Bank of America Merrill Lynch International Limited

Pillar 3 Disclosure

As at 31 December 2016

Contents

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Glossary

AT1	Additional Tier 1 capital
BAC	Bank of America Corporation / the Enterprise
BAMLI	Bank of America Merrill Lynch International Limited / the Company
BANA	Bank of America, National Association
BRC	Board Risk Committee
CCR	Counterparty and Credit Risk
CCYB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CLO	Collateralised Loan Obligation
CMR	Contingent Market Risk
CQS	Credit Quality Step
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
ECAI	External Credit Assessment Institution
EEA	European Economic Area
EMEA	Europe, Middle East and Africa
EU	European Union
EWI	Early Warning Indicator
FCA	Financial Conduct Authority
Fitch	Fitch Ratings, Inc.
FPC	Financial Policy Committee
FRS 101	Financial Reporting Standard 101 ‘ Reduced Disclosure Framework’
GCF	Governance and Control Function
GCIB	Global Corporate and Investment Banking
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
ILG	Individual Liquidity Guidance
ISDA	International Swaps and Derivative Association
LCR	Liquidity Coverage Ratio
LOB	Line of Business
MLI	Merrill Lynch International
Moody’s	Moody’s Investors Service, Inc.
P&L	Profit or Loss
PRA	Prudential Regulation Authority
PRR	Position Risk Requirement
Pru-Val	Prudential Valuation Adjustment
RCSA	Risk and Control Self Assessment
RMC	Risk Management Committee
RRC	Reputational Risk Committee
RSA	Risk Self Assessment
RWA	Risk Weighted Assets
S&P	Standard & Poor’s
SES	Stress Event Scenarios

Glossary (cont.)

SPE	Special Purpose Entity
SREP	Supervisory Review and Evaluation Process
VaR	Value at Risk

1. Introduction

1.1 Overview and Purpose of Document

This document contains the 31 December 2016 Pillar 3 Disclosure in respect of capital and risk management for Bank of America Merrill Lynch International Limited ("BAMLI" or "the Company") and its subsidiaries (the "Group"). All defined terms are found in the glossary.

Capital Requirements Directive IV ("CRD IV"), the European Union ("EU") legislation implementing Basel III, came in to effect on 1st January 2014, mandating the quality of capital that firms are required to hold, introducing an EU wide liquidity regime and establishing leverage requirements. 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.

This document provides detail on available capital resources ("Capital Resources") and regulatory defined Pillar 1 minimum capital requirement ("Minimum Capital Requirement") for the Group. It demonstrates that the Group has Capital Resources in excess of this requirement and provides further details outlining how the Company maintains robust risk management and controls.

To further increase transparency, this document also includes information on BAMLI's liquidity position and capital requirements in respect of the Countercyclical Capital Buffer ("CCYB").

1.1.1 Bank of America Merrill Lynch International

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

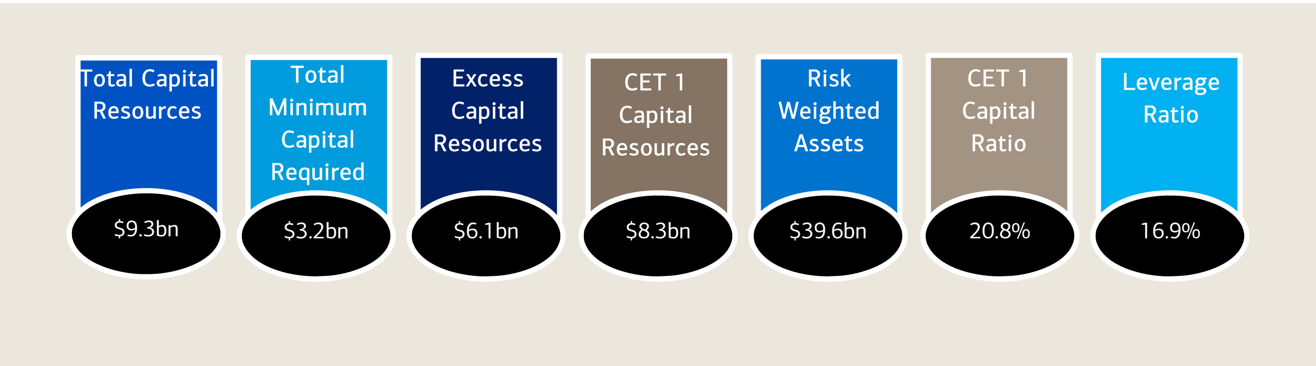
BAMLI's head office is in the United Kingdom with branches in Amsterdam, Antwerp, Dublin, Frankfurt, Madrid, Milan, Paris and Zurich. The firm has the ability to trade throughout the European Economic Area ("EEA") and conduct business with international clients. BAMLI is registered as a bank in the United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

As at 31 December 2016, BAMLI was rated by Fitch Ratings, Inc ("Fitch") (A / F1) and Standard & Poor's ("S&P") (A+ / A-1).

1.1.2 BAMLI's Capital Position at 31 December 2016

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

Figure 1. Summary of Key Metrics as at 31 December 2016



Note: All of BAMLI's Tier 1 capital is CET1, therefore CET1 Capital Ratio and Tier 1 Capital ratio are the same.
Capital Resources and ratios reflect the inclusion of 2016 audited retained earnings.

1.2 Basis of Preparation

The information contained in this Pillar 3 disclosure has been prepared in accordance with the Basel III rule framework, on a consolidated basis, for the purpose of explaining the basis on which BAMLI has prepared and disclosed certain information about the management of risks and application of regulatory capital adequacy rules and concepts. It therefore does not constitute any form of financial statement on BAMLI or its subsidiaries, or of the wider Enterprise, and as such, is not required to be prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Therefore the information is not directly comparable with the annual financial statements and the disclosure is not required to be audited by external auditors. In addition, the report does not constitute any form of contemporary or forward looking record or opinion on the Group, the Company or the Enterprise. Although the Pillar 3 disclosure is intended to provide transparent information on a common basis, the information contained in this document may not be directly comparable with the information provided by other banks.

BAMLI has one subsidiary which is an ancillary service undertaking and several other immaterial subsidiaries. For the purpose of this document, disclosures are based on the consolidated group consisting of BAMLI (including branches) and its subsidiaries, because separate disclosure of BAMLI the company is not regarded as materially different. The basis of consolidation used for BAMLI for prudential purposes is materially the same as the consolidation used for accounting purposes.

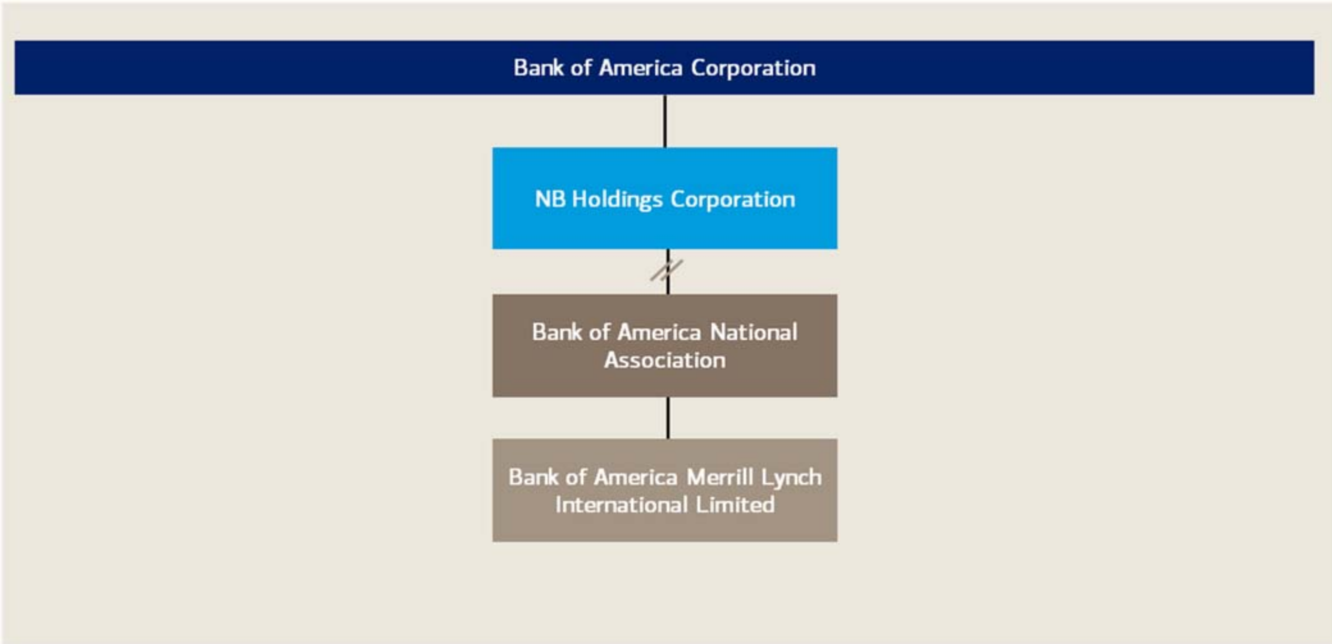
BAMLI's Pillar 3 disclosure is published on BAC's corporate website: http://investor.bankofamerica.com

1.3 Operation, Structure and Organisation

The BAMLI group is BAC's primary banking entity in EMEA, and provides a range of financial services as well as acting as a service company for other companies in the BAC group. BAMLI's activities form part of BAC's Global Banking and Markets operations in the region.

For a full BAC organisation chart, please refer to the investor relations website at http://investor.bankofamerica.com

Figure 2. High Level Ownership Chart



// represents indirect relationship

2. Capital Resources and Minimum Capital Requirement

2.1 Capital Resources

2.1.1 Summary of 2016 Capital Resources

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

BAMLI's capital resources of $9.3bn (2015: $6.8bn) consist of Tier 1 and Tier 2 capital. All of BAMLI's Tier 1 capital is made up of CET1. BAMLI's Tier 2 capital is comprised of subordinated debt.

2.1.2 Key Movements in 2016

BAMLI's capital resources increased by $2.4bn during 2016. The increase was driven by a $1bn capital contribution from the parent which qualifies as CET1, $1bn of subordinated debt from an affiliated company qualifying as Tier 2 capital and the recognition of the 2016 audited current year earnings.

Table 1. Capital Resources

(Dollars in Millions)	2016	2015
Ordinary Share Capital	**890**	890
Share Premium	**721**	721
Capital Contribution	**5,600**	4,600
Profit and Loss Account and Other Reserves [(1)(2)]	**1,047**	607
Total Tier 1 Capital Before Deductions	**8,258**	6,818
Tier 1 Capital	**8,258**	6,818
Tier 2 Capital	**1,000**	-
Total Capital Resources (net of deductions)	**9,258**	**6,818**

(1) Profit and loss account is shown here on a regulatory basis. See table 20 for a reconciliation to accounting balance sheet.
(2) Profit and loss account reflects the inclusion of 2016 audited current year earnings.

2.1.3 Transferability of Capital within the Group

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 Minimum Total Capital Requirement

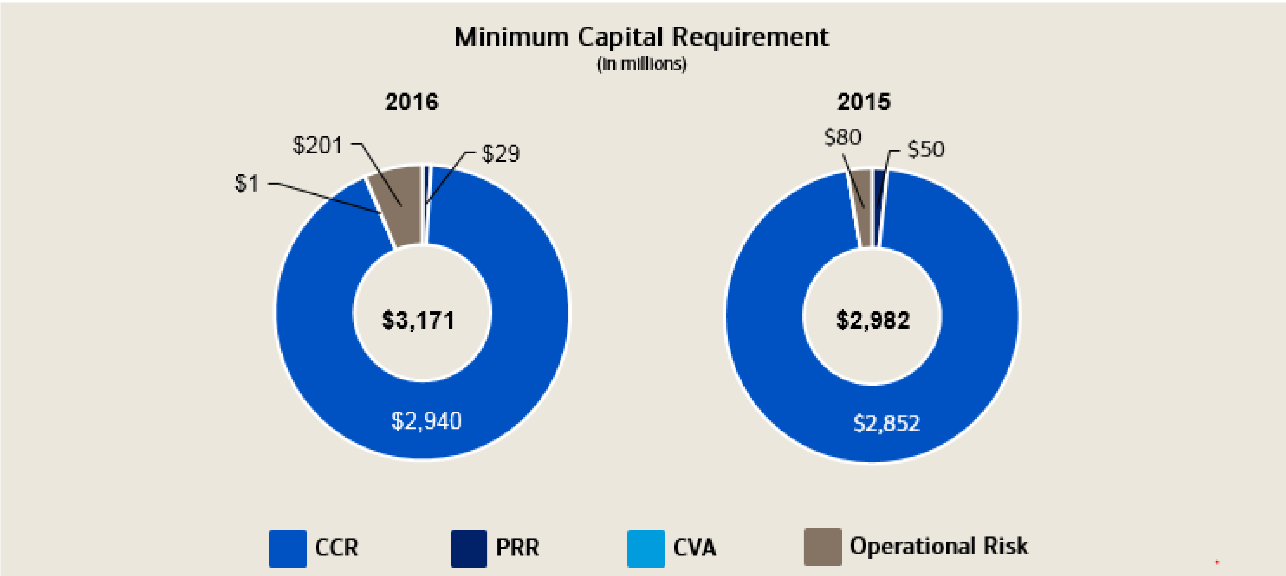
2.2.1 Summary of 2016 Minimum Capital Requirement

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

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

BAMLI has a Minimum Capital Requirement of $3.2bn (2015: $3.0bn) comprising of the risk requirements outlined in Figure 3 below.

Figure 3. Summary of Minimum Capital Requirement



2.2.2 Key Movements in 2016

BAMLI's Minimum Capital Requirement increased year-on-year by $0.2bn.

The increase was primarily driven by growth in the Group's core business in 2016, as a result of both new business and ongoing consolidation of activity in existing BAC group branches and legal entities transferring to BAMLI branches.

Table 2. Minimum Capital Requirement

(Dollars in Millions)	2016	2015
PPR on traded debt instruments [1]	16	39
Foreign Exchange PRR	13	11
Total Market Risk (PRR)	**29**	50
Counterparty Risk	2	1
Credit Risk	2,938	2,851
Counterparty and Credit Risk (CCR)	**2,940**	2,851
Credit Valuation Adjustment (CVA)	**1**	0
Operational Risk	**201**	80
Total Minimum Capital Requirement	**3,171**	2,982

[1] PPR on traded debt instruments includes $2m (2015: $20m) of securitisation exposures.

2.2.3 Minimum Capital Requirement Approach

BAMLI has adopted the standardised approach for calculating PRR, CCR, CVA and Operational Risk capital requirements. In order to adhere to the standardised rules set out by the PRA, BAMLI uses external ratings based on a combination of ratings provided by Moody’s Investors Service, Inc (“Moody’s”), S&P and Fitch.

2.3 Capital Resources vs. Minimum Capital Requirement and Tier 1 Capital Ratio

2.3.1 Capital Resources vs. Minimum Capital Requirement

BAMLI's Capital Resources in excess of its Minimum Capital Requirement have increased from $3.8bn in 2015 to $6.1bn in 2016. The increase was primarily driven by the $2.0bn of new capital injected in the year.

BAMLI continuously maintains a surplus over its Minimum Capital Requirement.

2.3.2 Tier 1 ratio

An entity's Tier 1 ratio is the ratio of Tier 1 capital to Risk Weighted Assets ("RWA"). BAMLI's Tier 1 capital increased in 2016 as a result of the capital contribution from its parent in the year.

As a result of this, BAMLI's Tier 1 ratio has increased from 18.3% to 20.8% in 2016.

Table 3. Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio

(Dollars in Millions)	2016	2015
Total Capital Resources	9,258	6,818
Total Minimum Capital Requirements	3,171	2,982
Surplus over Requirements	**6,087**	**3,836**
Tier 1 Capital Resources	8,258	6,818
Risk Weighted Assets	39,639	37,276
Tier 1 Capital Ratio	**20.8%**	**18.3%**

2.4 Leverage Ratio

2.4.1 Summary

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

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

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

CRD IV does not currently include a minimum Leverage Ratio requirement. In November 2016 the European Commission published a legislative proposal to amend various elements of CRD IV, which included a binding minimum Leverage Ratio requirement of 3%, as well as a number of changes to the calculation of the exposure measure. Based on the draft text of the proposal, it is currently expected that these amendments will become effective on 1 January 2021. BAMLI’s ratio is in excess of the proposed minimum at 16.9% (2015: 15.2%).

Table 4. Transitional and Fully Phased-In Leverage Ratio

	2016	2015
Leverage Ratio (transitional and fully phased-in)	16.9%	15.2%

2.4.2 Key Movements in 2016

BAMLI’s Leverage Ratio has increased during the year, primarily due to the increase in Tier 1 capital as noted in section 2.1.2.

3. Liquidity Position and Encumbered and Unencumbered Assets

3.1 Liquidity Position

3.1.1Regulatory Requirements

BAMLI is subject to Basel III liquidity reporting requirements legislated by CRD IV and the CRR and, under PRA supervisory requirements, must demonstrate self-sufficiency for liquidity purposes.

BAMLI is subject to the Liquidity Coverage Ratio (“LCR”), which requires BAMLI 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.

3.1.2 Liquidity Position

As of 31 December 2016, BAMLI was in compliance with its regulatory and internal liquidity requirements.

3.1.3 Funding Profile

BAMLI primarily funds its balance sheet through capital, unsecured deposits and intercompany term funding.

These funding sources are used to support BAMLI’s lending, trading and capital markets activity and maintain sufficient excess liquidity.

3.2 Encumbered and Unencumbered Assets

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

In BAMLI, encumbered assets primarily comprise of collateral posted against derivative contracts. Corporate Treasury monitors the funding requirement/surplus and models the liquidity impact relating to these activities on an ongoing basis.

As part of the Enterprise's ongoing entity simplification strategy there has been a small planned increase in lending activity during the year; however the types of encumbered assets have remained broadly constant.

This asset encumbrance disclosure is prepared in accordance with both EBA guidelines and PRA disclosure guidelines. It is based on financial statement information prepared in accordance with FRS 101.

BAMLI primarily adopts standard collateral agreements and collateralises at appropriate levels based on industry standard contractual agreements (mostly Credit Support Annexes ("CSA")).

Table 5 outlines the carrying and fair value of certain assets of the Company split between those encumbered and unencumbered.

Table 5. Analysis of Assets [(1)]

	2016			
(Dollars in Millions)	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the Reporting Institution [(2)]	**119**		**37,499**	
Equity Instruments	-	-	-	-
Debt Securities	-	-	3,870	3,870
Other Assets [(3)]	-		1,414	

	2015			
(Dollars in Millions)	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the Reporting Institution [(2)]	**77**		**30,277**	
Equity Instruments	-	-	-	-
Debt Securities	-	-	2,987	2,987
Other Assets [(3)]	-		2,494	

(1) Greyed out cell format stems from EBA asset encumbrance template, indicating not applicable disclosures.
(2) Equity Instruments, Debt Securities and Other Assets are a subset of Assets of the Reporting Institution and may not be equal to the total on the "Assets of the Reporting Institution" line. Remaining assets primarily relate to cash pledges on derivative contracts and loans & advances.
(3) The majority of unencumbered Other Assets relate to fixed assets and other receivables not available for encumbrance.

Table 6 provides detail on both the fair value of encumbered collateral received and collateral received that is available for encumbrance. As defined by the EBA, no "Other Collateral" or "Own Debt Securities other than own Covered Bonds or Asset-Backed Securities ("ABS")" have been received as collateral.

Table 6. Analysis of Collateral Received

	2016[(1)]	
(Dollars in Millions)	Fair Value of Encumbered Collateral Received or Own Debt Securities Issued	Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance
Collateral Received by the Reporting Institution	**-**	**1,913**
Equity Instruments	-	-
Debt Securities	-	1,913

(1) 2015 comparatives have not been displayed because comparative figures for the prior year were all zero.

Table 7 outlines the value of liabilities against which assets have been encumbered and the respective asset values.

Table 7. Encumbered Assets / Collateral Received and Associated Liabilities

	2016	
(Dollars in Millions)	Matching Liabilities, Contingent Liabilities or Securities Lent	Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered
Carrying Amount	**118**	**115**

	2015	
(Dollars in Millions)	Matching Liabilities, Contingent Liabilities or Securities Lent	Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered
Carrying Amount	**64**	**75**

4. Risk Management, Objectives and Policy

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 2017 Risk Framework in December 2016. The key enhancements from the 2016 Risk Framework include the incorporation of the responsible growth strategy and updates to various definitions, and organization and governance structures. The Board of BAMLI adopted the BAC 2017 Risk Framework in March 2017.

BAMLI 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 following section lays out the risk management approach and key risk types for BAMLI.

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 BAMLI to serve the customers and deliver for the BAC shareholders. If not managed well, risks can result in financial loss, regulatory sanctions and penalties, and damage to BAMLI's reputation, each of which may adversely impact BAMLI's ability to execute its business strategies. It is critical that every employee embraces sound risk management practices as a core component of his or her role and responsibilities. Managing risk well is fundamental to delivering on the Company's strategy for responsible growth.

The Risk Framework applies to all employees. It provides an understanding of BAMLI'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 BAMLI. The Risk Framework sets forth roles and responsibilities for the management of risk by front line units, independent risk management, other control functions and Corporate Audit. The following are the five components of BAMLI's risk management approach:

- Culture of managing risk well
- Risk appetite and risk limits
- 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 BAMLI's businesses, namely: Strategic, Credit, Market, Liquidity, Operational, Compliance and Reputational risks.

4.2.1 Culture of Managing Risk Well

A culture of managing risk well is fundamental to BAMLI's core values and operating principles. 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 BAMLI's risk appetite. Sustaining a culture of managing risk well throughout the organisation is critical to the success of BAMLI and is a clear expectation of BAMLI's executive management team and its Board of Directors.

The following principles form the foundation of BAMLI's culture of managing risk well:

1. Managing risk well protects BAMLI and its reputation and enables BAMLI to deliver on its purpose and strategy.
2. BAMLI treats customers fairly and acts with integrity to support the long-term interests of its employees, customers and shareholders. BAMLI understands that improper conduct, behaviour or practices by BAMLI, its employees or representatives could harm BAMLI, the BAC shareholders or customers, or damage the integrity of the financial markets.
3. Individual accountability and an ownership mindset are the cornerstones of the enterprise Code of Conduct and are at the heart of the Group's culture
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 BAMLI employs models and methods to assess risk and better inform BAMLI's decisions, proactive debate and a thorough challenge process lead to the best outcomes
6. Lines of business and other front line units are first and foremost responsible for managing all aspects of their businesses, including all types of risk
7. Independent risk management provides independent oversight and effective challenge, while Corporate Audit provides independent assessment and validation
8. BAMLI strives to be best-in-class by continually working to improve risk management practices and capabilities

4.2.2 Risk Profile and Appetite

Risk Profile: BAMLI is the primary banking entity for BAC within EMEA and offers a range of corporate finance and banking services. Clients include large multinational groups, financial institutions, governments and government entities.

As at 31 December 2016, BAMLI's total assets prepared in accordance with FRS 101 totalled $38.7bn and comprised principally of Loans and advances to customers and banks, trading assets and reverse repurchase agreements. As at 31 December 2016 BAMLI had $9.3bn of regulatory Capital Resources, mainly consisting of CET1 capital ($8.3bn). BAMLI has a CET 1 capital ratio of 20.8%. Profit was generated by Interest Income and Fee and Commission Income.

Consistent with BAMLI's business strategy, 94% of BAMLI's Credit Risk is concentrated in EMEA. BAMLI's largest industry concentration, based on regulatory capital exposure, is to Industrial and Commercial companies which represents 56% of exposure. Other industries with significant concentrations include Banking and Financial Companies 12% and Energy and Commodities 8%. The residual maturity of 71% of its Counterparty and Credit Risk exposure is between 1 and 5 years and 21% is below one year. Although generally assessed internally of being high quality, 63% of exposure in BAMLI is to counterparties not rated by external rating agencies. Credit risk is assessed as outlined at section 4.3.

Market risk for BAMLI is generated by the activities in interest rate, foreign exchange and credit markets.

BAMLI 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. BAMLI primarily funds the balance sheet through capital, unsecured deposits and intercompany term funding.

Risk Appetite: The Risk Appetite Statement ("RAS") collectively defines the aggregate level and types of risk BAMLI is willing to accept in order to achieve its business objectives. It is designed with the objective of ensuring that it is comprehensive for all key risks, relevant to the BAMLI business and aligned with the risk management practices. The RAS is reviewed and approved by the BAMLI Board at least annually.

BAMLI's risk appetite is designed to be consistent with the aggregate risk appetite at the BAC level and includes the following key elements:

1. Comprehensive with both quantitative limits and qualitative statements
2. Integrated with capital, strategic and risk planning
3. Limits under baseline and stressed operating conditions
4. Effective controls and robust governance with risk review and approval

The RAS covers the seven key risk types as defined in the Risk Framework. There are detailed qualitative statements for all of the key risk types within the Risk Framework and a suite of metrics for the following risks:

- Credit Risk: Forward looking stress and baseline metrics in addition to concentration limits aligned to credit quality using internal risk rating, geography and industry
- Market Risk: Metrics relating to management Value at Risk ("VaR") and Stress Loss
- Operational Risk: Metrics covering losses incurred and an aggregate assessment as described in the Risk Self-Assessment ("RSA")
- Liquidity Risk: Metrics relating to key liquidity coverage ratios

Additionally, there is also a capital trigger in the BAMLI RAS which complements the metrics detailed above. Collectively, they ensure that the entity maintains an acceptable risk profile that is aligned with its capital resources and strategic plan.

The performance against the BAMLI risk appetite is reviewed on a monthly basis by the BAMLI Risk Management Committee ("RMC"). Limits are monitored by front line units and risk management on a more frequent basis. Performance is also reported to the BAMLI Board Risk Committee ("BRC") and provided to the BAMLI Board on a quarterly basis.

4.2.3 Risk Management Processes

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 BAMLI, thereby ensuring risks are appropriately considered, evaluated and responded to in a timely manner.

BAMLI approach to Risk Management Processes:

- All employees are responsible for proactively managing risk
- Risk considerations are part of all daily activities and decision-making
- BAMLI encourages a thorough challenge process and maintains processes to identify, escalate and debate risks
- BAMLI utilizes timely and effective escalation mechanisms for risk limit breaches

The front line units have primary responsibility for managing risks inherent in their businesses. BAMLI employs an effective risk management process, referred to as Identify, Measure, Monitor and Control ("IMMC") as part of its daily activities.

4.2.4 Risk Data Management, Aggregation and Reporting

Effective risk data management, aggregation and reporting are critical to provide a clear understanding of material current and emerging risks and enable BAMLI to proactively and effectively manage risk.

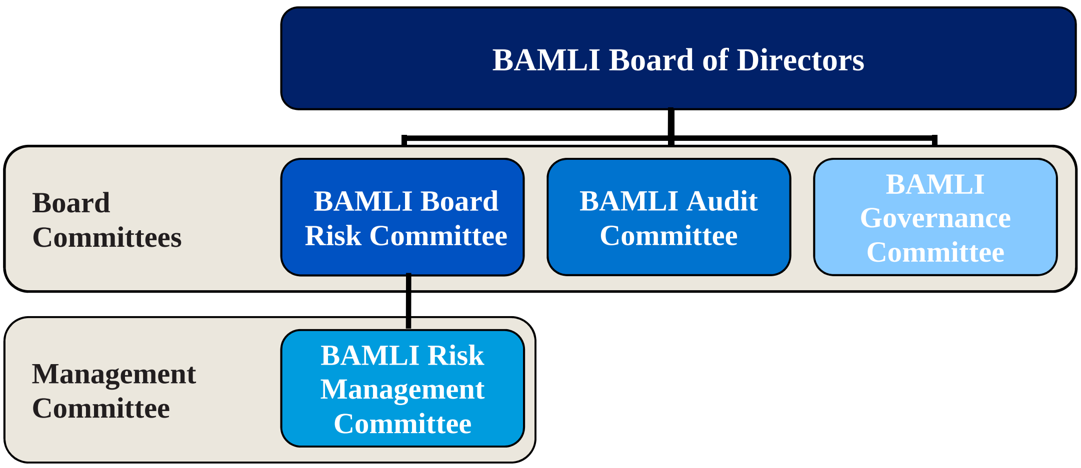
Risk Data Management, Aggregation and Reporting Principles:

- Complete, accurate, reliable and timely data
- Clear and uniform language to articulate risks consistently across BAMLI
- Robust risk quantification methods
- Timely, accurate and comprehensive view of all material risks, including appropriate level of disaggregation

4.2.5 Risk Governance

The BAMLI Board ensures suitable risk management and controls through the BAMLI BRC, the BAMLI Audit Committee, the BAMLI Governance Committee and the BAMLI RMC.

Figure 4. Risk Governance Structure



The BAMLI BRC assists the BAMLI Board in fulfilling its oversight responsibility relating to senior management's responsibilities regarding the identification of, management of, and planning for market risk, credit risk, liquidity risk, operational risk and reputational risk. Prior to June 2016, the BAMLI Board had a combined Board Risk and Audit Committee. A separate Audit Committee was established in June 2016. Before it was separated into two committees the BAMLI Board Risk and Audit Committee met four times during the first half of 2016 and the BRC met twice in the second half of the year.

The BAMLI RMC reports to the BAMLI BRC and is responsible for providing management oversight and approval of (or reviewing and recommending to the BAMLI BRC, the BAMLI Board or other committees, as appropriate) Market Risk, Credit Risk, Operational Risk, balance sheet, capital, liquidity management and stress testing activities. The BAMLI RMC met 14 times during 2016.

The BAMLI Audit Committee assists the BAMLI Board in fulfilling its oversight responsibilities relating to BAMLI's internal financial controls; the preparation and integrity of BAMLI's financial statements; BAMLI's relationship with its External Auditor; and the performance and independence of BAMLI's Internal Audit and Compliance functions. As mentioned above, the BAMLI Board had a joint Board Risk and Audit Committee in the first half of 2016, which was separated into the BAMLI BRC and Audit Committee in June. The BAMLI Audit Committee met twice in the second half of 2016 following its separation from the Board Risk and Audit Committee.

The Governance Committee of the BAMLI Board (the "Governance Committee"), established in June 2016, assists the BAMLI Board in fulfilling its oversight of compliance with remuneration policies and regulatory requirements and nominates for the Board's approval candidates to fill Board vacancies. The Governance Committee acts as the nomination committee and the remuneration committee of the BAMLI Board. The BAMLI Governance Committee met twice during 2016.

Before any appointment is made by the BAMLI Board, the Governance Committee is responsible for evaluating the balance of skills, knowledge, experience and diversity on the 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 Governance Committee, in identifying suitable candidates the 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 BAMLI Board, including gender representation, taking care that appointees have sufficient time available to devote to the position.

In addition, pursuant to the terms of its charter, the Governance Committee is responsible for deciding on a target for the representation of the underrepresented gender on the BAMLI Board and how to meet it (as required).

All appointments to the BAMLI Board are made in compliance with Bank of America's Background Check Policy and are subject to successful completion of the following background checks: Identification, Credit, Criminal, Global Sanctions, Media, Directorship, Employment and Education checks, as required. In addition, executive directors and board and committee chairs appointed to the Board require regulatory pre-approval in line with the PRA and FCA's requirements under the Senior Managers Regime.

Board member experience is detailed within individual director biographies (Appendix I).

The independent risk management functions within the EMEA region led by the EMEA Chief Risk Officer ("EMEA CRO") have operational responsibility for the risk management of BAMLI and ensuring appropriate reporting and escalation to the BAMLI Board.

The BAMLI Board, supported by the BAMLI BRC, confirms that the risk management arrangements outlined are adequate to facilitate the management of risk in the context of BAMLI's profile and strategy.

4.3 Key Risk Types

The risk management processes outlined above allow BAMLI to manage risks across the seven key risk types; Strategic, Credit, Market, Liquidity, Operational, Compliance and Reputational.

Strategic Risk

Definition

Strategic Risk is the risk resulting 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 BAMLI operates (such as competitor actions, changing customer preferences, product obsolescence, and technology developments).

Strategic Risk Management

Strategic Risk is managed through the assessment of effective delivery of strategy. Strategic Risk is monitored continuously by the executive management team through a number of existing processes ranging from monitoring of financial and operating performance, through to the management of recovery and resolution plans and also with the regular assessment of earnings and risk profile throughout the year. The executive management team provides the BAC 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.

Regional and BAMLI strategy execution and risk management are aligned to the overall BAC strategic plans through a formal planning and approval process. The strategic plans are set within the context of overall risk appetite and the strategic planning process includes an evaluation of the internal and external environment and BAC's strengths, weaknesses, opportunities and threats. During the planning process, the BAC Board provides credible challenge to management's assumptions and recommendations, and approves the strategic plans after a comprehensive assessment of the risks.

Management routines play an important role in developing strategic recommendations for committees, regional and executive management. Specific thematic focused presentations are made to the BAC Board as necessary to address any developments or additional considerations as it relates to strategic planning or the strategic plan itself.

Strategic Risk is embedded in every business and, to some extent, is part of the other major risk types (Credit, Market, Liquidity, Operational, Compliance and Reputational Risk).

Strategic Risk Governance

The BAC Board is responsible for overseeing the strategic planning process and management's implementation of the resulting strategic plan. BAC's strategic plan is reviewed and approved annually by the BAC Board in consideration of 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 BAC Board as required. Strategic planning at BAC level is representative of more detailed planning undertaken at the business unit, regional and BAMLI level.

At the business unit, regional and BAMLI level, strategic planning processes are consistent with each other and their output is incorporated as part of BAC planning process. The BAMLI strategy is reviewed and signed-off by BAMLI Board on an annual basis. Strategic decisions relating to BAMLI are presented and discussed at BAMLI BRC and Board. Routines 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 approvals where appropriate. Independent risk management, Corporate Audit and other control functions provide input, challenge and oversight to front line unit and regional level strategic plans and initiatives. Corporate Audit reviews the strategic plan and provides feedback to regional management, the BAMLI Board and the BAC Board as necessary regarding the impact to the control environment.

Strategic Risk (cont'd)	**Strategic Risk Reporting** Individual business units provide regular updates to both global and regional management on their business performance and management of strategic risk. Updates take into account analyses of performance relative to the strategic plan and risk appetite and performance relative to peers, the strength of capital and liquidity positions and stress tests, which address potential macroeconomic events, changing regulatory requirements and various market growth rate assumptions. Focused regional performance updates are provided to executive leadership and the BAC Board on a periodic basis. BAMLI performance updates are provided to the BAMLI board.

Credit Risk	**Definition** Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations. BAMLI defines credit exposure to a borrower or counterparty as the loss potential arising from loans, leases, derivatives and other extensions of credit. Credit risk arises when BAMLI commits to, or enters into, an agreement with a borrower or counterparty. **Credit Risk Management** BAMLI manages credit risk to a borrower or counterparty based on its 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. BAMLI 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 companywide credit risks, thus providing executive management with the information required to guide or redirect front line units. ***Credit Origination*** As BAC's main banking entity in EMEA, BAMLI's credit strategy and origination is focused on its commercial lending and treasury products activities which account for the majority of its credit exposure. These activities include drawn and undrawn corporate and institutional lending facilities to clients for general corporate purposes, liquidity management, trade finance, bridge financing, acquisition related activities, as well as asset backed and secured lending. There is also a limited amount of derivative related credit exposure. Borrowers' 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 within front line units remains within approved credit risk limits. New products and credit terms and conditions are differentiated based on risk, within the limits of risk appetite. For lending-based credit exposures, Credit Risk is measured as the amount of binding, advised or guidance limits to a counterparty. The main exposure measure for a traded product is potential exposure, which is the maximum amount of exposure the entity has on a derivative contract at a future date given a particular confidence level. Counterparty risk exposures are considered within the context of the broader credit risk portfolio.

Credit Risk (cont'd)

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 monitored / evaluated under both normal and stress scenarios and credit risk is managed primarily through establishing and monitoring limits. Credit risk may be hedged to mitigate exposure and remain within credit risk appetite and return expectations

Regular portfolio monitoring and reporting business specific governance, including periodic testing and examinations by Credit Review, which is part of Corporate Audit, enable detection of deteriorating credit trends, develop mitigation strategies and measure the effectiveness of actions taken. At the borrower and counterparty level, the risks inherent in ongoing financial performance are reviewed. At the portfolio level, aggregate losses, credit performance and concentrations in 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 commercial portfolio. In addition, targeted and portfolio stress testing and scenario analysis are performed and reviewed.

Loss Mitigation Activities

When borrowers and counterparties do not fulfil their obligations, steps are taken to mitigate and manage losses. Teams and stringent processes are in place to appropriately manage defaults. A reserve or an Allowance for Credit Losses is maintained, against incurred losses, based on portfolio performance and asset quality forecasts.

Certain lending transactions may be supported by credit enhancing arrangements such as property liens or claims on assets. In these cases, the Credit Risk officer will consider the amount, asset type, quality, and liquidity of the supporting collateral in their overall risk assessment.

The taking of third party guarantees represents a further form of Credit Risk mitigation. 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 group.

Credit Risk Governance

BAMLI Credit Risk governance is integrated into the BAC and BAMLI 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.

Independent risk management oversees credit risk management processes and governance in accordance with requirements and authority levels.

Credit Risk Reporting

Transparency is critical to effective risk management. To ensure appropriate transparency and escalation to BAC and BAMLI Boards and senior management, comprehensive and actionable Credit Risk reporting containing the required granularity of content for each level of seniority is produced.

Reporting includes monitoring of credit exposure against approved risk appetite limits, as well as more detailed credit information covering total outstanding volumes, key counterparty exposures, credit quality trends and concentration analyses.

Market Risk

Definition

Market risk is the risk that changes in market conditions may adversely impact the values of assets or liabilities, or otherwise negatively impact earnings.

Market risk is composed of price risk and interest rate risk:

Price risk: Trading positions within BAMLI are subject to various changes in market based risk factors. The majority of this risk is generated by the activities in the interest rate, foreign exchange and credit markets. In addition, the values of assets and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility.

Interest rate risk: The risk to current or projected financial condition and resilience arising from movements in interest rates. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows (re-pricing 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 (options risk).

Market Risk Management

Various techniques and quantitative measures are utilised to enable the most complete understanding of market risk. These measures include sensitivities of positions to various market risk factors, such as the potential impact on revenue from a one basis point change in interest rates, and statistical measures utilising both actual and hypothetical market moves, such as VaR and Stress testing.

VaR is a statistical measure specified according to a particular time horizon and confidence level. Two measures are calculated: a version using three years of historic data and a version using a one year period. Both are equivalent to a 99% confidence level with a one day holding period.

Stress testing and scenario analysis are performed to capture 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 BAMLI portfolio. Market Risk Management identifies points of weakness and concentrations in the BAMLI portfolio or where the entity holds positions that are illiquid or which could be exposed to particular extreme tail events. Stress scenarios may be specifically designed to target potential vulnerabilities that are not always easy to capture or model using VaR, or where there may be difficulty in hedging or exiting positions in a timely fashion or at a reasonable price in an extreme event.

Interest rate risk arises in BAMLI’s non-trading book from differences in re-pricing, rate and maturity characteristics between its assets and liabilities. Interest rate risk is measured as the potential change in net interest income or economic value of equity caused by movements in market interest rates

Market risk exposure is managed and monitored in a way that reflects BAMLI’s Risk Framework and aggregate risk tolerance. Assessing key exposures and setting and monitoring limits to ensure that BAMLI operates within the approved risk appetite are at the core of BAMLI’s approach to managing market risk. Key market risk exposures at the aggregate and at the specific asset and liability level are assessed, both in normal and stressed scenarios.

BAMLI adheres to the Global Markets Market Risk Policy and the Global Markets Market Risk Limits Policy. Robust monitoring and reporting processes for limits are in place, with limit breaches triggering appropriate notification and escalation based on the severity of the breach as defined by magnitude or frequency. The EMEA RMC and BRC review and recommend Risk Appetite Statement limits for approval to the BAMLI Board. In addition, BAMLI uses a variety of VaR, stress and sensitivity limits set at both a granular level – to ensure extensive coverage of risks – as well at business and legal entity level – to account for correlations among risk factors.

Market Risk (cont'd)

Market Risk Governance

BAMLI has established a market risk governance structure through which oversight from the BAMLI Board and its committees flows downward, while vital market risk insight and transparency flows upward.

All personnel involved in risk related activities are an active part of the risk management process. Front Line Units are accountable for appropriately assessing and effectively managing the risks associated with their activities. They are required to take an active role in ensuring they are fully apprised of the approved risk parameters and permitted activities in BAMLI. Market risk is identified, analysed, monitored, and controlled by an independent control function. The EMEA Markets Risk Executive reports functionally to the Head of Global Market Risk, but also has a reporting line to the EMEA Chief Risk Officer ("CRO").

Market Risk Management responsibilities include ownership of market risk policy, calculating aggregated risk measures, establishing and monitoring position limits consistent with risk appetite, conducting reviews and analysis of trading inventory, approving material risk exposures and new trades and fulfilling regulatory requirement.

The VaR model is continually reviewed and enhanced so that it reflects the material risks in the trading portfolio. Changes to the VaR model are reviewed and approved prior to implementation and any material changes are reported to management through the appropriate governance process.

Market Risk Reporting

Transparency of market risks is critical to effective risk management. BAMLI produces reports on exposure, including VaR, Stress, and Risk Factor sensitivities. BAMLI also reports on risks such as yield curve shifts and twists, changes to implied volatility, correlations between market variables, and credit spreads.

Market risk reports are distributed to senior management within Markets Risk Management and, where appropriate, to relevant stakeholders – such as Front Line Units. Markets Risk Management also contributes to governance committee reports.

Non-trading book interest rate risk position reporting is provided on a daily basis, with monthly reporting to the RMC, to help ensure non-trading book risk is within BAMLI's risk appetite.

Liquidity Risk

Definition

Liquidity Risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support BAMLI's businesses and customers under a range of economic conditions.

Liquidity Risk Management

The approach to managing BAMLI's Liquidity Risk has been established by the BAMLI Board, aligned to BAC processes, but tailored to meet BAMLI's business mix, strategy, activity profile, risk appetite, and regulatory requirements. Key components include:

- The BAMLI Liquidity Risk Policy, which is approved annually by the BAMLI Board and formally articulates the principles for managing liquidity risk within BAMLI, including requirements for internal stress testing, limits and early warning indicators ("EWIs"), reporting and monitoring, roles and accountabilities, and regulatory requirements
- The BAMLI liquidity risk appetite, established by the BAMLI Board, requiring BAMLI to maintain sufficient excess liquidity resources to meet net modelled outflows under an internally-developed combined stress scenario and to comply with regulatory requirements
- A robust framework of limits, EWIs that are monitored and reported daily to ensure ongoing compliance with internal and regulatory requirements
- The BAMLI Contingency Funding Plan, which is approved annually by the BAMLI Board and details senior management's strategy to address potential liquidity shortfalls during periods of stress

Liquidity Risk (cont'd)

BAMLI is subject to the following PRA liquidity requirements:

- LCR: BAMLI is subject to the Liquidity Coverage Ratio ("LCR"), which requires BAMLI 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
- Voluntary Variation of Permission ("VVOP"): BAMLI is also required to hold eligible liquidity resources under a VVOP

As at 31 December 2016, BAMLI was in compliance with its regulatory and internal liquidity requirements.

Liquidity Risk Governance

BAMLI Liquidity Risk is integrated into the BAC and BAMLI governance structure described earlier in the document.

Effective liquidity risk management requires coordination and transparency across BAMLI's front line units, independent risk management and other control functions. To achieve this, BAMLI has established a liquidity risk governance structure that provides oversight from the Board and their committees to the individual front line units. Front line units actively identify, escalate and debate liquidity risks related to their activities both internally and to independent risk management.

Liquidity Risk Reporting

Timely, transparent and relevant liquidity reporting provides front line unit management with actionable information essential for making sound decisions to manage BAMLI's cash, liquidity exposures and funding needs in real time, as necessary, across market cycles. BAMLI's liquidity risk reporting supports liquidity risk exposure monitoring, including emerging trends and EWIs, and performance against established limits within and across significant legal entities, currencies, and LOB as well as cash flow projections over short and long-term time horizons. Dedicated personnel within Corporate Treasury monitor liquidity and provide regular reporting of BAMLI's liquidity position and metrics to senior management. Independent risk management routinely monitors and reports on liquidity risk trends and limits to various risk governance committees, executive management and Board, in accordance with BAC's subsidiary governance requirements and enterprise policies. Additionally, BAMLI's liquidity risk monitoring and reporting enable appropriate risk escalation, which includes defined protocols for limit breaches, emerging risks and issues, to ensure transparency at the appropriate level of granularity for each audience.

Operational Risk

Definition

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational Risks are associated with the following seven operational loss event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and systems failures; and execution, delivery and process management.

Operational Risk Management Process

Operational Risk exists in all business activities conducted by BAMLI and is an unavoidable consequence of doing business.

Consistent Operational Risk management across all legal entities within BAC globally is supported through the implementation of the Operational Risk Policy and the supporting Standards.

The Operational Risk management function is independent of front line unit / control function management, and consists of the Corporate Operational Risk ("COR") and front line unit / control function Operational Risk teams ("Operational Risk Teams").

COR defines the requirements within the policy and the standards and is responsible for designing the program and overseeing its implementation and execution in accordance with the Operational Risk policy and its supporting Standards. Front line units / control functions and Operational Risk Teams establish and implement procedures to embed Operational Risk management practices in support of these requirements. Operational Risk Teams are also responsible for objectively assessing, challenging and advising the front line units / control functions on Operational Risk. Front line units / control functions may have business oversight or control teams that support business leaders in the implementation of the program.

A key element of the program is the BAMLI Risk Self-Assessment ("RSA") which captures the operational exposures faced by BAMLI and entails: ongoing identification, measurement, mitigation, monitoring, reporting and escalation of applicable current and emerging Operational Risk and causes. In addition to the RSA process, BAMLI performs other Operational Risk management processes including internal operational loss data monitoring and the execution of scenario analysis. Scenario analyses are targeted to identify plausible, low-frequency, high-severity operational loss events. Risk reduction and mitigation activities are developed and enacted when potential Operational Risk losses are assessed or control gaps identified.

Operational Risk Governance

BAMLI Operational Risk is integrated into the BAC and BAMLI governance structure described earlier in the document. The BAC Operational Risk management framework incorporates and documents the overarching processes for identifying, measuring, mitigating, controlling, monitoring, testing, reviewing and reporting Operational Risk information to senior management and governance bodies.

Operational Risk Reporting

Transparency of Operational Risks is critical to effective risk management. To achieve transparency, BAMLI reports on the Operational Risk exposures, including operational loss events and RSA results. A consolidated report on Operational Risk is reviewed, discussed and debated with both the management and BAMLI BRC.

Compliance Risk

Definition

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of BAMLI arising from the failure of BAMLI to comply with requirements of applicable laws, rules and regulations and related self-regulatory organizations' standards and codes of conduct.

Compliance Risk Management

Front line units are responsible for the proactive identification, management and escalation of compliance risks across BAMLI. Global Compliance is responsible for setting BAC-wide policies and standards and provides independent challenge and oversight to the front line units. BAMLI's approach to the management of compliance risk is further described in the Global Compliance Policy, which outlines the requirements of BAC's global compliance program and defines roles and responsibilities related to the implementation, execution and management of the global compliance risk management program by Global Compliance.

Compliance Risk Governance

The Global Compliance Executive leads the Global Compliance organisation, which together with the front line units, also has primary responsibility for the aggregated identification, management and escalation of compliance risks and compliance-related matters across BAMLI.

Compliance Risk Reporting

The Global Compliance Executive leads the Global Compliance organisation, which together with the front line units, also has responsibility for the aggregated identification, management and escalation of compliance risks and compliance-related matters across BAMLI, including financial crimes compliance risks.

Compliance risk issues are reported to the BAMLI Board and the BAMLI Audit Committee.

Reputational Risk

Definition

Reputational Risk is the potential that negative perceptions of BAMLI's conduct or business practices will adversely affect its profitability or operations through an inability to establish or maintain existing customer / client relationships.

Reputational Risk can stem from many of BAMLI's activities, including those related to the management of the strategic, operational or other risks, as well as the overall financial position. As a result, BAMLI evaluates the potential impact to the reputation within all of the risk categories and throughout the risk management process.

Reputational Risk (continued)

Reputational Risk Management

BAC manages 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.

At the Enterprise level, Reputational Risk is reviewed by the Enterprise Risk Committee and the Management Risk Committee, which provide primary oversight of Reputational Risk. Additionally, top reputational risks are reviewed by the Global Risk Management Leadership team and the BAC Board.

For the EMEA region there is a specialist committee, the EMEA Reputational Risk Committee, whose charter includes consideration of Reputational Risk issues and providing 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. Reputational Risk items relating to BAMLI are considered as part of the EMEA Reputational Risk Committee.

Activities will be escalated to EMEA Reputational Risk Committee for review and approval where elevated levels of Reputational Risk are present.

Examples of activities include:

- Business activities that present significant legal, regulatory or headline risk
- Violations of, or deviations from, BAMLI policy
- 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 BAMLI might have an undisclosed or significant conflict of interest
- Business activities from which BAMLI 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 / historic reputation of any of the parties involved, might reflect adversely on the reputation of the firm 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 the Company or any of the parties involved
- Business activities or practices that may follow longstanding 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 the Company 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.

Reputational Risk (continued)

Ultimately, to ensure that Reputational Risk is mitigated through regular business activity, awareness of Reputational 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, BAC does not set quantitative limits for the level of acceptable risk. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

Reputational Risk Governance

BAC has an appropriate organisational and governance structure in place to ensure strong oversight at both the Enterprise and business levels.

The EMEA Reputational Risk Committee membership consists of executive representation from Markets, Global Corporate and Investment Banking and control functions (General Counsel, Compliance and Risk). The committee is chaired by either the regional President, Chief Operating Officer or Chief Risk Officer for EMEA. The EMEA 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 EMEA Reputational Risk Committee is a sub-committee of the EMEA Regional Risk Committee and 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 EMEA Reputational Risk Committee to the EMEA Regional Risk Committee and/or the Global Reputational Risk Committee as appropriate. The BAMLI BRC is informed of such matters.

Reputational Risk Reporting

The reporting of Reputational Risk issues is captured as part of the management routines for the EMEA Reputational Risk Committee. Issues that are identified and presented for discussion as part of the meeting logistics are included in reporting. Tracking of items presented to EMEA Reputational Risk Committee is maintained through reporting which provides detail such as description of the Reputational Risk issue, geographical jurisdiction of the issue, reason for escalation and the decision reached by EMEA Reputational Risk Committee and which legal entity the issue relates to. Summary reporting of the EMEA Reputational Risk Committee issues is provided to the EMEA Regional Risk Committee on a quarterly basis as part of the control function support papers. In addition, the EMEA Reputational Risk Committee provides updates to the BAMLI BRC on a quarterly basis.

4.4 Other Risk Considerations

Wrong-way Risk

Wrong-way risk exists when there is adverse correlation between the 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.

BAMLI use a range of policies and reporting to identify and monitor wrong-way risk across the portfolio. 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 BAC's risk management framework, several processes exist to control and monitor wrong-way risk including reviews at the Global Markets Risk Committee and BAC Credit Risk Committee.

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 overcollateralization and central clearing, while tail risk remains. This risk is captured by measuring concentrated positions while remaining agnostic to specific market scenarios and counterparty credit worthiness.

BAMLI is subject to various enterprise CMR limits by asset class and risk factor, based on appropriate measures and levels, taking into account market liquidity, risk appetite stress scenarios and business rationale. Limits are reviewed and monitored by Counterparty Credit Risk Portfolio Management. Permanent limits are approved at the Global Market Risk Committee.

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.

BAMLI is subject to various enterprise Pegged Currency limits for each pegged currency, across different ratings buckets and at the single name and portfolio level. Limits are reviewed and monitored by Counterparty Credit Risk Portfolio Management. Permanent limits are approved at the Global Market Risk Committee.

Exposures to Interest Rate Risk in the Non-Trading Book

Interest rate risk represents the most significant market risk exposure to BAMLI's non-trading balance sheet. Interest rate risk is measured as the potential change in net interest income or economic value of equity caused by movements in market interest rates. Client facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

The interest rate scenario analysed incorporates product re-pricing and maturity characteristics.

Non-trading book risk position reporting is provided on a daily basis with monthly reporting to the BAMLI RMC. This includes additional interest rate scenario shocks which are used across the Enterprise.

Impaired Assets

As at December 2016, BAMLI's impairment for credit losses was $200m (2015: $150m) (see sections 5.1 and 5.2.6 for further detail).

Equities Exposures

No detailed disclosures are made in respect of equity exposures as the information provided by such disclosures is not regarded as material.

Impact of a Credit Rating Downgrade on OTC Collateral Posted

The full impact of a BAC credit rating downgrade on BAMLI depends on numerous factors, including (1) the type and severity of any downgrade; and (2) the reaction of counterparties, customers, and investors who face BAMLI.

Based on the terms of various over-the-counter derivatives contracts and other trading agreements, a BAC credit rating downgrade may require the posting of additional collateral to counterparties or counterparties choosing to unwind or terminate specific transactions. In either case, based on BAMLI's current activity, none of these events would be expected to have a significant impact on the BAMLI liquidity profile. 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 BAC credit rating downgrade on collateral is monitored continuously and factored into BAMLI's internal liquidity stress testing and regulatory liquidity requirements. As of 31 December 2016, BAMLI was in excess of both internal and regulatory liquidity requirements.

For more information on the impact of a credit downgrade on collateral posted for the Enterprise see pg. 139 of the BAC 10K filing for 2016. http://investor.bankofamerica.com

Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP is completed at least annually in compliance with CRD IV and the PRA Rulebook. The ICAAP is a key part of BAMLI's governance framework and covers BAMLI's risk appetite; strategy and financial plans; capital and risk management; and stress testing. The ICAAP assesses BAMLI capital adequacy in relation to current and future activities and ensures BAMLI maintains an appropriate amount of capital relative to the risks to which the Firm is exposed.

Securitisation Risk Governance and Reporting

Securitisation products in BAMLI can vary from notes backed by fairly standardised collateral to less standard, more bespoke assets. Positions that are deemed to be concentrated or illiquid are assessed through a prudential valuation process and a quarterly concentration/point of weakness risk analysis. Risk reporting is provided daily with weekly and monthly reporting looking at larger trends.

BAMLI holds and trades securitisation positions generally to facilitate client activity. Monitoring and controls are in place via VaR based modelling, stress testing and market value limits. Monitoring processes for re-securitisation positions also include prudential valuation assessment, concentration/point of weakness analysis and market risk limits. BAMLI conducts limited activity in trading re-securitisations.

5. Further Detail on Capital Resources, Leverage and Market, Counterparty and Credit Risk, Securitisation and Capital Requirements Directive Buffers

5.1 Counterparty and Credit Risk (CCR)

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

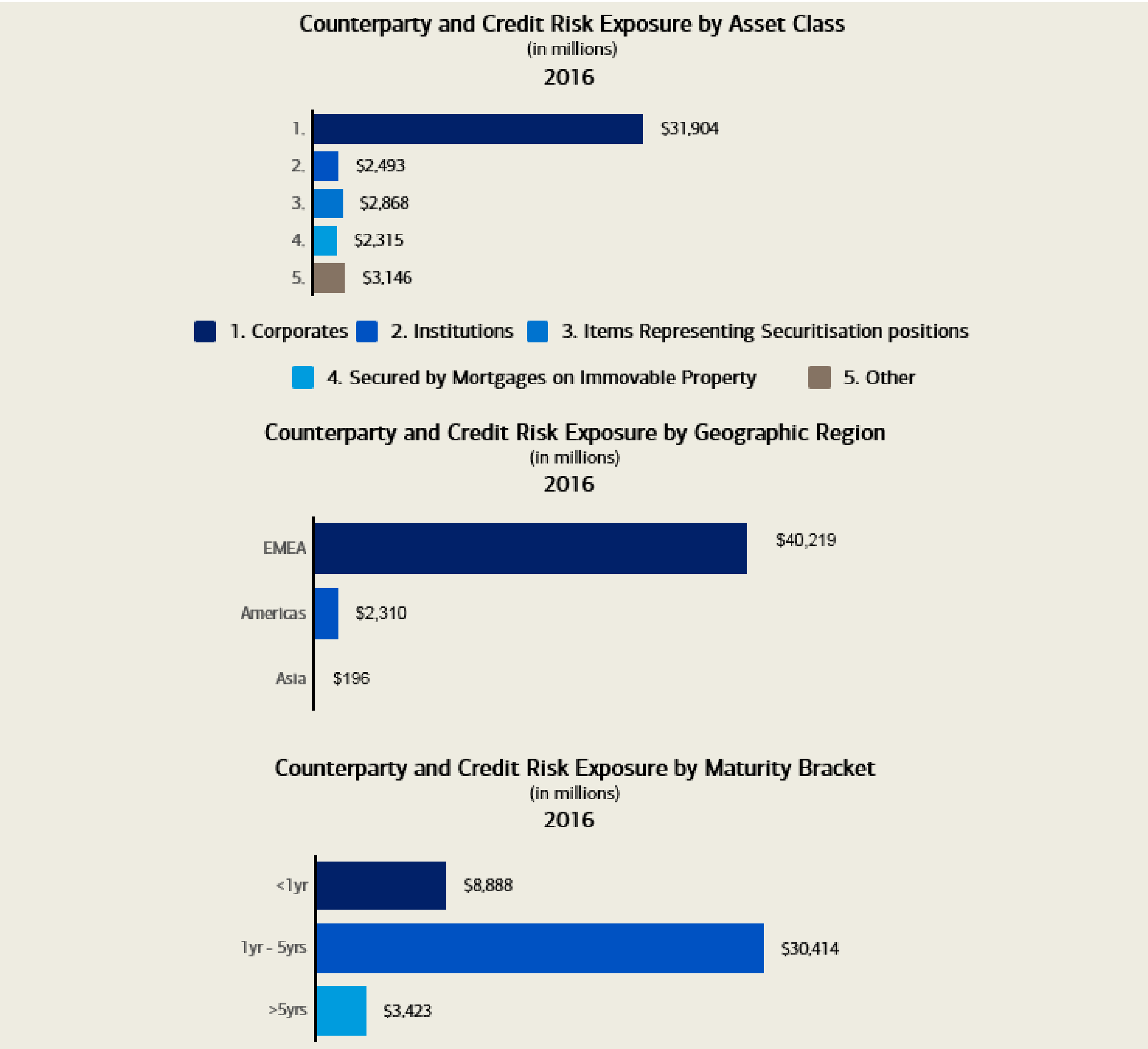
The following section provides detailed information on BAMLI's regulatory CCR exposures determined using the above noted approach. All exposures, unless stated otherwise, are post Credit Risk Mitigation and the application of Credit Conversion Factors.

The ratings of counterparties are derived by referring to external credit ratings provided by Moody's, Fitch and S&P for all exposure classes where possible.

A financial asset is past due when the counterparty has failed to make a payment when contractually due. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. As at 31 December 2016, BAMLI's impairment for credit losses was $200m.

As can be seen in Figure 5, BAMLI's credit exposure is largely comprised of exposure to corporate clients in EMEA.

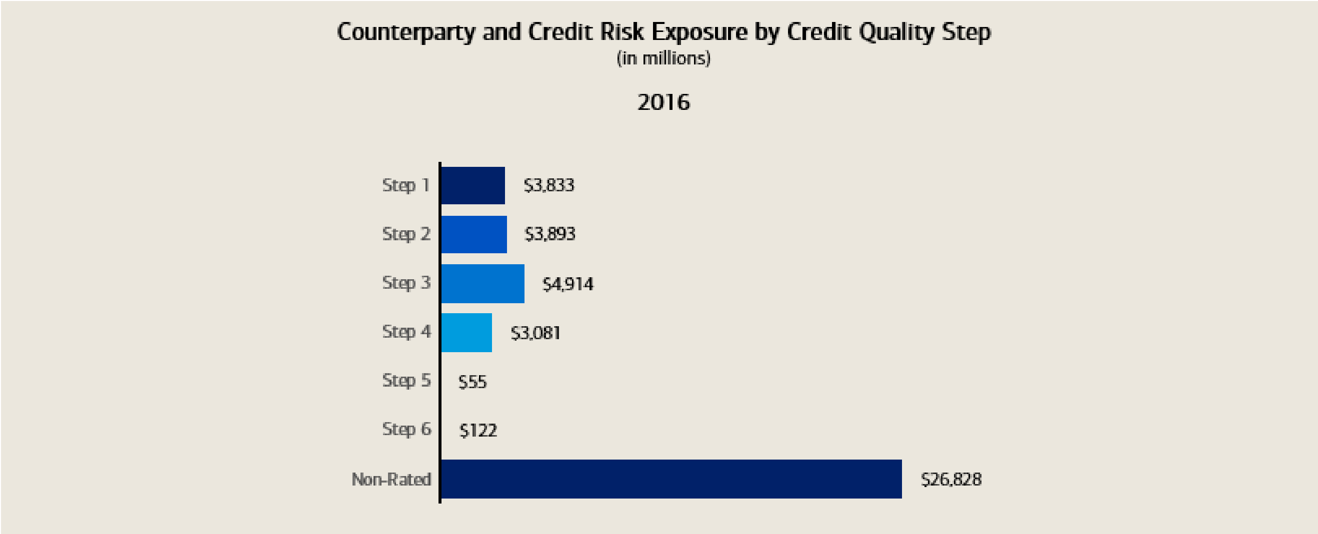
Figure 5. Counterparty and Credit Risk Exposure Detail



(1) Other comprises of exposures to Governments/Central Banks, Public Sector Entities, Claims on Institutions and Corporates with a Short-Term Credit Assessment, Exposures in default and Other Items.

Figure 6 reflects a summary of CCR exposure by Credit Quality Step ("CQS"). Further detail is provided in Section 5.2.

Figure 6. Counterparty and Credit Risk Exposure by Credit Quality Step



Although not externally rated, generally these counterparties are assessed for internal purposes as being of high quality.

5.2 Credit Risk Detail

5.2.1 Credit Risk by Type

Tables 8 sets out the RWA and Credit Risk Minimum Capital Requirement by exposure class of counterparty. Table 9 shows exposure by industry distribution of counterparty. The majority of exposures for BAMLI are in respect of transactions with Corporates.

Table 8. Counterparty and Credit Risk Minimum Capital Requirement and RWA

	2016	
(Dollars in Millions)	RWA	Capital
Corporates	29,147	2,332
Institutions	928	74
Items Representing Securitisation Positions	2,354	188
Secured by Mortgages on Immovable Property	2,315	185
Other [1]	2,001	160
Total	36,745	2,940

[1] Other comprises of exposures to Governments/Central Banks, Public Sector Entities, Claims on Institutions and Corporates with a Short-Term Credit Assessment, Exposures in default and Other Items.

Table 9. Counterparty and Credit Risk Exposure by Industry Distribution

(Dollars in Millions)	2016
Banking and Financial Companies	5,304
Industrial and Commercial Companies	24,150
Energy and Commodities	3,426
Insurance	508
Sovereign & Government Related	1,210
Other Financial	6,611
Other	1,517
Total Exposure Value	42,725

5.2.2 Credit Risk Exposure Geographic Distribution and Maturity Profile Detail

Further analysis of BAMLI's exposure values demonstrating the geographical distribution is provided in Table 10.

The geographical distribution below is reported by analysing where the counterparty is based and is further analysed to show the breakdown by counterparty exposure class. The majority of BAMLI's exposure exists within EMEA.

Table 10. Counterparty and Credit Risk Exposure by Geographical Distribution

	2016			
(Dollars in Millions)	Asia	Americas	EMEA	Total
Corporates	93	1,442	30,370	31,904
Institutions	101	776	1,616	2,493
Items Representing Securitisation Positions	-	-	2,868	2,868
Secured by Mortgages on Immovable Property	-	-	2,315	2,315
Other [(1)]	2	92	3,052	3,146
Total Exposures	196	2,310	40,219	42,725

[(1)] Other comprises of exposures to Public Sector Entities, Claims on Institutions and Corporates with a Short-Term Credit Assessment, Exposures in default and Items Representing Securitisation Positions and Other Items.

Table 11 sets out BAMLI's Credit Risk exposure values at the end of the year by residual maturity and counterparty exposure class. The total average value of the exposures for the year is also provided.

The majority of BAMLI's Credit Risk exposure had maturities of one to five years.

Table 11. Counterparty and Credit Risk Exposure by Residual Maturity and Average Value

	As at end of 2016			
(Dollars in Millions)	Under 1 Year	One - Five Years	Over Five Years	Total
Corporates	4,063	25,432	2,409	31,904
Institutions	1,502	976	14	2,493
Items Representing Securitisation Positions	178	1,730	960	2,868
Secured by Mortgages on Immovable Property	54	2,261	-	2,315
Other [(1)]	3,092	15	40	3,146
Total Exposure Value	8,888	30,414	3,423	42,725

(Dollars in Millions)	2016 Average Exposure
Corporates	33,597
Institutions	2,491
Items Representing Securitisation Positions	1,485
Secured by Mortgages on Immovable Property	3,183
Other [(1)]	2,431
Total Exposure Value	43,187

[(1)] Other comprises of exposures to Governments/Central Banks, Public Sector Entities, Claims on Institutions and Corporates with a Short-Term Credit Assessment, Exposures in default and Other Items..

5.2.3 Credit Risk Exposure by Credit Quality Step

Table 12 analyses exposure value by exposure class and CQS.

A CQS is a credit quality assessment scale as set out in CRD IV. This mapping table is provided by the FCA and can be accessed through the following link:

http://www.fca.org.uk/static/documents/fsa-ecais-standardised.pdf

The CQS is derived by referring to ECAIs including Moody's, Fitch and S&P, where available. The Non-Rated CQS means no external ratings are available for the counterparties.

Table 12. Counterparty and Credit Risk Exposure by Credit Quality Step

(Dollars in Millions)	2016 Net Credit Exposure
Corporates	
Credit Quality Step	
1	1,493
2	3,217
3	4,245
4	2,473
5	55
6	113
NR-Non Rated	20,309
Total Exposure Value	31,904
Institutions	
Credit Quality Step	
1	612
2	629
3	624
4	498
5	-
6	-
NR-Non Rated	130
Total Exposure Value	2,493
Items Representing Securitisation Positions	
Credit Quality Step	
1	501
NR-Non Rated	2,367
Total Exposure Value	2,868
Secured by Mortgages on Immovable Property	
Credit Quality Step	
NR-Non Rated	2,315
Total Exposure Value	2,315
Other (1)	
Credit Quality Step	
1	1,227
2	47
3	45
4	109
5	-
6	9
NR-Non Rated	1,708
Total Exposure Value	3,146
Combined Total Exposure Value	42,725

(1) Other comprises of exposures to Governments/Central Banks, Public Sector Entities, Claims on Institutions and Corporates with a Short-Term Credit Assessment, Exposures in default and Other Items.

5.2.4 Credit Risk Exposure Pre and Post Credit Conversion Factor

Measures for exposure value under Credit Risk for BAMLI are calculated using the standardised approach. Table 13 analyses this risk pre and post Credit Conversion Factor.

Table 13. Counterparty and Credit Risk Exposure – Pre and Post Credit Conversion Factor

	2016	
(Dollars in Millions)	Gross Credit Exposure Pre Credit Conversion Factor	Net Credit Exposure Post Credit Conversion Factor
Corporates	46,129	31,905
Institutions	2,788	2,493
Items Representing Securitisation Positions	2,868	2,868
Secured by Mortgages on Immovable Property	2,315	2,315
Other [(1)]	3,516	3,146
Total Exposure Value	57,616	42,725

[(1)] Other comprises of exposures to Governments/Central Banks, Public Sector Entities, Claims on Institutions and Corporates with a Short-Term Credit Assessment, Exposures in default and Other Items.

5.2.5 Counterparty Credit Risk

Table 14 analyses the notional value of BAMLI's credit derivative portfolio. BAMLI has not sold any credit derivatives.

Table 14. Counterparty Credit Risk Exposure – Credit Derivatives

	2016
(Dollars in Millions)	Protection Bought
Credit Derivative Products used for Own Credit Portfolio	
Credit Default Swaps	980
Total Return Swaps	108
Total Notional Value	1,088

5.2.6 Impairment for Credit Losses

Table 15 sets out the impairment for credit losses by counterparty type. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the P&L account. The impairment losses are all incurred in EMEA.

Table 15. Impairment for Credit Losses

(Dollars in Millions)	2016		
	Corporates	Institutions	Total
Opening balance	**145**	**5**	**150**
Impairment charge for the year	42	8	50
Recoveries	-	-	-
Closing balance	**187**	**13**	**200**

5.3 Market Risk

Summary

Market Risk ("PRR") 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. BAMLI 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 CRD IV.

Table 16 presents a breakdown of PRR which is made up of the following:

PRR on Traded Debt Instruments

PRR on Traded Debt Instruments is split into two components, General Market Risk and Specific Risk:

- General market risk is based on a portfolio by currency basis. Positions are grouped by maturity ranging from <1 month to >20 years, with a corresponding weighting applied depending on the maturity band
- Specific risk looks at each security in terms of corporate / government / institution, rating and maturity

Foreign Exchange PRR

Foreign Exchange PRR is the risk calculated on the foreign currency exposure on the balance sheet.

Table 16. Market Risk Requirement

(Dollars in Millions)	2016
PRR on Traded Debt Instruments[1]	**16**
Foreign Exchange PRR	**13**
Total Market Risk (PRR)	**29**

[1] PRR on traded debt instruments includes $2m of securitisations exposures.

5.4 Securitisation

5.4.1 Securitisation Activities

BAMLI acts as an originator [(1)] and investor [(2)] in securitisations. BAMLI's exposures to securitisations are held in both the non-trading and trading book. BAMLI's non-trading book assets consist of loans to SPEs held as loans on the balance sheet. BAMLI's trading book assets consist of collateralised loan obligations ("CLO") positions held as trading assets on the balance sheet. As at 31 December 2016 BAMLI had no re-securitisation exposure.

Traditional originated securitisations typically involve the sale of a group or portfolio of ring fenced loans to a third party SPE. BAMLI's objective in relation to origination activity is to use traditional securitisations to exit commercial real estate loans originated in the normal course of business. BAMLI, as original lender, retains, on an ongoing basis, a material net economic interest of not less than 5% pari passu interest in the original assets that were securitised in accordance with the risk retention requirements under CRR Article 405.

In its role as the originator, BAMLI originates customer loans and advances that are then securitized by way of SPEs. In such cases the loans and advances are transferred by BAMLI to the SPEs for cash and the SPEs issue debt securities to these investors to fund the cash purchases. The customer loans and advances awaiting securitisation are recorded as non-trading book assets. The sponsor, facilitates this process and markets the notes to investors, typically purchasing a portion of the notes issued by the SPEs in order to facilitate market making activity and provide market liquidity for the notes.

BAMLI acted as originator for 2 new securitisations in 2016. The total value of the loans sold to SPEs was $0.6bn. No material gain or loss on the sale was realized during sale of the loans to the SPEs. Merrill Lynch International ("MLI"), an affiliate of BAMLI, acted as sponsor in both the securitisations.

In its role as investor in non-trading book securitisations, BAMLI acts as the senior lender to SPEs engaged in securitisation activity. BAMLI facilitates the process by financing the SPEs acquisition of underlying assets. Details of the underlying assets are outlined below in Table 17.

In its role as an investor in trading book securitisations, BAMLI invests in CLO positions in the distressed debt market. No detailed disclosures are made in respect of exposures to trading book securitisations as the information provided by such disclosure is not regarded as material.

BAMLI does not have any exposures to securitisations which are subject to the early amortisation treatment.

5.4.2 Regulatory Capital Treatment

BAMLI uses the Standardised Approach to calculate the capital requirements on its securitisation positions, in accordance with Part Three, Title II, Chapter 5 and Article 337 of the CRR. This approach uses rating agency credit ratings to determine risk weights. BAMLI uses ratings from three ECAIs, Moody's, S&P and Fitch.

5.4.3 Accounting Treatment

The Company considers its interests in SPEs for consolidation in accordance with IFRS 10: *Consolidated Financial Statements*. This establishes the criteria for when an entity is deemed to control and hence consolidate 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 relationship between the Company and an SPE, for example, when the nature of the Company'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 front line units.

(1) "originator" means an entity which:

a) itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised; or
b) purchases a third party's exposures for its own account and then securitises them.

(2) Investor is not defined in the CRR, however the scope of the rule is inferred from the guidance therein. Investor is deemed to include activity as derivative counterparty to, and investor in securitisation vehicle.

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 IAS 39 - *Financial Instruments: Recognition and Measurement* are met.

The 'derecognition' criteria are satisfied if:

a) substantially all the risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or
b) the Company neither transfers nor retains substantially all the risks and rewards of ownership, and has not retained control, in which case the assets are derecognised in their entirety and the Company recognises separately as assets or liabilities any rights and obligations created or retained in the transfer, otherwise if the Company has retained control, the assets continue to be recognised to the extent of the Company's continuing involvement.

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 other operating income.

Assets that have been transferred to an unconsolidated SPE which fail the 'derecognition' criteria are treated as financing arrangements and will remain on the Company's balance sheet, with a corresponding liability recognised for the proceeds received. These assets will continue to be recognised as loans and advances to customers or trading assets as appropriate and the corresponding liabilities are classified as Creditors: Amounts falling due after one year. The assets are measured at amortised cost or fair value through profit or loss and the liabilities at amortised cost or fair value through profit or loss 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 Company may or may not hold the underlying assets and may or may not transfer other high quality liquid assets 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 profit or loss in accordance with the requirements of IAS 39.

BAMLI's retained interests in securitisation transactions are valued in accordance with BAMLI's Accounting Policies, as set out in the Annual Report and Financial Statements. These interests comprise loans and securities, which are classified as loans and advances to customers or trading assets and measured at amortised cost or fair value through profit or loss. If measured at fair value they will be included within the fair value disclosures in Note 29 to the financial statements in the Annual Financial Statements. Other interests include, for example, derivative contracts, agreements to receive fees over several years and liquidity facilities (e.g. in a credit-linked note structure) provided to the SPE classified as derivative assets or liabilities, receivables or off balance sheet commitments respectively. BAMLI does not provide non-contractual financial support to its SPEs.

5.4.4 Securitisation Risks and Risk Monitoring

Please refer to section 4.4 for the securitisation risk governance and reporting process.

5.4.5 Securitisation Exposures

The following tables provide a summary of the types of securitisation within BAMLI as at 31 December 2016. BAMLI does not have any exposures to synthetic securitisations.

Table 17 - Securitisation Exposures by Exposure Type

	Non-trading Book
	Aggregatge On and Off Balance Sheet & Derivative Exposure
(Dollars in Millions)	Investor
Traditional Securitisations	
Residential Mortgages	1,460
Commercial Mortgages	54
Other Assets	1,354
Traditional Total	**2,868**

Table 18 - Securitisation Exposures and Capital Requirements by Credit Quality Step

	Non-trading Book	
	Exposure	Capital Requirement
(Dollars in Millions)	Investor	Investor
Securitisations		
1	501	8
NR-Non Rated	2,367	181
Securitisations Total	**2,868**	**188**

No securitisation exposure is deducted from own funds or risk weighted at 1,250%

5.5 Capital Requirements Directive Buffers

The CCYB was introduced through CRD IV, the aim of which 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 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, ranging from 0% to 2.5% of risk weighted assets, may be put in place for specified jurisdictions.

Under CRD IV, BAMLI should face the same CCYB rates as domestic institutions on its cross-border exposures under the international reciprocation process. On 1 December 2016, the Financial Policy Committee ("FPC") maintained a UK CCYB rate of 0%. As regards other jurisdictions for 2016, the FPC decided to recognise the CCYB rates of Hong Kong, Norway and Sweden on exposures of UK institutions of 0.625%, 1.5% and 1.5% respectively which were implemented in January 2016, on 30 June 2016 and on 27 June 2016 respectively, and were applicable as at 31 December 2016. The CCYB is equal to BAMLI's total risk exposure amount multiplied by the weighted average of the CCYB rates that apply to exposures in the jurisdictions where BAMLI's relevant credit exposures are located.

Table 19 outlines the components of relevant credit exposures used in the calculation of CCYB by country.

Table 19. Countercyclical Capital Buffer

	General Credit Exposures	Trading Book Exposures	Securitisation Exposures
(Dollars in Millions)	Exposure value for Standardised Approach	Sum of long and short positions of trading book exposures for SA	Exposure value for Standardised Approach
Norway	163	-	-
Sweden	719	-	-
Hong Kong	50	-	-
United Kingdom	9,777	-	1,391
Other	25,423	19	1,346
Total	36,132	19	2,737

	Own Funds Requirements				Own funds requirements weights	CCYB rate
(Dollars in Millions)	of which: General credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
Norway	8	-	-	8	0.003	1.500%
Sweden	55	-	-	55	0.019	1.500%
Hong Kong	4	-	-	4	0.001	0.625%
United Kingdom	739	-	110	848	0.296	0.000%
Other	1,868	-	79	1,947	0.681	0.000%
Total	2,674	-	189	2,862	1.000	

Amount of institution-specific countercyclical capital buffer

Total risk exposure amount	39,639
Institution specific CCYB rate	0.034%
Institution specific CCYB requirement	14

5.6 Capital Resources

The below table shows a reconciliation between the accounting balance sheet values and the regulatory capital values of the items included in BAMLI's Capital Resources. Further details on the composition of BAMLI's Capital Resources are shown in tables 21 and 22.

Table 20. Regulatory Capital Resources Reconciliation to Audited Balance Sheet

(Dollars in Millions)	Balance per FRS 101 Balance Sheet	Adj. to Balance Sheet Items for Regulatory Capital Resources Prudential Valuation Adj.	Balance per Regulatory Capital Resources
Tier 1 Capital			
Share Capital	890	-	890
Share Premium	721	-	721
Capital Contribution	5,600	-	5,600
Profit and Loss Account and Other Reserves	1,081	(34)	1,047
Tier 1 Capital after Deductions	8,292	(34)	8,258
Tier 2 Capital			
Subordinated Liabilities	1,000	-	1,000
Total Capital Resources	9,292	(34)	9,258

Following the implementation of CRD IV on 1st January 2014, a new requirement was introduced requiring a prudential valuation adjustment to be deducted from BAMLI'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 IV and related interpretive guidance.

Table 21. Capital Instrument Features

	Capital instruments main features template	1	2
		CET1	T2
1	Issuer	Bank of America Merrill Lynch International	Bank of America Merrill Lynch International
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	Private Placement
3	Governing law(s) of the instrument	English	English
Regulatory Treatment			
4	Transitional CRR rules	CET1	T2
5	Post-transitional CRR rules	CET1	T2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with full voting rights	Subordinated Loan
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$1,611m comprising nominal and premium	$1,000m
9	Nominal amount of instrument	$1.00	$1,000m
9a	Issue price	$1.00	$1,000m
9b	Redemption price	N/a	N/a
10	Accounting classification	Shareholders equity	Liability - amortised cost
11	Original date of issuance	6 Sept 95 $18m 13 Nov 98 $72m 21 Dec 98 $150m 06 Sept 99 $188m 26/ Sept 05 $254m 12 Dec 06 $208m	23 May 16
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	23 May 27
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	N/a	No issuer call date. However, may repay before maturity in the event of a Tax Event or a Capital Disqualification Event, subject to prior supervisory approval.
16	Subsequent call dates, if applicable	N/a	N/a
Coupons / Dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/a	3 month LIBOR plus 176bps per annum
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/a	N/a
25	If convertible, fully or partially	N/a	N/a
26	If convertible, conversion rate	N/a	N/a
27	If convertible, mandatory or optional conversion	N/a	N/a
28	If convertible, specify instrument type convertible into	N/a	N/a
29	If convertible, specify issuer of instrument it converts into	N/a	N/a
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/a	N/a
32	If write-down, full or partial	N/a	N/a
33	If write-down, permanent or temporary	N/a	N/a
34	If temporary write-down, description of write-up mechanism	N/a	N/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated liability noted in column 2	All liabilities except the subordinated
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/a	N/a

Table 22. Own Funds Disclosure (Dollars in millions) [1]

	Common Equity Tier 1 Capital: Instruments and Reserves	Amount at Disclosure Date
1	Capital instruments and the related share premium accounts	1,611
	of which: Ordinary shares with full voting rights	1,611
2	Retained earnings	1,117
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	5,564
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	8,292
	Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments	
7	Additional value adjustments (negative amount)	(34)
28	**Total Regulatory Adjustments to Common Equity Tier 1 (CET1)**	(34)
29	**Common Equity Tier 1 (CET1) Capital**	8,258
45	**Tier 1 Capital (T1 = CET1 + AT1)**	8,258
	Tier 2 (T2) Capital: Instruments and Provisions	
46	Capital instruments and the related share premium accounts	1,000
58	**Tier 2 (T2) Capital**	1,000
59	**Total Capital (TC = T1 + T2)**	9,258
60	**Total Risk Weighted Assets**	39,639
	Capital Ratios and Buffers	
61	**Common Equity Tier 1** (as a percentage of risk exposure amount)	20.8%
62	Tier 1 (as a percentage of risk exposure amount)	20.8%
63	Total Capital (as a percentage of risk exposure amount)	23.4%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	5.2%
65	of which: capital conservation buffer requirement	0.6%
66	of which: countercyclical buffer requirement	0.0%
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	71
	Applicable caps on the Inclusion of provisions In Tier 2	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	34,390

[1] There are no own funds items or adjustments that are subject to pre-regulation (EU) No 575 / 2013 treatment or prescribed residual amount of regulation (EU) No 575 / 2013 in BAMLI.

5.7 Leverage

5.7.1 Leverage Approach

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

The leverage ratio is calculated and monitored in line with regulatory requirements. Exposure is typically managed through a combination of mechanisms including risk appetite limits, collateralisation and netting arrangements.

5.7.2 Additional Detail on Leverage Ratio

Table 23. Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

(Dollars in Millions)	2016
Total Assets as per Balance Sheet	38,552
Adjustments for Derivative Financial Instruments	44
Adjustments for Securities Financing Transactions	-
Adjustment for Off-Balance Sheet Items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13,337
Other Adjustments	(3,052)
Leverage Ratio Exposure	**48,881**

Table 24. Leverage Ratio Common Disclosure

(Dollars in Millions)	2016
On-Balance Sheet Exposures (excluding derivatives and SFTs)	
On-balance Sheet Items (excluding derivatives and SFTs and fiduciary assets, but including Collateral)	33,183
Asset Amounts Deducted in Determining Tier 1 Capital	(34)
Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	**33,149**
Derivative Exposures	
Replacement Cost Associated with Derivatives Transactions	0
Add-on Amounts for PFE Associated with Derivatives Transactions	44
Total Derivative Exposure	**44**
Securities Financing Transaction Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,351
Total Securities Financing Transaction Exposures	**2,351**
Off-Balance Sheet Exposures	
Off-balance Sheet Exposures at Gross Notional Amount	27,709
Adjustments for Conversion to Credit Equivalent Amounts	(14,373)
Total Off-Balance Sheet Exposures	**13,336**
Capital and Total Exposures	
Tier 1 Capital	8,258
Total Leverage Ratio Exposures	**48,881**
Leverage Ratio	
Leverage Ratio	16.9%
Choice on Transional Arrangements and Amount of Derecognised Fiduciary Items	
Choice on Transitional Arrangements for the Definition of the Capital Measure	Fully phased-in

Table 25. Split of On-Balance Sheet Exposures (excluding derivatives and SFTs)

(Dollars in Millions)	Applicable Amounts 2016
Total On-Balance Sheet Exposures (excluding derivatives and SFTs), of which:	**33,183**
Trading Book Exposures	3,584
Banking Book Exposures, of which:	29,599
Exposures treated as sovereigns	1,210
Exposures to Regional Governments, MDB, International Organisations and PSE **not** Treated as Sovereigns	2
Institutions	2,135
Secured by Mortgages of Immovable Properties	2,315
Corporate	19,482
Exposures in default	90
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,365

6. Additional Information on Remuneration Disclosure

6.1 Remuneration Disclosure

Remuneration disclosures are reported at a UK level in respect of the Remuneration Code and as required under CRD IV. These remuneration policies include the breakdown of remuneration of staff by business collectively for all BAC entities operating in the UK and are not specific to BAMLI.

These remuneration disclosures are therefore separately published on BAC's corporate website (http://investor.bankofamerica.com) and should be deemed part of the Pillar 3 Disclosure for BAMLI.

7. Appendices

Appendix I – Directors' Board Membership and Experience

John Gollan Non Executive Director Directorships: 2	A chartered accountant with international experience across banking, investment management, financial markets and management consultancy. Holds or has held non executive director of various financial services organisations including Euronext, LIFFE, healthcare companies and higher education institutions. Board experience as an executive comprises four roles as CFO, two as CEO and one as Chairman.
David Guest Non Executive Director Directorships: 6	Non-executive director and Audit Committee Chair of EEA Covered Bond Bank Plc, non-executive director at The Lawrence Life Assurance Company Limited and Northern Trust Fiduciary Services (Ireland) Limited. Non-executive director of Bank of America Merrill Lynch International Limited. A former Country Manager with ABN AMRO in Ireland bringing considerable expertise in banking and financial services to the board in addition to a strong focus on corporate governance. Prior to becoming Country Manager, established and developed an international treasury management business for ABN AMRO in the newly established International Financial Services Centre in Dublin. A member of the Institute of Directors in Ireland.
Sally James Non Executive Director Directorships: 3	Has practiced law in England and the United States. Her non executive directorships include five years as a non executive director and chair of the Risk Committee of UBS Limited. Also a non executive director for Rotork plc and Moneysupermarkets plc, as well as a Trustee of the Legal Education Foundation and Amref Health Africa UK.
Alice Schroeder Non Executive Director Directorships: 3	A former certified public accountant, regulator and Managing Director at three investment banks. Her experience includes financial services, technology, media, consumer and business-to-business products and services. Currently the CEO and chairman of WebTuner Corp and a nonexecutive director of Prudential plc; she was previously a board member and audit committee chair of Cetera Financial Group.
Pierre de Weck Directorships: 6	Over 30 years of senior management experience in investment banking and financial markets. Experience includes member of the Group Executive board, UBS and member of the Group Executive Committee, Deutsche Bank.
Jennifer Boussuge Head of Global Transaction Services for EMEA Directorships: 1	Joined the bank in 1994, becoming Head of Global Transaction Services (GTS) for EMEA in 2013. Previous key positions in GTS include: Head of Global Sales for GTS; Head of International Subsidiary Banking Sales, EMEA; GTS Industry Head; and, Senior Treasury Sales Officer for International Government clients. Also a member of several senior management committees including the EMEA Executive Committee; the Global GTS Executive Committee; the Global GTS Operational Committee; EMEA Reputation and Risk Committee; and, the Regional Risk Committee and a member of the BANA London Local Management Team.
Martin Butler EMEA CFO Directorships: 1	Joined the organisation in 1988, becoming CFO for European Debt in 1997. Further senior management roles followed, including head of Global Equity ISS and head of European Business Finance. CFO EMEA since the Bank of America - Merrill Lynch merger in 2009, assuming the additional role of International Treasury Executive in 2012. A member of the EMEA Executive Committee. Additional internal board memberships include Merrill Lynch International ("MLI"), ML UK Capital Holdings Limited ("MLUKCH") and Merrill Lynch International Bank Designated Activity Company ("MLIB").
Bob Elfring Head of EMEA Corporate & Investment Banking Directorships: 1	Joined the organisation in 2011 as head of Corporate & Investment Banking for Benelux and Northern Europe. Over 30 years experience in investment banking, including roles as head of Investment Banking for Northern Europe at Credit Suisse and co-head of the Global Industrials Group at Lehman Brothers. Currently head of EMEA Corporate & Investment Banking, responsible for managing the day-to-day operations of the firm's Corporate & Investment Banking business across the region.
Bernard Mensah Co-Head of FICC Trading Directorships: 1	Joined the organisation in 2011 to lead the Emerging Markets Global FICC Trading group, prior to becoming Head of EMEA FICC Trading in 2012. Was then appointed as Global Co-Head of FICC Trading in January 2015. Before joining the organisation, he was a Partner and Global Head of Bank Loans and Distressed Debt at Goldman Sachs. Also a member of the EMEA Executive Committee. Additional internal board memberships include MLI and MLUKCH.
Jennifer Taylor Head of EMEA Compliance and EMEA Operational Risk Directorships: 1	Joined the organisation in 1997, responsible for the legal coverage of structured finance transactions. Held various General Counsel roles across Asia Pacific (APAC) before assuming the role of General Counsel for all Merrill Lynch businesses in the APAC region. Assumed the role of Chief Administration Officer for Asia in 2006, later being appointed COO of the region before returning to the UK to act as COO in EMEA. Also a member of the EMEA Executive Committee. Additional internal board memberships include MLI, MLUKCH and MLIB.
Alexander Wilmot-Sitwell EMEA President Directorships: 1	Joined the organisation in 2012 as the president for EMEA. Responsible for the execution and development of the bank's business activities and support functions in the EMEA region. Based at the bank's European headquarters in London, he chairs the bank's EMEA Executive Committee and is a member of the Global Banking, and Markets Committee. Additional internal board memberships include MLI, MLUKCH and MLIB.

Note: The table outlines the directors that served at March 2017. For the purpose of disclosing the number of directorships held by each board member, directorships held within the same group of companies are counted as a single ownership. Directorships in organisations which do not pursue predominantly commercial objectives are not included.

Appendix II – Capital Resources BAMLI Solo Disclosure

Regulatory Capital Resources Reconciliation to Audited Financial Statements

(Dollars in Millions)	Balance per FRS 101 Financial Statements	Adj. to Balance Sheet Items for Regulatory Capital Resources Prudential Valuation Adjustment	Balance per Regulatory Capital Resources
Tier 1 Capital			
Share Capital	890	-	890
Share Premium	721	-	721
Capital Contribution	5,600	-	5,600
Profit and Loss Account and Other Reserves	1,083	(34)	1,049
Tier 1 Capital after Deductions	8,294	(34)	8,260
Tier 2 Capital			
Subordinated Liabilities	1,000	-	1,000
Total Own Funds	9,294	(34)	9,260

Appendix II – Capital Resources BAMLI Solo Disclosure (continued)

Own Funds Disclosures Template (Dollars in Millions) [(1)]

	Common Equity Tier 1 Capital: Instruments and Reserves	Amount at Disclosure Date
1	Capital instruments and the related share premium accounts	1,611
	of which: Ordinary shares with full voting rights	1,611
2	Retained earnings	1,071
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	5,612
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	8,294
	Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments	
7	Additional value adjustments (negative amount)	(34)
28	**Total Regulatory Adjustments to Common Equity Tier 1 (CET1)**	(34)
29	**Common Equity Tier 1 (CET1) Capital**	8,260
45	**Tier 1 Capital (T1 = CET1 + AT1)**	8,260
	Tier 2 (T2) capital: Instruments and provisions	
46	Capital instruments and the related share premium accounts	1,000
58	**Tier 2 (T2) capital**	1,000
59	**Total Capital (TC = T1 + T2)**	9,260
60	**Total Risk Weighted Assets**	40,210
	Capital Ratios and Buffers	
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.5%
62	Tier 1 (as a percentage of risk exposure amount)	20.5%
63	Total capital (as a percentage of risk exposure amount)	23.0%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conser- vation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	5.2%
65	of which: capital conservation buffer requirement	0.6%
66	of which: countercyclical buffer requirement	0.0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.5%
	Capital ratios and buffers	
73	Direct and indirect holdings by the institution of the CET 1instruments of financial sector entities where the insti- tution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	262
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	75
	Applicable caps on the Inclusion of provisions In Tier 2	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	34,962

[(1)] There are no own funds items or adjustments that are subject to pre-regulation (EU) No 575 / 2013 treatment or prescribed residual amount of regulation (EU) No 575 / 2013 in BAMLI.