an annual basis	Throughout this document	N/A
		433a(2)(b)		the key metrics referred to in Article 447 on a semi-annual basis	MLI and MLUKCH Group publish semi-annual Pillar 3 disclosures in accordance with this article	N/A
		433a(3)		Large institutions that are subject to Article 92a or 92b shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.	MLI and MLUKCH Group publish quarterly Pillar 3 disclosures in accordance with this article	N/A
433a(4)	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis	N/A- MLI and MLUKCH Group are not LREQ firms as at 31/12/2022	N/A			
433b	Disclosures by Small and Non-Complex Institutions	433b(1)	Small and non-complex institutions shall disclose the information outlined in this article	N/A - MLI is not a small/non-complex institution	N/A	
		433b(2)	By way of derogation from paragraph 1 of this Article, small and non-complex institutions that are non-listed institutions shall disclose the key metrics referred to in Article 447 on an annual basis			
433c	Disclosures by Other Institutions	433c(1)	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined	N/A - MLI is not an Other institution	N/A	
		433c(2)	By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose information on an annual basis			

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
434	Means of disclosures	434(1)	For Information	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)		Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part.	Not applicable	N/A
434a	Uniform Disclosure Formats	434a		Provision Left Blank	Not applicable	N/A
434b	Timing and Means of Disclosures under Article 441	434b(1)		G-SIIs shall disclose the information required under Article 441 within four months after the end of the period to which the information relates.	N/A - MLI is not a G-SII	N/A
		434b(2)		Where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1)		
		434b(3)		If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.		
Title II Technical Criteria on Transparency and Disclosure						

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
435	Risk management objectives and policies	435(1)(a)	UK OVA, UK OVB, UK LIQA, UK CRA, UK CCRA, UK MRA, UK ORA	Objectives and policies for each separate category of risk, including strategies and processes to manage those categories of risk	4.3. Key Risk Types	49
		435(1)(b)		Structure and organisation of the relevant risk management function	4.2.5. Risk Governance (UK OVA, UK OVB)	46
		435(1)(c)		Scope and nature of risk reporting and measurement systems	4.2.4. Risk Data Management, Aggregation, and Reporting (UK OVA)	46
		435(1)(d)		Policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	4.3. Key Risk Types	49
		435(1)(e)		Risk declaration	4.2.6. Risk Declaration (UK OVA)	49
		435(1)(f)		Risk statement, including key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, and information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group	4.2.2. Risk Statement and Risk Appetite (UK OVA)	43
		435(2)(a)		Number of directorships held by Board members	Appendix 1 – MLUKCH and MLI Directors Board Membership and Experience (UK OVB)	124
		435(2)(b)		Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	Appendix 1 – MLUKCH and MLI Directors Board Membership and Experience (UK OVB)	124
		435(2)(b)-(c)		Board recruitment and diversity policy, including objectives and any relevant targets set out in that policy	4.2.5. Risk Governance (UK OVA, UK OVB)	46
		435(2)(d)-(e)		Risk committees, including number of times committee has met, and risk information flow to management body	4.2.5. Risk Governance (UK OVA, UK OVB)	46

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per	Description	Document Reference	Page Section Number(s)
			PRA PS 22/21			
436	Scope of application	436(a)	N/A	Name of institution	Section 1.1. Overview and Purpose of Document	9
		436(b)	UK LI1, UK LI2, UK LI3, UK LIA	reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation	Section 1.2. Basis of Preparation	10
		436(c)	UK LI1, UK LI3	breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation, broken down by type of risks	1.2.1. Reconciliation of Accounting Balance Sheet to Regulatory Exposure Amounts	12
		436(d)	UK LIA	reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation, and the exposure amount used for regulatory purposes	1.2.1. Reconciliation of Accounting Balance Sheet to Regulatory Exposure Amounts	12
		436(e)	UK PV1	Exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions	1.2.2.1. Prudential Valuation Adjustment	15
		436(f)	UK LIB	Current or expected material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries	2.1.4. Transferability of Capital within the BAC Group (UK LIB)	22
		436(g)		Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries	Not Applicable	N/A
		436(h)		circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9	Not Applicable	N/A
437	Own funds	437(a)	UK CC1, UK CC2	Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds	5.7. Capital Resources	106
		437(b)	UK CCA	Description of the main features of Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued		
		437(c)		Full terms and conditions of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments issued		
		437(d)-(e)	UK CC1, UK CC2	Disclosure of prudential filters, deductions, and any restrictions applied to the calculation of own funds		
		437(f)		Where institutions disclose capital ratios calculated using elements of own funds determined on a different basis	Not Applicable	N/A
437a	Disclosure of Own Funds and Eligible Liabilities	437a	UK CCA	Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities	2.1.3. Minimum Requirements for Own Funds and Eligible Liabilities	22 74 106
		437a (a)		composition of their own funds and eligible liabilities, their maturity and their main features		
		437a (b)		ranking of eligible liabilities in the creditor hierarchy		
		437a (c)		total amount of each issuance of eligible liabilities instruments and the amount of those issuances that is included in eligible liabilities items	5.2. Additional Detail on Minimum Requirements for Own Funds and Eligible Liabilities	
		437a (d)		total amount of excluded liabilities	5.7. Capital Resources	

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per	Description	Document Reference	Page Section Number(s)
			PRA PS 22/21			
438	Disclosure of Own Funds Requirements and Risk-Weighted Exposure Amounts	438(a)	UK OVC	Approach to assessing adequacy of capital levels	2.4. Capital Management (UK OVC)	26
		438(b)	UK KM1	amount of the additional own funds requirements based on the supervisory review and evaluation process	Table 2.1.2.T1. – UK KM1 - Key Metrics template	21
		438(c)	UK OVC	Result of ICAAP on demand from authorities	2.4. Capital Management (UK OVC)	26
		438(d)	UK OV1	Total risk-weighted exposure amount and the corresponding total own funds requirement, to be broken down by the different risk categories	2.2.2. Key Movements in 2022	24
		438(e)	n/a	on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposure	N/A	N/A
		438(f)	UK INS1, UK INS2	exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds		
		438(g)		supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate		
		438(h)	UK CR8, UK MRB-2	variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models	Not Applicable	N/A

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
439	Exposure to counterparty credit risk	439(a)	UK CCRA	description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including central counterparties	4.3.2. Credit Risk (UK CCRA, UK CRA, UK CRC)	51 69 70
		439(b)		description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves	4.4.1.. Wrong-Way Risk (UK CCRA)	
		439(c)		description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk	4.4.6. Impact of a Credit Rating Downgrade on OTC Collateral (UK CCRA)	
		439(d)		Amount of collateral to be provided in the event of a ratings downgrade		
		439(e)	UK CCR5	For derivative transactions, the amount of segregated and unsegregated collateral received and posted per type of collateral; and for securities financing transactions, the total amount of collateral received and posted per type of collateral	Table A2.T10. – UK CCR5 Composition of Collateral for CCR Exposures	138
		439(f)	UK CCR1	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method	5.4.3. Counterparty Credit Risk Exposure	89
		439(g)	UK CCR1	For securities financing transactions, the exposure values before and after the effect of the credit risk mitigation, whichever method is used, and the associated risk exposure amounts broken down by applicable method		
		439(h)	UK CCR7	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method under IMM	N/A	N/A
		439(i)	UK CCR8	Exposure value to central counterparties and the associated risk exposures, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures	Table A2.T12. – UK CCR8 Exposures to CCPs	139
		439(j)	UK CCR6	Notional amounts and fair value of credit derivative transactions; broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	Table A2.T11. – UK CCR6 Credit Derivatives Exposures	138
		439(k)	UK CCR1	estimate of alpha		
		439 (l)	UK CCR3, UK CCR4	Disclosures included in point (e) of Article 444 (exposure values and the exposure values after credit risk mitigation associated with each credit quality step) and point (g) of Article 452 (IRB)	5.4.3. Counterparty Credit Risk Exposure	89
		439(m)	UK CCR1	Institutions using the original exposure method and standardised method set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business		
440	Capital buffers	440(a)	UK CCyB1	geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer	5.6. Capital Buffer Requirements	96
		440(b)	UK CCyB2	amount of their institution-specific countercyclical capital buffer		
441	Indicators of global systemic importance	441	n/a	Disclosure of the indicators of global systemic importance	Not required for U.K. firms that are not G-SIIs	N/A

ML UK Capital Holdings Limited - Including Merrill Lynch International

Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per	Description	Document Reference	Page Section Number(s)
			PRA PS 22/21			
442	Disclosure of Exposures to Credit Risk and Dilution Risk	442(a)	UK CRB	Definitions of past due and impaired, and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes	5.4.4. Credit Quality of Assets (UK CRB)	90
		442(b)		Approaches for calculating specific and general credit risk adjustments		
		442(c)	UK CR1, UK CQ1, UK CQ7, UK CR2a, UK CQ2, UK CQ6, UK CQ8,	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Table A2.T2. – UK CR1 Performing and Non-Performing Exposures and Related Provisions	127
		442(d)	UK CQ3	Ageing analysis of accounting past due exposures	Table A2.T6. – UK CQ3 Credit Quality of Performing and Non-Performing Exposures by Past Due Days	134
		442(e)	UK CR1, UK CQ1, UK CQ7	gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures	Table A2.T2. – UK CR1 Performing and Non-Performing Exposures and Related Provisions	127
		442(f)	UK CR2, UK CR1, UK CQ1, UK CQ7, UK CR2a, UK CQ2, UK CQ6, UK CQ8,	any changes in the gross amount of defaulted on- and off-balance-sheet exposures		
		442(g)	UK CR-1A	A breakdown of loans and debt securities by residual maturity	5.4.2. Credit Exposure Geographic Distribution and Maturity Profile Detail	83
443	Encumbered and Unencumbered assets	443	UK AE1, UK AE2, UK AE3, UK AE4	Encumbered and unencumbered assets - institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered	Section 3.2. Encumbered and Unencumbered Assets (UK AE4)	30
444	Use of the Standardised Approach	444(a)	UK CRD	Names of the nominated ECAIs and export credit agencies used and reasons for any changes in nominations over the period	2.2.1.1. Use of Standardised Approach (UK CRD)	23
		444(b)		Exposure classes associated with each ECAI or export credit agency		
		444(c)		Description of the process used to transfer credit assessments to non-trading book items		
		444(d)		Mapping of external rating to CQS		
		444(e)	UK CR4, UK CR5, UK CC1	Exposure value pre and post-credit risk mitigation, by CQS	5.4.3. Counterparty Credit Risk Exposure Table A2.T4. – UK CR4 Standardised Approach -Credit Risk Exposure and CRM Effects Table A2.T5. – UK CR5 Standardised Approach	89 131 133
445	Exposure to market risk	445	UK KM1	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	5.3. Market Risk	75

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
446	Disclosure of Operational risk Management	446(a)	UK ORA, UK OR1	Approaches used to calculate own funds requirements for operational risk	5.9. Operational Risk	120
		446(b)		where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of relevant internal and external factors being considered in the institution's advanced measurement approach	N/A - the group does not make use of AMA	N/A
		446(c)		in the case of partial use, the scope and coverage of the different methodologies used	N/A - the group does not make use of partial use	
447	Disclosures of Key Metrics	447(a)	UK KM1	composition of own funds and own funds requirements	Table 2.1.2.T1. – UK KM1 - Key Metrics template	21
		447(b)		Total risk exposure amount		
		447(c)		Any additional own funds which the institutions are required to hold in line with SREP requirements		
		447(d)		Combined buffer requirement		
		447(e)(i)		the leverage ratio and total exposure measure;		
		447(e)(ii)		or LREQ firms, the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure, average leverage ratio and countercyclical leverage ratio buffer		
		447(f)(i)		average or averages, as applicable, of the LCR based on end-of-the-month observations over the preceding 12 months for each quarter of the disclosure period		
		447(f)(ii)		average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer, based on end-of-the-month observations over the preceding 12 months for each quarter of the disclosure period		
		447(f)(iii)		Averages of the liquidity outflows, inflows and net liquidity outflows, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period		
		447(g)(i)		Average or averages, as applicable, of the NSFR based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period;		
		447(g)(ii)		Average or averages, as applicable, of their available stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period		
447(g)(iii)	Average or averages, as applicable, of their required stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period					
		447(h)		own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with MREL requirements	5.2. Additional Detail on Minimum Requirements for Own Funds and Eligible Liabilities	74

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
448	Exposure to interest rate risk on positions not held in the trading book	448(1)(a)	UK IRRBB1	Changes in the economic value of equity calculated under the six supervisory shock scenarios for the current and previous disclosure periods	4.3.3.1. Exposure to Interest Rate Risk on positions not included in the trading book (UK IRRBBA)	59
		448(1)(b)		Changes in the net interest income calculated under two supervisory shock scenarios for the current and previous disclosure periods		
		448(1)(c)	UK IRRBBA	Description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b)		
		448(1)(d)		explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date		
		448(1)(e)		Description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities		
		448(1)(e)(i)		Description of the specific risk measures used to evaluate changes in EVE and NII		
		448(1)(e)(ii)		Description of the key modelling and parametric assumptions used in internal measurement systems for the purpose of calculating changes in EVE and in NII		
		448(1)(e)(iii)		Description of the interest rate shock scenarios used to estimate the interest rate risk		
		448(1)(e)(iv)		Recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements		
		448(1)(e)(v)		Outline of how often the evaluation of the interest rate risk occurs		
		448(1)(f)		Description of the overall risk management and mitigation strategies for those risks		
		448(1)(g)		Average and longest repricing maturity assigned to non-maturing deposits		
		448(2)		For Information		

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
449	Exposure to securitisation positions	449(a)	UK-SECA	a description of securitisation and re-securitisation activities, including risk management and investment objectives in connection with those activities, role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) and the extent to which securitisation transactions to transfer the credit risk of the securitised exposures to third parties with are used, where applicable, a separate description of synthetic securitisation risk transfer policy	4.4.7. Securitisation Risk Governance and Reporting (UK SECA) 5.5. Securitisation	71 91
		449(b)		type of risks exposed to in securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;		
		449(c)		Approaches for calculating RWEA that are applied to securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions		
		449(d)		list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire originated exposures; (ii) SSPEs which are sponsored ; (iii) SSPEs and other legal entities for which securitisation-related services are provided, such as advisory, asset servicing or management services; (iv) SSPEs included in the regulatory scope of consolidation;		
		449(e)		list of any legal entities in relation to which it has been disclosed that support has been provided		
		449(f)		list of affiliated legal entities that invest in originated securitisations or in securitisation positions issued by sponsored SSPEs		
		449(g)		Summary of accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions		
		449(h)		names of the ECAIs used for securitisations and the types of exposure for which each agency is used		
		449(i)		A description of the Internal Assessment Approach, including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels		

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per	Description	Document Reference	Page Section Number(s)
			PRA PS 22/21			
449	Exposure to securitisation positions	449(j)	UK-SEC1, UK-SEC2	separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on any transfer of significant credit risk, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STs transactions and broken down by type of securitisation exposures	5.5.5. Securitisation Exposures	94
		449(k)(i)	UK-SEC3, UK-SEC4	For the trading and the non-trading book activities, aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches,		
		449(k)(ii)		For the trading and the non-trading book activities, the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches		
		449(l)	UK-SEC5	For securitised exposures, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type		
450	Remuneration policy	450	For Information	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:	Section 6.1. Remuneration Disclosure	122
		450.1(a)	UK REMA	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;		
		450.1(b)		information about the link between pay of the staff and their performance		
		450.1(c)		the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria		
		450.1(d)		the ratios between fixed and variable remuneration set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the PRA Rulebook		
		450.1(e)		information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based		
		450.1(f)		the main parameters and rationale for any variable component scheme and any other non-cash benefits		
		450.1(g)		UK REM4, UK REM5		

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
450	Remuneration policy	450.1(h)	UK REM1, UK REM2, UK REM3	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years; (iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person	Section 6.1. Remuneration Disclosure	122
		450.1(i)	UK REM4, UK REM5	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million		
		450.1(j)	N/A	[Note: Provision deleted]		
		450.1(k)	For Information	information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3).		
		450.2	UK REMA	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members. Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.		
451	Disclosure of the Leverage Ratio	450.1(a)		The leverage ratio, and whether any transitional provisions are applied	Section 2.5.1. Summary	27
		451(1)(b)	UK LR1, UK LR2, UK LR3	leverage ratio calculated as if central bank claims were required to be included in the total exposure measure	5.8.2. Additional Detail on Leverage Ratio	117
		451(1)(c)		breakdown of the total exposure measure, with reconciliation to information disclosed in published financial statements	Not Applicable	N/A
		451(1)(d)	UK LRA	Description of the processes used to manage the risk of excessive leverage	5.8.3. Management of Excessive Leverage (UK LRA)	120
		451(1)(e)		Factors that impacted the leverage ratio during the year	2.5.2. Key Movements in 2022 (UK LRA)	28

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
451	Disclosure of the Leverage Ratio	451(1)(f)	UK LR1, UK LR2, UK LR3	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if unrealised gains measured at fair value provisions of the CRR did not apply for purposes of the capital measure	5.8.2. Additional Detail on Leverage Ratio	117
		451(1)(g)		in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if IFRS 9 provisions of the CRR did not apply for purposes of the capital measure		
		451(2)(a)		An LREQ firm must disclose average exposure measure	N/A - as at 31 December 2022, MLI and MLUKCH are not LREQ firms as defined by the PRA	N/A
		451(2)(b)		An LREQ firm must disclose average leverage ratio		
		451(2)(c)		An LREQ firm must disclose average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure		
		451(2)(d)		An LREQ firm must disclose its countercyclical leverage ratio buffer		
		451(3)		LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio		
		451(4)(a)(i)		LREQ firm must calculate its average exposure measure for a quarter as the sum of the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter		
		451(4)(a)(ii)		LREQ firm must calculate its average exposure measure for a quarter as the sum of arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter		
		451(4)(b)(i)		an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter		
		451(4)(b)(ii)		an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the exposure measure is the sum derived in accordance with (a), unless paragraph 5 applies in which case it shall be the sum derived in accordance with that paragraph		
		451(5)(a)		In relation to the quarterly periods up to 1 January 2023 an LREQ firm must calculate its average exposure measure for a quarter as the sum of the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets on each day in the quarter		
		451(5)(b)		In relation to the quarterly periods up to 1 January 2023 an LREQ firm must calculate its average exposure measure for a quarter as the sum of the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets on the last day of each month in the quarter		

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per	Description	Document Reference	Page Section Number(s)
			PRA PS 22/21			
451a	Disclosure of Liquidity Requirements	451a(1)	For Information	Institutions subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article	3. Liquidity Position and Encumbered and Unencumbered Assets	29
		451a(2)(a)	UK LIQ1, UK LIQB	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	3.3. LCR Disclosures (UK LIQB)	33
		451a(2)(b)		average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer		
		451a(2)(c)		averages of their liquidity outflows, inflows and net liquidity outflows, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition		
		451a(3)(a)	UK LIQ2	Averages of their NSFR for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters	3.4. NSFR Disclosures	37
		451a(3)(b)		Overview of the amount of available stable funding for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters		
		451a(3)(c)		Overview of the amount of required stable funding for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters		
		451a(4)	UK LIQA	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with ILAAP	4.3.4. Liquidity Risk (UK LIQA)	60
Title III Qualifying Requirements for the Use of Particular Instruments or Methodologies						

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
452	Use of the IRB Approach to credit risk	452(a)	UK CRE, UK CR6-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)		for each exposure class, the percentage of the total exposure value of each exposure class subject to the Standardised Approach or to the IRB Approach, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission		
		452(c)		control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on		
		452(c)(i)		relationship between the Risk Management Function and the Corporate Audit Function		
		452(c)(ii)		rating system review		
		452(c)(iii)		procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models		
		452(c)(iv)		Procedure to ensure the accountability of the functions in charge of developing and reviewing the models		
		452(d)		role of the functions involved in the development, approval and subsequent changes of the credit risk models		
		452(e)		scope and main content of the reporting related to credit risk models		
		452(f)		description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering the definitions, methods and data for estimation and validation of PD and where applicable LGD and Conversion factors		
		452(g)	UK CR6	information in relation to each exposure class		
		452(g)(i)		gross on-balance-sheet exposure		
		452(g)(ii)		off-balance-sheet exposure values prior to the relevant conversion factor		
		452(g)(iii)		exposure after applying the relevant conversion factor and credit risk mitigation		
		452(g)(iv)		any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk		
452(g)(v)	for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission					

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
452	Use of the IRB Approach to credit risk	452(h)	UK CR9, UK CR9.1	Estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate	Not applicable. MLI does use the IRB approach.	N/A
453	Use of credit risk mitigation techniques	453(a)	UK CRC	Use of on and off-balance sheet netting	4.3.2. Credit Risk (UK CCRA, UK CRA, UK CRC)	51
		453(b)		Eligible Collateral evaluation and 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)	UK CR3	total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments under Standardised and IRB Methods	Table A2.T3. – UK CR3 CRM Techniques Overview: Disclosure of the Use of Credit Risk Mitigation Techniques	130 131
		453(g)	UK CR4, UK CR7-A, UK CR7	corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect	Table A2.T4. – UK CR4 Standardised Approach -Credit Risk Exposure and CRM Effects	
		453(h)	UK CR4	institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation	Table A2.T4. – UK CR4 Standardised Approach -Credit Risk Exposure and CRM Effects	131
		453(i)		institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure		
		453(j)	UK CR7-A, UK CR7	institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission	N/A - the Group does not use the IRB approach	N/A

ML UK Capital Holdings Limited - Including Merrill Lynch International
Pillar 3 Disclosure for the Year Ended 31 December 2022

Article	Article Name	Article Reference Detail	Template or Table per PRA PS 22/21	Description	Document Reference	Page Section Number(s)
454	Use of the Advanced Measurement Approaches to operational risk	454	UK ORA, UK OR1	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)	UK MRB	Characteristics of the market risk models	Section 4.3.3. Market Risk (UK MRA, UK MRB) Section 5.3. Market Risk	55, 75
		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		
		455(d)	UK MR3	Highest, lowest and mean values over the year of VaR, SVaR, IRC and CRM	5.3.1. Internal Model Based Capital Requirement (UK MRB)	77
		455(e)	UK MR2-A	Market risk internal model based own funds requirements	5.3. Market Risk	55
		455(f)	UK MRB	Weighted average liquidity horizon for portfolios covered by internal models for IRC and CRM	Section 5.3.1. Internal Model Based Capital Requirement (UK MRB)	77
455(g)	UK MR4	Comparison of end-of-day VaR measures compared with one day changes in the portfolio's value				