Bank of America Merrill Lynch International Limited

Pillar 3 Disclosure

As at 31 December 2017

Bank of America Merrill Lynch

Contents

List of Charts & Tables

Glossary

AT1	Additional Tier 1 capital
BAC / the Enterprise	Bank of America Corporation
BAMLI Ltd / the Company	Bank of America Merrill Lynch International Limited
BANA	Bank of America, National Association
BRC	Board Risk Committee
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'
G-SII	Global Systemically Important Institution
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
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.
O-SII	Other Systemically Important Institution
P&L	Profit and Loss
PRA	Prudential Regulation Authority
Pru-Val	Prudential Valuation Adjustment
RAS	Risk Appetite Statement
RMC	Risk Management Committee
RSA	Risk Self-Assessment
RWA	Risk Weighted Assets
S&P	Standard & Poor's
SES	Stress Event Scenarios
SFT	Secured Financing Transaction
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 2017 Pillar 3 Disclosure in respect of capital and risk management for Bank of America Merrill Lynch International Limited ("BAMLI Ltd" or "the Company") and its subsidiaries (the "Group"). All defined terms are found in the glossary on page 4.

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 Ltd's liquidity position and capital requirements in respect of the Countercyclical Capital Buffer ("CCYB").

1.1.1 BAMLI Ltd

BAMLI Ltd 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 Ltd'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 Ltd's head office is in the United Kingdom with branches in Amsterdam, Brussels, Dublin, Frankfurt, Madrid, Milan, Paris and Zurich. The Company has the ability to trade throughout the European Economic Area ("EEA") and conduct business with international clients. BAMLI Ltd is registered as a bank in the United Kingdom and is authorised and regulated by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA"). The Company's branches are authorised and regulated by the PRA. As at 31 December 2017, BAMLI Ltd was rated by Fitch Ratings, Inc ("Fitch") (A / F1) and Standard & Poor's ("S&P") (A+ / A-1).

In order to ensure that it can continue to conduct business and service clients in the EU, BAC announced, in 2017, that Dublin is the preferred location for its principal EU legal entities following the UK's departure from the EU. In accordance with this strategy the BAMLI Ltd Board, on 12 March 2018, approved a motion to proceed with a cross border merger (subject to shareholder, regulatory and relevant court process approval) with Bank of America Merrill Lynch International Designated Activity Company ("BAMLI DAC"), which is registered and headquartered in the Republic of Ireland. BAMLI DAC, a wholly owned subsidiary of BANA, is authorised as a credit institution and regulated and supervised by the Central Bank of Ireland ("CBI") and the European Central Bank ("ECB"). We expect this cross border merger to complete prior to the UK's exit from the EU.

1.1.2 BAMLI Ltd's Capital Position at 31 December 2017

Figure 1 illustrates BAMLI Ltd's key capital metrics. BAMLI Ltd'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 2017

Total Capital Resources	Minimum Capital Required	Excess Capital Resources	CET 1 Capital Resources	Risk Weighted Assets	CET 1 Capital Ratio	Leverage Ratio
$10.5bn	$3.7bn	$6.8bn	$8.5bn	$46.2bn	18.4%	14.9%

Note: All of BAMLI Ltd'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 2017 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 Ltd 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 of BAMLI Ltd or its subsidiaries, nor of the wider Enterprise, and as such, is not 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 Ltd has one operating subsidiary which is an ancillary service undertaking, and several other immaterial subsidiaries which are in liquidation. For the purpose of this document, disclosures are based on the consolidated group consisting of BAMLI Ltd (including branches) and its subsidiaries, because separate disclosure of BAMLI Ltd as the company alone is not regarded as materially different.

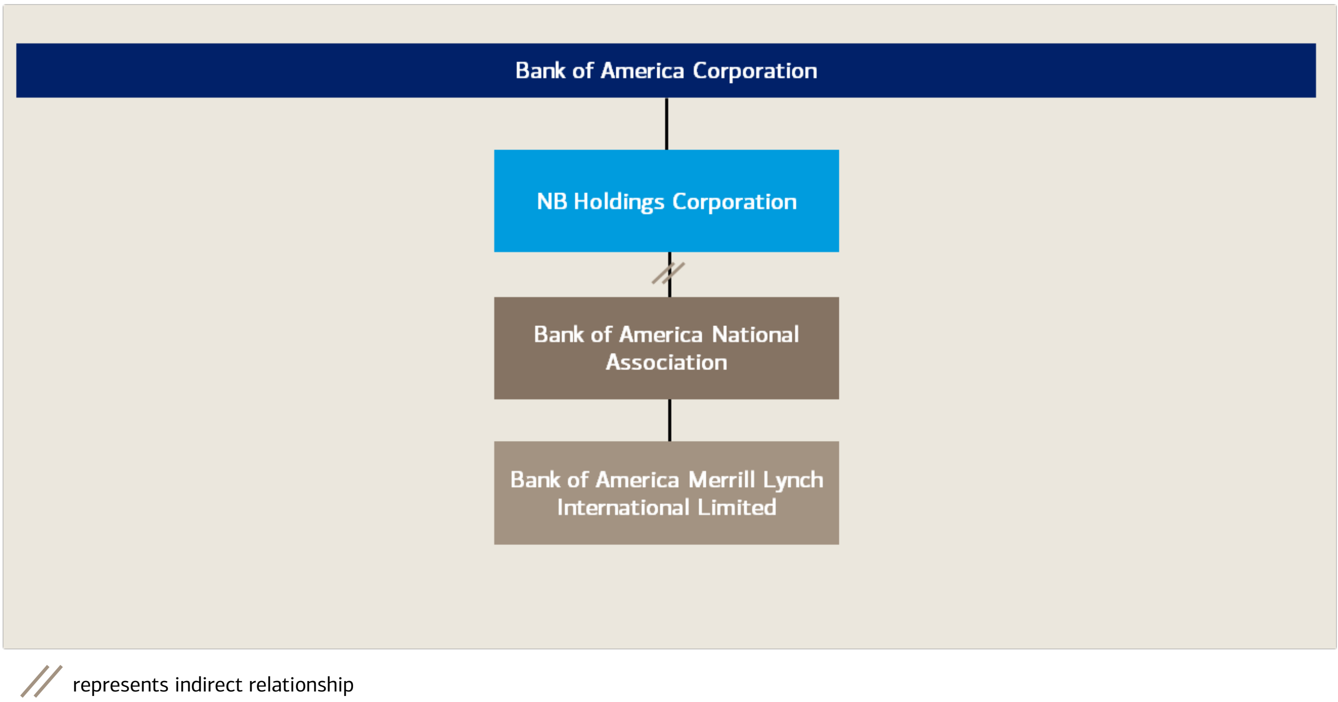
BAMLI Ltd's Pillar 3 disclosure is published on BAC's corporate website: http://investor.bankofamerica.com

1.3 Operation, Structure and Organisation

BAMLI Ltd 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 Ltd'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



2. Capital Resources and Minimum Capital Requirement

2.1 Capital Resources

2.1.1 Summary of 2017 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 Ltd's capital resources of $10.5bn (2016: $9.3bn) consist of Tier 1 and Tier 2 capital. All of BAMLI Ltd's Tier 1 capital is made up of CET1. BAMLI Ltd's Tier 2 capital is comprised of subordinated debt.

2.1.2 Key Movements in 2017

BAMLI Ltd's capital resources increased by $1.3bn during 2017. The increase was driven by $1bn of subordinated debt from an affiliated company qualifying as Tier 2 capital and the recognition of the 2017 audited earnings.

Table 1. Capital Resources

(Dollars in Millions)	2017	2016
Ordinary Share Capital	890	890
Share Premium	721	721
Capital Contribution	5,600	5,600
Profit and Loss Account and Other Reserves (1)(2)	1,292	1,047
Total Tier 1 Capital Before Deductions	8,503	8,258
Tier 1 Capital	8,503	8,258
Tier 2 Capital	2,000	1,000
Total Capital Resources (net of deductions)	10,503	9,258

(1) Profit and loss account is shown here on a regulatory basis. See Table 21 for a reconciliation to the accounting balance sheet.
(2) Profit and loss account reflects the inclusion of 2017 audited 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.

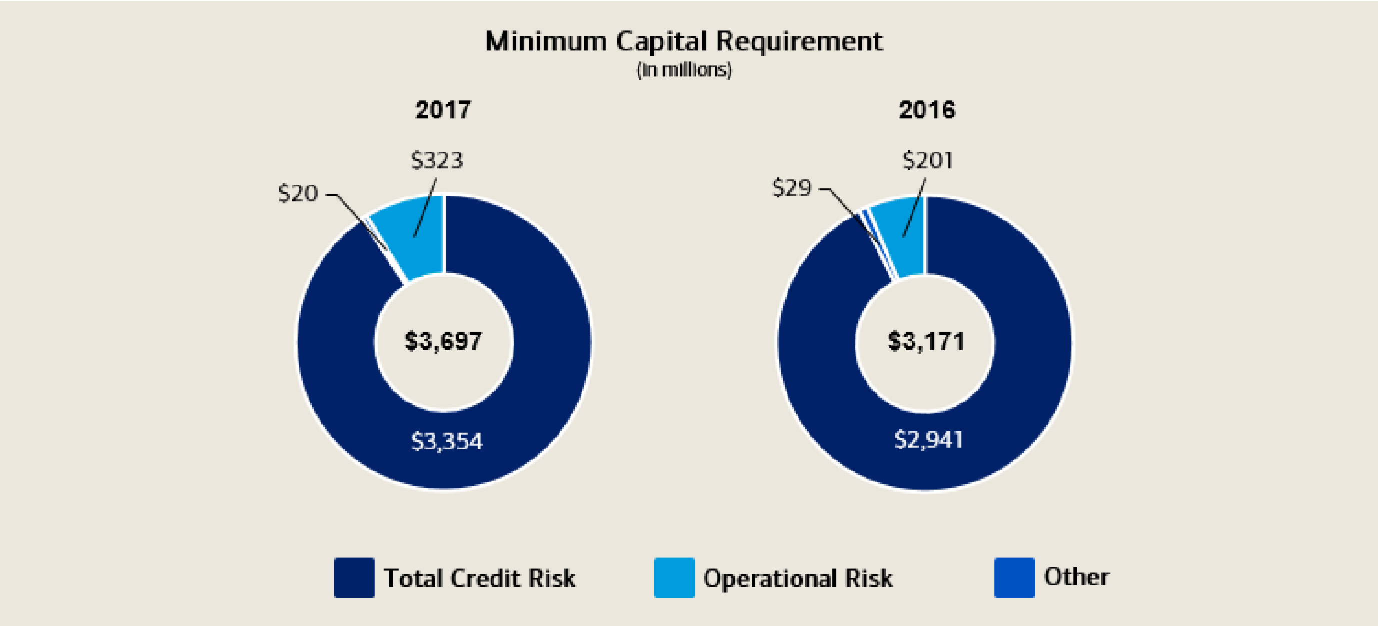
2.2 Minimum Capital Requirement

2.2.1 Summary of 2017 Minimum Capital Requirement

BAMLI Ltd is subject to Minimum Capital Requirement set out in the Capital Requirements Regulation ("CRR") and the PRA requirements in order to meet its individual capital guidance. BAMLI Ltd is required to hold capital in addition to its minimum capital requirement to meet its CRD IV buffers and local PRA obligations. The Minimum Capital Requirement principally comprises of Credit Risk, Market Risk and Operational Risk requirements.

BAMLI Ltd has a Minimum Capital Requirement of $3.7bn (2016: $3.2bn) comprising of the risk requirements outlined in Figure 3 below.

Figure 3. Summary of Minimum Capital Requirement



2.2.2 Key Movements in 2017

BAMLI Ltd's Minimum Capital Requirement increased during the year by $0.5bn.

The increase was primarily driven by growth in the Group's core business in 2017, predominately as a result of new business.

Table 2. Minimum Capital Requirement

(Dollars in Millions)	2017	2016
Position Risk	6	16
Foreign Exchange Risk	14	13
Total Market Risk	**20**	29
Counterparty Credit Risk	1	2
Credit Risk	3,352	2,938
Credit Valuation Adjustment (CVA)	1	1
Total Credit Risk	**3,354**	2,941
Operational Risk	**323**	201
Total Minimum Capital Requirement	**3,697**	3,171

2.2.3 Minimum Capital Requirement Approach

BAMLI Ltd utilises the standardised approach for calculating Market Risk, Credit Risk and Operational Risk capital requirements. In order to adhere to the standardised rules set out by the PRA, BAMLI Ltd 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 Ltd's Capital Resources in excess of its Minimum Capital Requirement have increased from $6.1bn in 2016 to $6.8bn in 2017. The increase was primarily driven by the $1.0bn of new capital injected in the year, which was partially offset by the increase in capital requirements.

BAMLI Ltd 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 2017 following recognition of the 2017 audited earnings.

BAMLI's Tier 1 ratio has decreased from 20.8% to 18.4% in 2017 as a result of the increase in RWA arising from growth in the core business.

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

(Dollars in Millions)	2017	2016
Total Capital Resources	10,503	9,258
Total Minimum Capital Requirements	3,697	3,171
Surplus over Requirements	**6,806**	**6,087**
Tier 1 Capital Resources	8,503	8,258
Risk Weighted Assets	46,216	39,639
Tier 1 Capital Ratio	**18.4%**	**20.8%**

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, requires 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 Ltd's ratio decreased in the year following growth in the core business but it is in excess of the proposed minimum at 14.9% (2016: 16.9%).

Table 4. Transitional and Fully Phased-In Leverage Ratio

	2017	2016
Leverage Ratio (transitional and fully phased-in)	**14.9%**	**16.9%**

3. Liquidity Position and Encumbered and Unencumbered Assets

3.1 Liquidity Position

3.1.1 Regulatory Requirements

BAMLI Ltd is subject to CRD IV, CRR and PRA liquidity requirements through which it must demonstrate self-sufficiency for liquidity purposes.

BAMLI Ltd is subject to the Liquidity Coverage Ratio ("LCR"), which requires BAMLI Ltd 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 2017, BAMLI Ltd was in compliance with its regulatory and internal liquidity requirements.

3.1.3 Funding Profile

BAMLI Ltd primarily funds its balance sheet through intercompany term funding, unsecured deposits, equity and subordinated debt.

These funding sources are used to support BAMLI Ltd'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 Ltd, 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.

Levels of encumbrance have remained relatively stable over the year with types of encumbered assets remaining consistent. 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 Ltd 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

	2017[1]			
(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]	**71**		**43,733**	
Equity Instruments	-	-	-	-
Debt Securities	-	-	2,456	2,456
Other Assets [3]	-		2,857	

	2016[1]			
(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	

[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

	2017	
(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	**-**	**2,964**
Equity Instruments	-	-
Debt Securities	-	2,964

	2016	
(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

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

	2017	
(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	**51**	**62**

	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**

3.3 LCR Disclosures

3.3.1 LCR Disclosure Requirements

The objective of the LCR disclosure requirements (EBA/GL/2017/01 dated 21/06/2017) is to provide market participants with information to assess EU banks' liquidity positions and risk management. The Guidelines allow credit institutions which are neither Global Systemically Important Institutions ("G-SIIs") nor Other Systemically Important Institutions ("O-SIIs"), or institutions which choose to disclose their LCR voluntarily, to disclose a simplified template. This simplified template includes only the liquidity buffer, total net cash outflows and LCR. As BAMLI Ltd is neither a G-SII nor O-SII, values and figures disclosed in Table 8 use the simplified disclosure template showing only its liquidity buffer, total net cash outflows and LCR.

3.3.2 LCR Disclosure Template

Table 8 below discloses average weighted values of the liquidity buffer, net cash outflows and the LCR of the Company.

Table 8. Simplified LCR Disclosure [(1)]

	BAMLI			
(Dollars in Millions)	Total weighted value (average)			
Quarter ending on	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
Number of data points used in the calculation of averages	12	12	12	12
Liquidity Buffer	6,384	6,996	7,458	7,944
Total Net Cash Outflows	4,164	4,465	4,985	5,286
Liquidity Coverage Ratio (%)	158%	162%	155%	156%

[(1)] The disclosed values and figures within the liquidity buffer, total net cash outflows, and LCR are simple averages of the preceding twelve LCR monthly reporting observations for each quarter.

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 Ltd adopted the BAC 2017 Risk Framework in March 2017.

BAMLI Ltd 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 Ltd.

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 Ltd 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 Ltd's reputation, each of which may adversely impact BAMLI Ltd'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 Ltd'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 Ltd. The Risk Framework sets forth roles and responsibilities for the management of risk by Front Line Units ("FLUs"), independent risk management, other control functions and Corporate Audit. The following are the five components of BAMLI Ltd'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 Ltd'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 Ltd'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 Ltd's risk appetite. Sustaining a culture of managing risk well throughout the organisation is critical to the success of BAMLI Ltd and is a clear expectation of BAMLI Ltd's executive management team and its board of directors.

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

1. Managing risk well protects BAMLI Ltd and its reputation and enables BAMLI Ltd to deliver on its purpose and strategy.
2. BAMLI Ltd treats customers fairly and acts with integrity to support the long-term interests of its employees, customers and shareholders. BAMLI Ltd understands that improper conduct, behaviour or practices by BAMLI Ltd, its employees or representatives could harm BAMLI Ltd, 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 Ltd employs models and methods to assess risk and better inform BAMLI Ltd's decisions, proactive debate and a thorough challenge process lead to the best outcomes
6. Lines of business and other FLUs are first and foremost responsible for managing all aspects of their businesses, including all types of risk
7. Independent risk management provides independent oversight and effective challenge, while Corporate Audit provides independent assessment and validation
8. BAMLI Ltd 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 Ltd 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 2017, BAMLI Ltd's total assets prepared in accordance with FRS 101 totalled $43.3bn and comprised principally of loans and advances to customers and banks, trading assets and reverse repurchase agreements. As at 31 December 2017 BAMLI Ltd had $10.5bn of regulatory Capital Resources, mainly consisting of CET1 capital ($8.5bn). BAMLI Ltd has a CET 1 capital ratio of 18.4%. Profit was largely generated by interest income and fee and commission income. As at 31 December 2017, BAMLI Ltd's twelve month average LCR was 156%.

Consistent with BAMLI Ltd's business strategy, 94% of BAMLI Ltd's Credit Risk is concentrated in EMEA. BAMLI Ltd's largest industry concentration, based on regulatory capital exposure, is to Industrial and Commercial companies which represents 52% of exposure. Other industries with significant concentrations include Banking and Financial Companies (8%) and Energy and Commodities (7%). The residual maturity of 61% of its Counterparty and Credit Risk exposure is between 1 and 5 years and 33% is below one year. Although generally assessed internally of being high quality, 59% of exposure in BAMLI Ltd is to counterparties not rated by external rating agencies. Credit Risk is assessed as outlined at section 4.3.

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

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

BAMLI Ltd's Risk Appetite Statement ("RAS") indicates the amount of capital, earnings or liquidity BAMLI Ltd is willing to put at risk to achieve its strategic objectives and business plans, consistent with applicable regulatory requirements. The RAS ensures that BAMLI Ltd maintains an acceptable risk profile that is in alignment with its strategic and capital plans. It is designed with the objective of ensuring that it is comprehensive for all key risks, relevant to the BAMLI Ltd business and aligned with the risk management practices of BAMLI Ltd. The RAS is reviewed and approved by the BAMLI Ltd board at least annually.

The quantitative and qualitative elements of BAMLI Ltd's RAS provide clear, actionable information for taking and managing risk. Training and communication reinforce the importance of aligning risk-taking decisions to applicable aspects of the RAS.

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

- Credit Risk: Concentration limits aligned to aggregate exposure, affiliate exposure and credit quality using internal risk ratings
- Market Risk: Metrics relating to trading 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 regulatory and internal liquidity coverage ratios

Capital metrics are also included within the RAS. These enable direct monitoring and limiting of risk against available capital resources and are provided in addition to stress loss limits.

The performance against the BAMLI Ltd Risk Appetite is reviewed on a monthly basis by the BAMLI Ltd Risk Management Committee ("RMC"). Limits are regularly monitored by risk management on a more frequent basis. Performance is also reported to the BAMLI Ltd Board Risk Committee ("BRC") and BAMLI Ltd board on a quarterly basis.

The BAMLI Ltd Chief Risk Officer ('CRO') oversees the Risk Appetite exception management process in order to ensure that excesses are properly escalated, effectively managed and that any required remediation actions are implemented appropriately. This process outlines the escalation and management of exposures that are in excess of the trigger or limit levels. When exposures breach trigger and limit levels they are escalated as appropriate to management bodies including the BAMLI Ltd board, BRC and RMC.

Risk Appetite: BAMLI Ltd's RAS is designed to be consistent with the aggregate risk appetite at the BAC level and is based on several principals:

- Overall Risk Capacity – Overall capacity to take risk is limited therefore risk prioritisation is critical. Risk Capacity informs risk appetite, which is the level and types of risk deemed acceptable to take to achieve business objectives.
- Financial strength to absorb adverse outcomes – Maintenance of a strong and flexible financial position is essential to weather challenging economic times and take advantage of organic growth opportunities. Therefore, objectives and targets are set for capital and liquidity that permit BAMLI Ltd to continue to operate in a safe and sound manner at all times, including during periods of stress. Limits are evaluated under baseline and stressed operating conditions.
- Risk / reward evaluation – Risks taken must fit BAMLI Ltd's risk appetite and offer acceptable risk-adjusted returns for BAC shareholders.
- Skills and capabilities – BAMLI Ltd seeks to assume only those risks which it has the skills and capabilities to identify, measure, monitor and control

The quantitative framework for BAMLI Ltd's RAS is designed to articulate the risks it will take in pursuit of strategic objectives that are both consistent with BAMLI Ltd's financial resources and avoids excessive risk taking. It comprises board and RMC approved limits indicating the amount of risk BAMLI Ltd is willing to take.

Risk appetite metrics are expressed on an in-year and forward-looking basis, as appropriate, under expected and stressed macroeconomic conditions. In addition, risk appetite metrics and limits related to material concentrations are maintained to ensure appropriate visibility into risks that may manifest themselves across lines of business or risk types as part of ongoing efforts to ensure concentrations are effectively identified, measured, monitored and controlled.

Robust monitoring and reporting processes for board approved 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. Breach resolution plans include a written description of the root causes and how a breach will be resolved.

Risk appetite is aligned with BAMLI Ltd's strategic, capital and financial operating plans to ensure consistency with its strategy and financial resources. Line of business strategies and risk appetite are also aligned. Ongoing reporting shows performance against the strategic plan, as well as risk appetite breaches for each of the lines of business. Risk appetite is also considered within the New Product Review and Approval Policy and processes, and within decisions around any acquisitions and divestitures. Managing risk well and embracing the Risk Framework are considered as part of compensation and performance management decisions.

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

BAMLI Ltd 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 Ltd encourages a thorough challenge process and maintains processes to identify, escalate and debate risks
- BAMLI Ltd utilizes timely and effective escalation mechanisms for risk limit breaches

The FLUs have primary responsibility for managing risks inherent in their businesses. BAMLI Ltd 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 Ltd 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 Ltd
- Robust risk quantification methods
- Timely, accurate and comprehensive view of all material risks, including appropriate level of disaggregation

4.2.5 Risk Governance

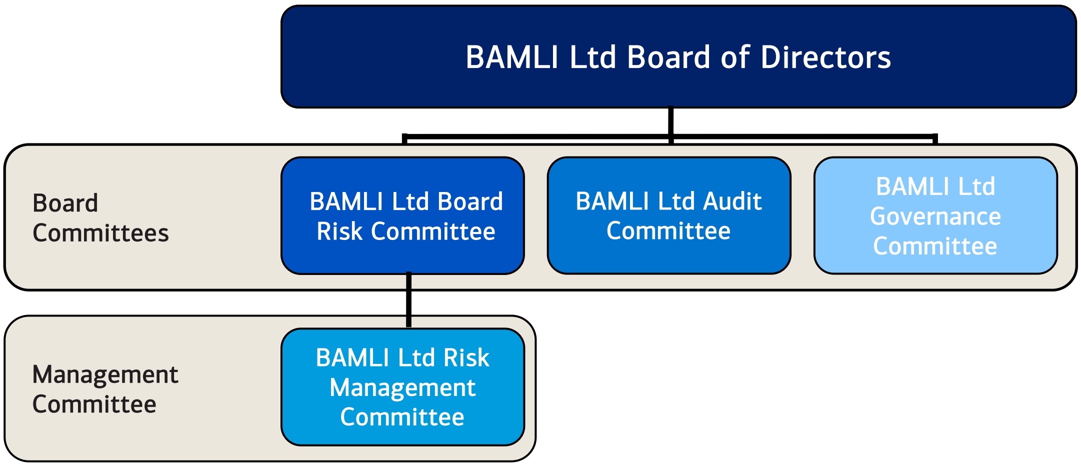
Three Lines of Defence

BAMLI Ltd has clear ownership and accountability for managing risk across three lines of defence: front line units, independent risk management (i.e. Global Risk Management - "GRM" - and Global Compliance) and Corporate Audit. The Company also has control functions outside of front line units and independent risk management (e.g., Legal and Global Human Resources), that provide guidance and subject matter expertise in support of managing risks facing the Company.

Front Line Units	Own and proactively manage all risks in business activities
Independent Risk Management	Oversee risk-taking activities within the front line units and across the enterprise, and provide independent assessment of effective challenge of risks
Corporate Audit	Provide independent validation through testing of key processes and controls

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

Figure 4. Risk Governance Structure



The BAMLI Ltd BRC assists the BAMLI Ltd 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. The BAMLI BRC met 6 times during 2017.

The BAMLI Ltd RMC reports to the BAMLI Ltd BRC and is responsible for providing management oversight and approval of (or reviewing and recommending to the BAMLI Ltd BRC, the BAMLI Ltd board or other committees, as appropriate) Market Risk, Credit Risk, Operational Risk, balance sheet, capital, liquidity management and stress testing activities. The BAMLI Ltd RMC met 14 times during 2017.

The BAMLI Ltd Audit Committee assists the BAMLI Ltd board in fulfilling its oversight responsibilities relating to BAMLI Ltd's internal financial controls; the preparation and integrity of BAMLI Ltd's financial statements; BAMLI Ltd's relationship with its External Auditor; and the performance and independence of BAMLI Ltd's Corporate Audit and Compliance functions. The BAMLI Ltd Audit Committee met 5 times in 2017.

The Governance Committee of the BAMLI Ltd board (the "Governance Committee") assists the BAMLI Ltd 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 Ltd board. The BAMLI Ltd Governance Committee met 4 times during 2017.

Before any appointment is made by the BAMLI Ltd 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 Ltd 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 Ltd board and how to meet it (as required).

All appointments to the BAMLI Ltd 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 Ltd and ensuring appropriate reporting and escalation to the BAMLI Ltd board.

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

4.2.6 Corporate Audit

Corporate audit supports the Company's risk governance framework by assessing whether controlling processes and controls over strategic, credit, market, liquidity, operational, compliance, and reputational risks are adequately designed and functioning effectively.

This is done by conducting independent assessments and validation through testing of key processes and controls across the Company.

Corporate audit team resources are used to execute work across all EMEA locations. Team deployments are assessed based on the scale, complexity and nature of the business and control functions in each location. Corporate audit prepares an annual audit plan with consideration to external and internal risk factors, risk assessment of a business and legislative and regulatory requirements. The annual planning process directs timely and flexible testing of the Company's highest risks and risk management processes (inclusive of risk appetite).

Corporate audit is not responsible for setting and approving of limits for risks which the Company is exposed to. However Corporate audit conducts reviews, as appropriate, of the controls and monitoring of such limits.

Corporate audit maintains its independence from the front line units, independent risk management and other control functions by reporting directly to the audit committee or the board of directors.

4.3 Key Risk Types

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

4.3.1 Strategic Risk

Definition

Strategic Risk is the risk that results from incorrect assumptions about external and/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 and competitive environments in the geographic locations in which BAMLI Ltd 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 Ltd strategy execution and risk management are aligned to the overall BAC strategic plans through a formal planning and approval process. The BAC 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 the group'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 Ltd level.

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

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, risk appetite, 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.

The same standards of reporting and escalation are used for BAMLI Ltd performance updates which are provided to the BAMLI Ltd board.

4.3.2 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. Credit Risk is created when BAMLI Ltd commits to, or enters in to, an agreement with a borrower or counterparty.

BAMLI Ltd defines credit exposure to a borrower or counterparty as the loss potential arising from loans, leases, derivatives and other extensions of credit.

Credit Risk Management

BAMLI Ltd 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 Ltd 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 FLUs and certain legal entity strategic plans, if necessary.

Credit Origination

As BAC's main banking entity in EMEA, BAMLI Ltd'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.

BAMLI Ltd's credit processes align with BAC's credit policies and credit risk appetite across FLUs, and are compliant with applicable laws and regulations. Credit Risk management oversees decisions about the amount of credit to extend to borrowers consistent with BAMLI Ltd's credit risk appetite.

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

Counterparty credit risk in BAMLI Ltd arises from the creditworthiness of BAMLI Ltd's counterparties and varies by type of transaction. Credit Risk manages counterparty risk with specific policies, limits and controls.

Based on risk profiles, limits and tenors are set at the individual counterparty level and aggregate family level. Investment Advisor "As Agent" limits can also be set as needed. Mark-to-market exposure and potential exposure are measured taking applicable collateral into account. Counterparty concentration limits are also set at country and industry levels. For lending-based credit exposures, Credit Risk is measured as the amount of binding, advised or guidance limits to a counterparty. The principal exposure measure for a traded product is potential exposure, which governs pre-settlement exposure and represents a statistical estimate of the 95%-confidence, "worst case" exposure that could be realized over the life of a transaction.

Counterparty risk exposures are considered within the context of the broader credit risk portfolio across FLUs and legal entities. Credit exposures with counterparties are accounted for in the assessment of portfolio concentrations so credit decisions reflect complete, accurate and timely information.

Portfolio Management

Once credit has been extended, processes are in place to monitor credit risk exposure at both the individual borrower and portfolio levels. Key credit risk exposures are 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 and Credit Risk Mitigation Activities

At times, borrowers and counterparties do not fulfill their obligations and steps are taken to mitigate and manage losses. Dedicated teams and stringent processes are in place to appropriately manage non-performing assets.

BAMLI Ltd maintains more than sufficient capital in compliance with all applicable regulatory requirements to absorb unexpected losses. During a credit cycle, BAMLI Ltd may experience a concentration of losses and must intensify efforts to mitigate losses, balancing fiduciary responsibilities to protect asset values with BAMLI Ltd's principles to serve its customers. 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 Ltd Credit Risk is integrated into the BAC and BAMLI Ltd governance structure as described earlier in the document. The Credit Risk governance structure enables a system of risk escalation, which includes the hierarchy and process to be followed for approvals, limit excesses, policy variances and internally identified issues and emerging risks.

Credit Risk policies form an important part of BAC's and BAMLI Ltd's risk governance framework. Policies govern the extension of credit and the management of credit relationships in order to:

- Align day-to-day employee decision-making with BAC's Risk Framework, Risk Appetite and risk management objectives
- Foster understanding and compliance with all relevant laws, rules, regulations, and regulatory guidance
- Describe standards for underwriting and management of credit risk exposures
- Define approval authorities, including authorities for exceptions to policy and higher risk or specialized transactions

Core Credit Policies are supplemented, as needed, by individual Business Unit or Legal Entity policies which contain additional requirements specific to individual Business Unit / Legal Entity needs.

At the front line unit level, independent risk management oversees credit risk management processes and governance in accordance with BAMLI Ltd's requirements and authority levels. Credit Risk teams oversee credit risk management processes in accordance with BAC's subsidiary governance requirements. This includes reporting to various risk governance committees, executive management and boards of directors.

Credit Risk Reporting

Transparency of credit risk is critical to effective risk management. To ensure that appropriate credit risk transparency exists across the businesses and there is appropriate escalation to BAC and BAMLI Ltd boards and senior management, comprehensive and actionable credit risk internal reports are produced, which contain the required granularity of content for each level of seniority is produced.

Regular reporting for management and board Risk Committees includes monitoring of Credit Risk exposure against BAMLI Ltd board approved Risk Appetite limits, as well as more detailed credit information covering total outstanding volumes, key counterparty exposures, credit quality trends. Credit Risk reporting enables appropriate risk escalation.

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

Interest rate risk: is 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). Interest rate risk arises in BAMLI Ltd'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 Measurement

At the asset and liability level, market risk is assessed by evaluating the impact of individual risk factors on individual exposures. At the aggregate level, price risk is assessed primarily through risk models, including VaR models. BAMLI Ltd's aggregate potential economic exposure, as well as earnings and capital sensitivity, to interest rate risk in the banking book is also assessed.

Value at Risk

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. A single model is used consistently across the trading portfolios.

VaR is used for management reporting purposes ("Trading VaR"). Two measures are calculated: a version using 3-years of historic data and a version which uses a 1-year period in order to reflect more recent market volatility. Both are equivalent to a 99% confidence level and have a 1-day holding period.

BAMLI Ltd uses a historical simulation approach to calculate VaR. A hypothetical P&L distribution is generated for the current portfolio using time series of historical risk factor changes via Risk Grids / Scenarios and Full Revaluation for benchmarking. While the historical simulation does not require explicit assumptions about the distribution of the underlying market variables, the general mathematical process that governs each risk factor's behaviour is modelled. The Specific Risk of debt positions are captured in the VaR calculation by measuring each issuer's risk using its own history wherever possible.

Where it is not possible, in the case of credit specific risk, the VaR model overlays a parameterized stochastic residual component to capture idiosyncratic risk. VaR calculations are performed for portfolios on a fully integrated basis, so no further assumption regarding correlation is necessary. In order for the VaR model to reflect current market conditions, the historical data is updated on a weekly basis, or more frequently during periods of market stress.

For positions with insufficient historical data for the VaR calculation, the process for establishing an appropriate proxy is based on fundamental and statistical analysis of the new product or less liquid position. This analysis identifies reasonable alternatives that replicate both the expected volatility and correlation to other market risk factors that the missing data would be expected to experience.

Market Risk Management

BAMLI Ltd adheres to the Global Markets Market Risk Policy and the Global Markets Market Risk Limits Policy.

BAMLI Ltd manages and monitors its market risk exposures in a way that reflects BAMLI Ltd's Risk Framework. Assessing key exposures and setting and monitoring limits to ensure that BAMLI Ltd operates within the approved risk appetite are at the core of BAMLI Ltd's approach to managing market risk.

Robust monitoring and reporting processes for limits are in place, with limit breaches triggering appropriate notification and escalation. The RMC and BRC review and recommend Risk Appetite limits for approval to the BAMLI Ltd board. VaR, stress and sensitivity limits are set at various levels of granularity, ensuring extensive coverage of risks as well as accounting for correlations among risk factors.

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 Ltd portfolio.

Market Risk Governance

Market risk is identified, monitored, and controlled by Global Markets Risk Management. The responsibilities of this independent control function include ownership of markets risk policy, calculating aggregated risk measures, establishing and monitoring position limits consistent with risk appetite, conducting daily reviews and analysis of trading inventory, approving material risk exposures and new trades and fulfilling regulatory requirements.

Market Risk Reporting

Transparency of market risks is critical to effective risk management. BAMLI Ltd produces reports on exposure, including VaR, Stress, and Risk Factor sensitivities.

Market risk reports are distributed to senior management within Markets Risk Management and, where appropriate, to relevant stakeholders – including FLUs. Markets Risk Management also contributes to governance committee reports.

4.3.4 Liquidity Risk

Definition

Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support the businesses and customers, under a range of economic conditions.

Liquidity Risk Management

Each of the FLUs are accountable for managing liquidity risk by establishing appropriate processes to identify, measure, monitor and control the risks associated with their activities. GRM provides independent oversight and supervision of FLU activities, an independent view of the liquidity risk of FLU activities and assesses the effectiveness of the BAMLI Ltd's liquidity risk management processes.

Liquidity Risk Governance

The BAMLI Ltd Liquidity Risk Policy ("LRP") establishes the overarching governance, controls and risk management practices to monitor and manage liquidity risk across BAMLI Ltd and is approved by the BAMLI Ltd board.

The BAMLI Ltd board sets the liquidity risk appetite that is the minimum amount of liquidity that must be held to meet net modelled outflows under an internally-developed combined stress scenario and to comply with regulatory requirements. GRM is responsible for maintaining a liquidity risk limits framework to ensure that BAMLI Ltd is managed within its liquidity risk appetite.

Liquidity Risk Reporting

Daily liquidity reporting enables liquidity risk monitoring and appropriate risk escalation, which includes defined protocols for limit breaches and emerging risks and issues. Regular liquidity risk reports are sent to the BAMLI Ltd board, BRC and Senior Management.

4.3.5 Operational Risk

Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

- Process risk is the risk that a predetermined process necessary to conduct business does not function properly or leads to undesired results.
- People risk is the risk that business objectives will not be met due to human resource deficiencies (e.g., improper conduct, inadequate staffing).
- Systems risk is the risk that arises from systems and / or tools that are deficient, unstable or overly complex for the intended use and are key to conducting BAC's activities.
- External events risk is the risk that arises from factors outside of BAC's span of control.

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

Since operational risk is inherent in every activity across the Enterprise, BAC relies on all employees to conduct themselves properly, contribute to an effective internal control environment and manage operational risk within their roles.

Operational risk must be managed by all employees as part of their day-to-day activities. Front line units and Control Functions (CF) are responsible for monitoring, assessing and testing the effectiveness of controls, while continuing to identify, escalate, debate and report operational risks. Independent risk management teams actively oversee the FLUs / CFs to monitor adherence to the program and identify, advise and challenge operational risks.

Consistent operational risk management across all legal entities within BAC globally is supported through the implementation of the Operational Risk Management - Enterprise policy and the supporting standards, and adherence to the operational risk management program.

A key element of the program is the RSA which captures the operational exposures faced by BAMLI Ltd, and entails: ongoing identification, measurement, mitigation, monitoring, reporting and escalation of applicable current and emerging Operational Risk and causes. In addition, other operational risk management processes are in place such as review and reporting of internal and external operational loss data and the execution of scenario analysis. Scenario 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 Ltd Operational Risk is integrated into the BAC and BAMLI Ltd governance structure described earlier in the document. The 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

To achieve transparency, BAMLI Ltd reports on the Operational Risk exposures, including Risk Appetite metrics and associated thresholds, operational loss events and RSA results. A consolidated report on Operational Risk is reviewed, discussed and debated with both the BAMLI Ltd RMC and BAMLI Ltd BRC.

Conduct Risk Management

Conduct risk is the risk of improper actions, behaviours or practices by BAMLI Ltd, its employees or representatives that are illegal, unethical or contrary to the Company's core values. The impact of improper conduct could result in harm to the Company, its shareholders or its customers, damage the integrity of the financial markets, or negatively impact the Company's reputation. Conduct risk has the potential to create additional risks such as reputational risk. Conduct risk is managed by establishing a culture that reinforces expectations of proper conduct, understanding how conduct risk arises, designing infrastructure and implementing controls and processes to prevent and identify potential conduct risk, and managing employee misconduct incidents.

4.3.6 Compliance Risk

Definition

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

Compliance Risk Management

FLUs are responsible for the proactive identification, management and escalation of compliance risks across BAMLI Ltd. Global Compliance is responsible for setting BAC-wide policies and standards and provides independent challenge and oversight to the FLUs. BAMLI Ltd'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

Global Compliance is a separate function with governance routines and executive reporting distinct from those of the FLUs and other control functions. Global Compliance also collaborates with other control functions to provide additional support for specific remediation efforts and shares responsibility with the FLUs, GRM and other control functions for mitigating reputational risk.

Compliance Risk Reporting

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

Compliance risk issues are reported to the BAMLI Ltd board, the BAMLI Ltd Audit Committee and BAMLI Ltd BRC.

4.3.7 Reputational Risk

Definition

Reputational Risk is the potential risk that negative perceptions of BAC's conduct or business practices will adversely affect its profitability or operations through an inability to establish new or maintain existing customer / client relationships or otherwise impact relationships with key stakeholders, such as investors, regulators, employees and the community.

Reputational Risk can stem from many of BAC'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, BAC evaluates the potential impact to the reputation within all of the risk categories and throughout the risk management process.

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 BAC Enterprise level, Reputational Risk is reviewed by the Enterprise Risk Committee ("ERC") and the Management Risk Committee ("MRC"), which provide primary oversight of Reputational Risk. Additionally, top reputational risks are reviewed by the GRM 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 to provide 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 Ltd 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 level of Reputational Risk are present, examples of activities include:

- Business activities that present significant legal, regulatory or headline risk
- Violations of, or deviations from, BAC policies
- Concerns about customer / client identity or integrity, money laundering, potential criminal activity or potential violations of economic sanctions requirements, such as direct or indirect terrorist financing or operation of an account for or on behalf of a sanctioned country, company or person
- Business activities that have a particular accounting, finance or tax treatment as a material objective
- Business activities that raise the possibility that BAC might have an undisclosed or significant conflict of interest
- Business activities from which BAC expects to receive disproportionate compensation compared with the services provided, investments made and/or risks assumed
- Business activities which due to their nature or due to the current or historic reputation of any of the parties involved, might reflect adversely on BAMLI Ltd's reputation or suggest the need for close scrutiny
- Business activities that present the risk of creating information or security breaches or consumer privacy issues, including public disclosure of information
- Business activities that may present environmental or social risks due to actions by BAMLI Ltd 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 BAMLI Ltd or another firm that have caused reputational harm
- Any potential reputational risk associated with the introduction, modification or discontinuation of products, services, lines of business or delivery channels
- Any reputational risk concerns that are specific to the business, region or the markets in which the business operates

Ultimately, to 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 (Legal, Compliance and Risk). The committee is co-chaired by the EMEA President and EMEA CRO. 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 both 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 Global Reputational Risk Committee as appropriate. BAMLI Ltd BRC is informed of such matters at each quarterly meeting through a BAMLI Ltd specific report.

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 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 Ltd BRC on a quarterly basis through a standing agenda item.

4.4 Other Risk Considerations

The risk management approach outlined in section 4.2 also supports BAMLI Ltd to manage the other risk considerations set out below.

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 Ltd uses additional 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 Ltd 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 Ltd 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

No detailed disclosures are made in respect of exposures to interest rate risk in the non-trading book as the information provided by such disclosure is not regarded as material. However, these exposures are monitored daily.

Impaired Assets

As at December 2017, BAMLI Ltd's impairment for credit losses was $226m (2016: $200m) (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 Ltd 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 Ltd.

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 Ltd's current activity, none of these events would be expected to have a significant impact on the BAMLI Ltd 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 Ltd's internal liquidity stress testing and regulatory liquidity requirements. As of 31 December 2017, BAMLI Ltd 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. 120 of the BAC 10K filing for 2017. http://investor.bankofamerica.com

Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP is integral to BAMLI's capital management framework and covers BAMLI Ltd's risk appetite; strategy and financial plans; capital and risk management; and stress testing. The ICAAP assesses BAMLI Ltd capital adequacy in relation to current and future activities and ensures BAMLI Ltd maintains an appropriate amount of capital relative to the risks to which the Company is exposed.

Securitisation Risk Governance and Reporting

Securitisation products in BAMLI Ltd 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 Ltd 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 Ltd conducts limited activity in trading re-securitisations.

New Products

BAMLI Ltd is committed to offering products and services that are appropriate, are aligned with the Company's strategic plans and risk appetite and comply with applicable laws and regulations in the jurisdiction(s) in which they are offered.

BAMLI Ltd complies with the BAC New Product Review and Approval Policy, which establishes requirements designed to identify and mitigate risks associated with New Products. This Policy requires that New Products be assessed across all risk categories, including consistency with Risk Appetite, prior to product implementation.

Under this Policy Businesses are required to develop and maintain a New Product review and approval process and related procedures that address the identification, review, approval and monitoring, including post implementation review of New Products and meets predefined minimum requirements in respect of Governance, Risk Assessment, Post Implementation review, reporting and required Documentation.

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

5.1 Credit Risk

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

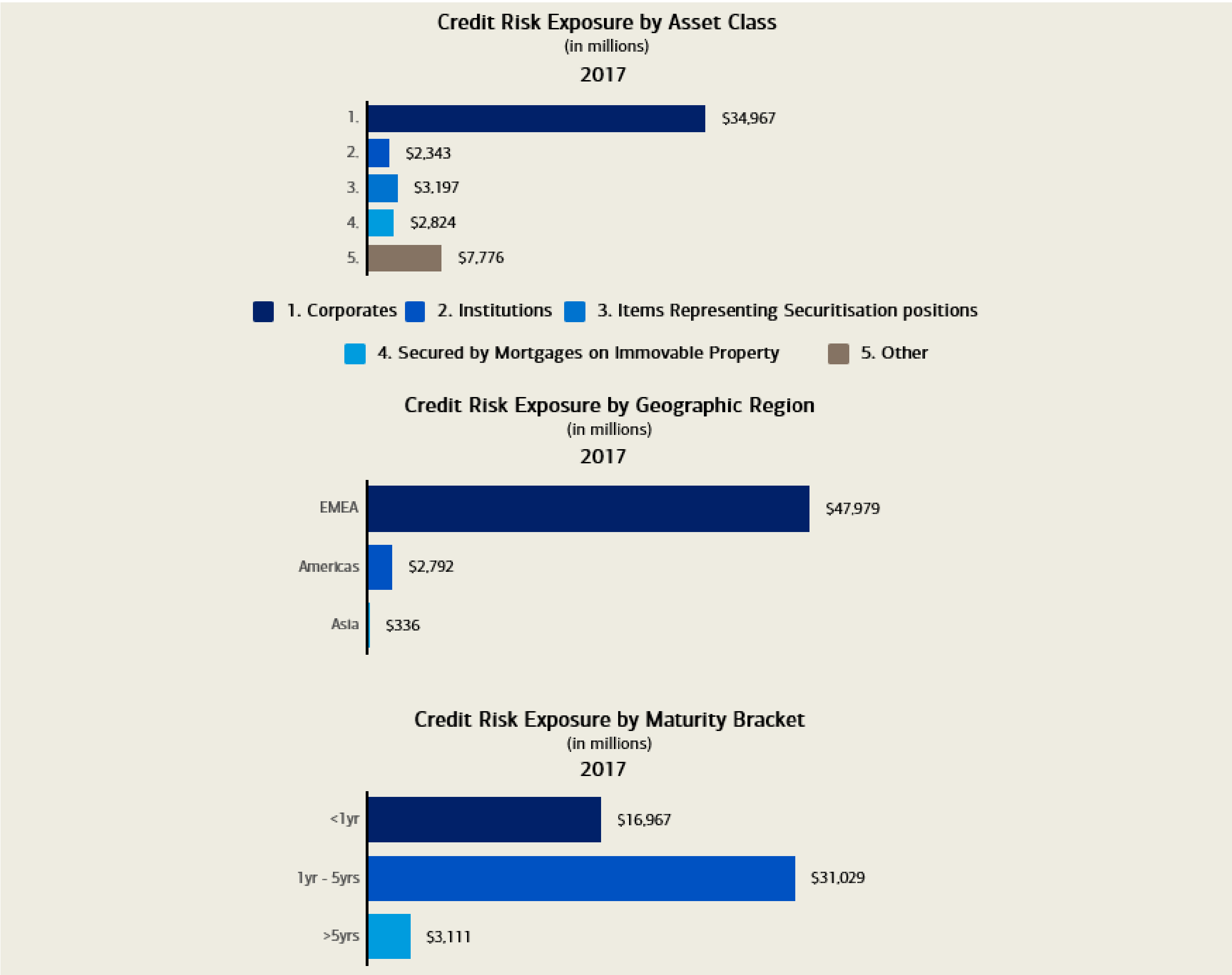
The following section provides detailed information on BAMLI Ltd's regulatory Credit Risk exposures determined using the above noted approach. All exposures, unless stated otherwise, are post Credit Risk Mitigation and the application of Credit Conversion Factors.

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 2017, BAMLI Ltd's impairment for credit losses was $226m.

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

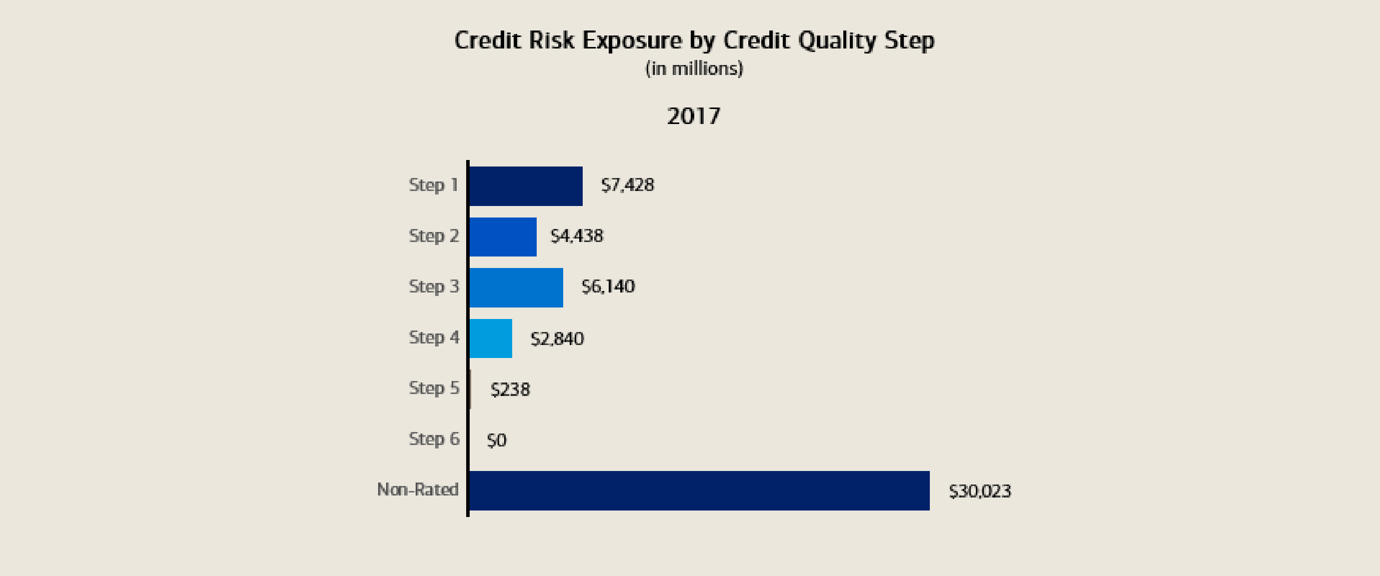
Figure 5. Credit Risk Exposure Detail



(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 Credit Risk exposure by Credit Quality Step ("CQS"). Further detail is provided in Section 5.2.

Figure 6. 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

Table 9 sets out the RWA and Credit Risk Minimum Capital Requirement by exposure class of counterparty. Table 10 shows exposure by industry distribution of the counterparty. The majority of exposures for BAMLI Ltd are in respect of transactions with Corporates.

Table 9. Credit Risk Minimum Capital Requirement and RWA

	2017	
(Dollars in Millions)	RWA	Capital [2]
Corporates	32,757	2,621
Institutions	1,533	123
Items Representing Securitisation Positions	2,780	222
Secured by Mortgages on Immovable Property	2,824	226
Other [1]	2,027	162
Total	41,921	3,354

[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.
[2] Excludes CVA

Table 10. Credit Risk Exposure by Industry Distribution

(Dollars in Millions)	2017
Banking and Financial Companies	4,106
Industrial and Commercial Companies	26,715
Energy and Commodities	3,623
Insurance	731
Sovereign & Government Related	5,605
Other Financial	10,114
Other	213
Total Exposure Value	51,107

5.2.2 Credit Risk Exposure Geographic Distribution and Maturity Profile Detail

Further analysis of BAMLI Ltd's exposure values demonstrating the geographical distribution is provided in Table 11.

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 significant majority of BAMLI Ltd's exposure exists within EMEA.

Table 11. Credit Risk Exposure by Geographical Distribution

	2017			
(Dollars in Millions)	Asia	Americas	EMEA	Total
Corporates	31	1,718	33,218	34,967
Institutions	2	544	1,797	2,343
Items Representing Securitisation Positions	-	-	3,197	3,197
Secured by Mortgages on Immovable Property	-	-	2,824	2,824
Other [1]	303	530	6,943	7,776
Total Exposures	336	2,792	47,979	51,107

[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 12 sets out BAMLI Ltd'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 Ltd's Credit Risk exposure had maturities of one to five years.

Table 12. Credit Risk Exposure by Residual Maturity and Average Value

	As at end of 2017			
(Dollars in Millions)	Under 1 Year	One - Five Years	Over Five Years	Total
Corporates	7,214	24,927	2,826	34,967
Institutions	1,492	844	7	2,343
Items Representing Securitisation Positions	884	2,178	135	3,197
Secured by Mortgages on Immovable Property	75	2,749	-	2,824
Other [1]	7,302	331	143	7,776
Total Exposure Value	**16,967**	**31,029**	**3,111**	**51,107**

(Dollars in Millions)	2017 Average Exposure
Corporates	34,295
Institutions	3,320
Items Representing Securitisation Positions	2,692
Secured by Mortgages on Immovable Property	2,635
Other [1]	6,958
Total Exposure Value	**49,900**

[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 13 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 External Credit Assessment Institutions ("ECAIs") including Moody's, Fitch and S&P, where available. The Non-Rated CQS means no external ratings are available for the counterparties.

Table 13. Credit Risk Exposure by Credit Quality Step

	2017
(Dollars in Millions)	Net Credit Exposure
Corporates	
CQS	
1	1,134
2	2,803
3	5,678
4	1,686
5	198
NR-Non Rated	23,468
Total Exposure Value	**34,967**
Institutions	
CQS	
1	171
2	744
3	267
4	1,103
NR-Non Rated	58
Total Exposure Value	**2,343**
Items Representing Securitisation Positions	
CQS	
1	521
NR-Non Rated	2,676
Total Exposure Value	**3,197**
Secured by Mortgages on Immovable Property	
CQS	
NR-Non Rated	2,824
Total Exposure Value	**2,824**
Other [1]	
CQS	
1	5,602
2	891
3	195
4	51
5	40
NR-Non Rated	997
Total Exposure Value	**7,776**
Combined Total Exposure Value	**51,107**

[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 Ltd are calculated using the standardised approach. Table 14 analyses this risk pre and post Credit Conversion Factor.

Table 14. Credit Risk Exposure – Pre and Post Credit Conversion Factor

	2017	
(Dollars in Millions)	Gross Credit Exposure Pre Credit Conversion Factor	Net Credit Exposure Post Credit Conversion Factor
Corporates	52,775	34,967
Institutions	2,595	2,343
Items Representing Securitisation Positions	3,197	3,197
Secured by Mortgages on Immovable Property	2,824	2,824
Other [1]	7,945	7,776
Total Exposure Value	**69,336**	**51,107**

[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 15 analyses the notional value of BAMLI Ltd's credit derivative portfolio. BAMLI Ltd has not sold any credit derivatives.

Table 15. Counterparty Credit Risk Exposure – Credit Derivatives

	2017
(Dollars in Millions)	Protection Bought
Credit Derivative Products used for Own Credit Portfolio	
Credit Default Swaps	746
Total Notional Value	**746**

5.2.6 Impairment for Credit Losses

Table 16 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 16. Impairment for Credit Losses

	2017		
(Dollars in Millions)	Corporates	Institutions	Total
Opening balance	187	13	200
Impairment charge for the year	54	(6)	48
Charge off on impaired loans	(23)	-	(23)
Recoveries	1	-	1
Closing balance	219	7	226

5.3 Market Risk

Summary

Market Risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, credit spreads or other risks. BAMLI Ltd 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 17 presents a breakdown of Market Risk which is made up of the following:

Position Risk

Position Risk is split into two components, General Risk and Specific Risk:

- General Risk is based on a portfolio by currency basis. Positions are grouped by maturity ranging from less than 1 month to more than 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 Risk

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

Table 17. Market Risk Requirement

(Dollars in Millions)	2017
Position Risk [1]	6
Foreign Exchange Risk	14
Total Market Risk[1]	20

[1] There are no securitisation exposures included in Position Risk.

5.4 Securitisation

5.4.1 Securitisation Activities

BAMLI Ltd acts as an originator [(1)] and investor [(2)] in securitisations. BAMLI Ltd's exposures to securitisations are held in both the non-trading and trading book. BAMLI Ltd's non-trading book assets consist of loans to SPEs held as loans on the balance sheet. BAMLI Ltd's trading book assets consist of collateralised loan obligations ("CLO") positions held as trading assets on the balance sheet. As at 31 December 2017 BAMLI Ltd 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 Ltd'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 Ltd, 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 Ltd originates customer loans and advances that are then securitized by way of SPEs. In such cases the loans and advances are transferred by BAMLI Ltd 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 Ltd acted as originator for 2 new securitisations in 2017. 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.

In its role as investor in non-trading book securitisations, BAMLI Ltd acts as the senior lender to SPEs engaged in securitisation activity. BAMLI Ltd facilitates the process by financing the SPEs acquisition of underlying assets. Details of the underlying assets are outlined below in Table 18.

In its role as an investor in trading book securitisations, BAMLI Ltd 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 Ltd does not have any exposures to securitisations which are subject to the early amortisation treatment.

(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.

5.4.2 Regulatory Capital Treatment

BAMLI Ltd 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 Ltd 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 FLUs.

Whether the transfer of assets to an SPE in a securitisation transaction is treated as a sale or financing depends on whether the derecognition requirements of 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.

BAMLI Ltd’s retained interests in securitisation transactions are valued in accordance with BAMLI Ltd’s Accounting Policies, as set out in the 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 provided to the SPE classified as derivative assets or liabilities, receivables or off balance sheet commitments respectively. BAMLI Ltd 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 Ltd as at 31 December 2017. BAMLI Ltd does not have any exposures to synthetic securitisations.

Table 18. Securitisation Exposures by Exposure Type

	Non-trading Book
	Aggregate On and Off Balance Sheet & Derivative Exposure
(Dollars in Millions)	Investor
Traditional Securitisations	
Residential Mortgages	759
Leasing	1,528
Other Assets	910
Traditional Total	**3,197**

Table 19. Securitisation Exposures and Capital Requirements by Credit Quality Step

	Non-trading Book	
	Exposure	Capital Requirement
(Dollars in Millions)	Investor	Investor
Securitisations		
1	521	8
NR-Non Rated	2,676	214
Securitisations Total	**3,197**	**222**

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 Ltd should face the same CCYB rates as domestic institutions on its cross-border exposures under the international reciprocation process. In 2017, the Financial Policy Committee ("FPC") announced the UK CCYB rate will increase to 0.5% on 27 June 2018 and then to 1.0% on 28 November 2018. As regards other jurisdictions for 2017, the FPC recognised the CCYB rates of Czech Republic, Hong Kong, Norway, Sweden Iceland and Slovakia on exposures of UK institutions. The applicable rates are outlined below in table 20. 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 20 outlines the components of relevant credit exposures used in the calculation of CCYB by country.

Table 20. 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 standardised approach	Exposure value for standardised approach
Norway	160	-	-
Sweden	1,136	-	-
Hong Kong	-	-	-
Slovakia	121	-	-
Czech Republic	5	-	-
Iceland	-	-	-
United Kingdom	9,226	-	910
Other	28,557	-	2,287
Total	39,205	-	3,197

	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	0.251%	2.000%
Sweden	88	-	-	88	2.762%	2.000%
Hong Kong	-	-	-	-	0.001%	1.250%
Slovakia	10	-	-	10	0.302%	0.500%
Czech Republic	-	-	-	-	0.012%	0.500%
Iceland	-	-	-	-	0.000%	1.250%
United Kingdom	716	-	72	788	24.719%	0.000%
Other	2,145	-	150	2,295	71.953%	0.000%
Total	2,967	-	222	3,189	100.000%	

Amount of institution-specific countercyclical capital buffer

(Dollars in Millions)	
Total risk exposure amount	46,216
Institution specific CCYB rate	0.061%
Institution specific CCYB requirement	28

5.6 Capital Resources

Table 21 below shows a reconciliation between the accounting balance sheet values and the regulatory capital values of the items included in BAMLI Ltd's Capital Resources. Further details on the composition of BAMLI Ltd's Capital Resources are shown in Table 22 and Table 23.

Table 21. 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	1,327	(35)	1,292
Tier 1 Capital after Deductions	8,538	(35)	8,503
Tier 2 Capital			
Subordinated Liabilities	2,000	-	2,000
Total Capital Resources	10,538	(35)	10,503

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 Ltd'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 22. Capital Instrument Features

Capital instruments main features template		1	2	3
		CET1	T2	T2
1	Issuer	Bank of America Merrill Lynch International	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	Private Placement
3	Governing law(s) of the instrument	English	English	English
Regulatory Treatment				
4	Transitional CRR rules	CET1	T2	T2
5	Post-transitional CRR rules	CET1	T2	T2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with full voting rights	Subordinated Loan	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	$1,000m
9	Nominal amount of instrument	$1.00	$1,000m	$1,000m
9a	Issue price	$1.00	$1,000m	$1,000m
9b	Redemption price	N/a	N/a	N/a
10	Accounting classification	Shareholders equity	Liability - amortised cost	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	22 Mar 17
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	23 May 27	22 Mar 28
14	Issuer call subject to prior supervisory approval	No	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.	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	N/a
Coupons / Dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/a	3 month LIBOR plus 176bps per annum	3 month LIBOR plus 133bps per annum
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/a	N/a	N/a
25	If convertible, fully or partially	N/a	N/a	N/a
26	If convertible, conversion rate	N/a	N/a	N/a
27	If convertible, mandatory or optional conversion	N/a	N/a	N/a
28	If convertible, specify instrument type convertible into	N/a	N/a	N/a
29	If convertible, specify issuer of instrument it converts into	N/a	N/a	N/a
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/a	N/a	N/a
32	If write-down, full or partial	N/a	N/a	N/a
33	If write-down, permanent or temporary	N/a	N/a	N/a
34	If temporary write-down, description of write-up mechanism	N/a	N/a	N/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated liability noted in column 2-3	All liabilities except the subordinated liabilities	All liabilities except the subordinated liabilities
36	Non-compliant transitioned features	N/a	No	No
37	If yes, specify non-compliant features	N/a	N/a	N/a

(') Insert 'N/A' if the question is not applicable

Table 23. Own Funds Disclosure

Common Equity Tier 1 Capital: Instruments and Reserves	Amount at Disclosure Date
Capital instruments and the related share premium accounts	1,611
of which: Ordinary shares with full voting rights	1,611
Retained earnings	1,345
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	5,582
Common Equity Tier 1 (CET1) capital before regulatory adjustments	8,538
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments	
Additional value adjustments (negative amount)	(35)
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(35)
Common Equity Tier 1 (CET1) Capital	8,503
Tier 1 Capital (T1 = CET1 + AT1)	8,503
Tier 2 (T2) Capital: Instruments and Provisions	
Capital instruments and the related share premium accounts	2,000
Tier 2 (T2) Capital	2,000
Total Capital (TC = T1 + T2)	**10,503**
Total Risk Weighted Assets	46,216
Capital Ratios and Buffers	
Common Equity Tier 1 (as a percentage of risk exposure amount)	18.4%
Tier 1 (as a percentage of risk exposure amount)	18.4%
Total Capital (as a percentage of risk exposure amount)	22.7%
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)	5.8%
of which: capital conservation buffer requirement	1.3%
of which: countercyclical buffer requirement	0.1%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.4%
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)	65
Applicable caps on the Inclusion of provisions In Tier 2	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	38,328

Dollars in millions. 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 Ltd.

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 Ltd'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 24. Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

(Dollars in Millions)	2017
Total Assets as per Balance Sheet	43,253
Adjustments for Derivative Financial Instruments	36
Adjustment for Off-Balance Sheet Items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	16,038
Other Adjustments	(2,231)
Leverage Ratio Exposure	**57,096**

Table 25. Leverage Ratio Common Disclosure

(Dollars in Millions)	2017
On-Balance Sheet Exposures (excluding derivatives and SFTs)	
On-balance Sheet Items (excluding derivatives and SFTs and fiduciary assets, but including Collateral)	35,056
Asset Amounts Deducted in Determining Tier 1 Capital	(34)
Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	**35,022**
Derivative Exposures	
Replacement Cost Associated with Derivatives Transactions	-
Add-on Amounts for PFE Associated with Derivatives Transactions	36
Total Derivative Exposure	**36**
Securities Financing Transaction Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	6,000
Total Securities Financing Transaction Exposures	**6,000**
Off-Balance Sheet Exposures	
Off-balance Sheet Exposures at Gross Notional Amount	33,204
Adjustments for Conversion to Credit Equivalent Amounts	(17,166)
Total Off-Balance Sheet Exposures	**16,038**
Capital and Total Exposures	
Tier 1 Capital	8,503
Total Leverage Ratio Exposures	**57,096**
Leverage Ratio	
Leverage Ratio	14.9%
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 26. Split of On-Balance Sheet Exposures (excluding derivatives and SFTs)

(Dollars in Millions)	2017
Total On-Balance Sheet Exposures (excluding derivatives and SFTs), of which:	**35,056**
Trading Book Exposures	-
Banking Book Exposures, of which:	35,056
Exposures treated as sovereigns	5,557
Exposures to Regional Governments, MDB, International Organisations and PSE **not** Treated as Sovereigns	7
Institutions	1,730
Secured by Mortgages of Immovable Properties	2,824
Corporate	20,813
Exposures in default	460
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,665

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 Ltd.

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

7. Appendices

Appendix I – Directors' Board Membership and Experience

John Gollan Independent 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 directorships 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 Independent Non Executive Director Directorships: 8	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. Independent non-executive director of Bank of America Merrill Lynch International Designated Activity Company ("BAMLI DAC"). 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. Chairman of the Northern Trust Fiduciary Services Board.
Sally James Independent Non Executive Director Directorships: 4	Has practiced law in England and the United States. Her non-executive directorships include six years as a non-executive director and chair of the Risk Committee of UBS Limited. Also a non-executive director for Rotork plc, Moneysupermarkets plc and Hermes Fund Managers Limited, as well as a Trustee of the Legal Education Foundation.
Alice Schroeder Independent Non Executive Director Directorships: 2	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 a non-executive director of Prudential plc; she was previously a board member and audit committee chair of Cetera Financial Group.
Pierre de Weck Independent Non Executive Director Directorships: 5	Over 30 years of senior management experience in investment banking and financial markets. Experience includes membership of the Group Executive board, UBS and member of the Group Executive Committee, Deutsche Bank.
Cheryl Boucher Head of International Credit and Global Loan Products Directorships: 1	Joined the organisation in January 2011, bringing over 20 years of experience in banking and risk management roles gained while working in London, Hong Kong and New York. Currently head of International Credit and Global Loan Products which is responsible for delivering end-to-end credit solutions for corporate and institutional clients across the Bank of America Merrill Lynch International platform. Also a member of the EMEA Executive Committee.
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 BAMLI DAC.
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.
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 BAMLI DAC.

Note: The table outlines the directors that served at 12 March 2018. 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 directorship. Directorships in organisations which do not pursue predominantly commercial objectives are not included.

Appendix II – Capital Resources BAMLI Ltd Solo Disclosure

Table 27. 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	1,314	(35)	1,279
Tier 1 Capital after Deductions	8,525	(35)	8,490
Tier 2 Capital			
Subordinated Liabilities	2,000	-	2,000
Total Own Funds	10,525	(35)	10,490

Appendix II – Capital Resources BAMLI Ltd Solo Disclosure (continued)

Table 28. Own Funds Disclosures Template

Common Equity Tier 1 Capital: Instruments and Reserves	Amount at Disclosure Date
Capital instruments and the related share premium accounts	1,611
of which: Ordinary shares with full voting rights	1,611
Retained earnings	1,309
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	5,605
Common Equity Tier 1 (CET1) capital before regulatory adjustments	8,525
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments	
Additional value adjustments (negative amount)	(35)
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(35)
Common Equity Tier 1 (CET1) Capital	8,490
Tier 1 Capital (T1 = CET1 + AT1)	8,490
Tier 2 (T2) capital: Instruments and provisions	
Capital instruments and the related share premium accounts	2,000
Tier 2 (T2) capital	2,000
Total Capital (TC = T1 + T2)	10,490
Total Risk Weighted Assets	46,538
Capital Ratios and Buffers	
Common Equity Tier 1 (as a percentage of risk exposure amount)	18.2%
Tier 1 (as a percentage of risk exposure amount)	18.2%
Total capital (as a percentage of risk exposure amount)	22.5%
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)	5.8%
of which: capital conservation buffer requirement	1.2%
of which: countercyclical buffer requirement	0.1%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.2%
Direct and indirect holdings by the institution of the CET 1 instruments 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)	208
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)	70
Applicable caps on the Inclusion of provisions In Tier 2	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	38,787

Dollars in Millions. 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 Ltd.