



## **Pillar 3 U.S. Liquidity Coverage Ratio (LCR) Disclosures**

**For the quarter ended September 30, 2018**

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**Important Presentation Information**

These disclosures are required by the Liquidity Coverage Ratio: Public Disclosure Requirements Final Rule published by the Board of Governors of the Federal Reserve System in alignment with the Basel 3 liquidity framework and U.S. Liquidity Coverage Ratio (LCR) Final Rule (LCR Rule). Information contained in this report is presented in accordance with the LCR Rule, and follows the Liquidity Coverage Ratio: Public Disclosure Requirements Final Rule for the quantitative and qualitative presentation of data. Information presented herein may differ from similar information presented in the Consolidated Financial Statements and other publicly available disclosures. Unless specified otherwise, all amounts and information are presented in conformity with the definitions, rules and requirements of the LCR Rule.

U.S. banking regulators permit certain Pillar 3 disclosure requirements to be addressed by their inclusion in the Consolidated Financial Statements of the Corporation. In such instances, incorporation into this report is made by reference to the relevant section(s) of the most recent Forms 10-Q and 10-K filed with the Securities and Exchange Commission of the United States. This Pillar 3 report should be read in conjunction with the aforementioned reports as information regarding liquidity and risk management is largely contained in those filings. The table below indicates the location of such disclosures.

**DISCLOSURE MAP**

| Description   | Pillar 3 Report page reference | 2017 Form 10-K page reference | 3Q18 Form 10-Q page reference |
|---|--------------------------------|-------------------------------|-------------------------------|
| Corporate Overview                                  | 3                              | 19                            | 3                             |
| LCR Requirements and Disclosures                    | 3                              | 49-53                         | 26-28                         |
| Main Drivers of the LCR                             | 4                              | 49-53                         | 26-28                         |
| Composition of Eligible HQLA                        | 5                              | 49-53                         | 26-28                         |
| Concentration of Funding Sources                    | 5                              | 6-8, 49-53                    | 26-28                         |
| Derivative Exposures and Potential Collateral Calls | 5                              |                               |                               |
| Currency Mismatch in the LCR                        | 5                              |                               |                               |
| Centralized Liquidity Management Function           | 5                              | 49-53                         | 26-28                         |

**CORPORATE OVERVIEW**

Bank of America Corporation (together, with its consolidated subsidiaries, Bank of America, “we” or “us”) is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, “the Corporation” may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries or certain of Bank of America Corporation’s subsidiaries or affiliates. Bank of America is one of the world’s largest financial institutions, serving individual consumers, small- and middle-market businesses, institutional investors, large corporations and governments with a full range of banking, investing, asset management and other financial and risk management products and services. Our principal executive offices are located in the Bank of America Corporate Center, 100 North Tryon Street, Charlotte, North Carolina 28255.

**LCR REQUIREMENTS AND DISCLOSURES**

The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of financial institutions by requiring banks to hold high-quality liquid assets (HQLA) that can be easily monetized to meet their liquidity needs for a 30 calendar-day liquidity stress scenario. The LCR is intended to improve the banking sector’s ability to absorb shocks arising from financial and economic stress. The LCR is calculated as the amount of a financial institution’s HQLA relative to the prescribed net cash outflows the institution could encounter over a 30 calendar-day period of significant liquidity stress, expressed as a percentage.

## THE MAIN DRIVERS OF THE LCR

The main drivers of the Corporation's U.S. LCR include changes in total HQLA and composition of Level 1 and Level 2 assets, as well as changes in net cash outflows related to, but not limited to, deposits, commitment facilities, securities financing and client brokerage and collateralized derivatives.

For the quarterly period ending September 30, 2018, the Corporation's average daily U.S. LCR was 120.1 percent. This ratio is the result of average weighted HQLA of \$440 billion divided by average potential net cash outflows over a 30 calendar-day period of \$366 billion. The Corporation's average daily LCR decreased two percent over the quarter, primarily driven by increased average net cash outflows in the markets business.

| 07/02/2018 to 09/28/2018<br>In millions of U.S. Dollars   |  | Average<br>Unweighted<br>Amount | Average<br>Weighted<br>Amount         |
|---|--|---------------------------------|---------------------------------------|
| <b>HIGH-QUALITY LIQUID ASSETS</b>   |  |                                 |                                       |
| 1   | Total eligible high-quality liquid assets (HQLA), of which:  | 460,858                         | 439,510                               |
| 2   | Eligible level 1 liquid assets   | 318,535                         | 318,535                               |
| 3   | Eligible level 2A liquid assets  | 142,323                         | 120,975                               |
| 4   | Eligible level 2B liquid assets  | -                               | -                                     |
| <b>CASH OUTFLOW AMOUNTS</b>   |  |                                 |                                       |
| 5   | Deposit outflow from retail customers and counterparties, of which:  | 852,017                         | 72,329                                |
| 6   | Stable retail deposit outflow  | 514,560                         | 15,437                                |
| 7   | Other retail funding outflow   | 163,753                         | 16,749                                |
| 8   | Brokered deposit outflow   | 173,705                         | 40,143                                |
| 9   | Unsecured wholesale funding outflow, of which:   | 443,959                         | 165,705                               |
| 10  | Operational deposit outflow  | 207,124                         | 51,048                                |
| 11  | Non-operational funding outflow  | 232,517                         | 110,339                               |
| 12  | Unsecured debt outflow   | 4,318                           | 4,318                                 |
| 13  | Secured wholesale funding and asset exchange outflow   | 416,693                         | 110,390                               |
| 14  | Additional outflow requirements, of which:   | 456,330                         | 111,172                               |
| 15  | Outflow related to derivative exposures and other collateral requirements  | 35,972                          | 23,436                                |
| 16  | Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments | 420,358                         | 87,736                                |
| 17  | Other contractual funding obligation outflow   | 6,341                           | 6,341                                 |
| 18  | Other contingent funding obligations outflow   | 218,263                         | 7,132                                 |
| 19  | <b>TOTAL CASH OUTFLOW</b>  | 2,393,604                       | 473,069                               |
| <b>CASH INFLOW AMOUNTS</b>  |  |                                 |                                       |
| 20  | Secured lending and asset exchange cash inflow   | 402,872                         | 83,229                                |
| 21  | Retail cash inflow   | 5,064                           | 2,532                                 |
| 22  | Unsecured wholesale cash inflow  | 10,246                          | 7,473                                 |
| 23  | Other cash inflows, of which:  | 21,270                          | 21,270                                |
| 24  | Net derivative cash inflow   | 5,224                           | 5,224                                 |
| 25  | Securities cash inflow   | 1,535                           | 1,535                                 |
| 26  | Broker-dealer segregated account inflow  | 14,511                          | 14,511                                |
| 27  | Other cash inflow  | -                               | -                                     |
| 28  | <b>TOTAL CASH INFLOW</b>   | 439,452                         | 114,504                               |
|   |  |                                 | <b>Average<br/>Amount<sup>1</sup></b> |
| 29  | <b>HQLA AMOUNT</b>   |                                 | 439,510                               |
| 30  | <b>TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON</b>  |                                 | 358,566                               |
| 31  | <b>MATURITY MISMATCH ADD-ON</b>  |                                 | 7,377                                 |
| 32  | <b>TOTAL NET CASH OUTFLOW AMOUNT</b>   |                                 | 365,943                               |
| 33  | <b>LIQUIDITY COVERAGE RATIO (%)</b>  |                                 | 120.1%                                |
| <sup>1</sup> The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 liquid asset caps, the total inflow cap, and for depository institution holding companies subject to subpart G, the application of the modification to total net cash outflows. |  |                                 |                                       |

Note: Eligible HQLA reported in rows 1-4 in the table above exclude excess liquidity held at certain subsidiaries.

## THE COMPOSITION OF ELIGIBLE HQLA

Under U.S. LCR rules, HQLA is classified into three categories: Level 1, Level 2A and Level 2B. Level 1 assets include central bank reserves (less reserve requirements) and certain marketable securities backed by sovereigns and central banks. Level 2A assets, subject to a 15 percent haircut, include certain U.S. government-sponsored enterprise securities and government or central bank securities not eligible for Level 1. Level 2B assets, subject to a 50 percent haircut, include certain corporate debt securities (including commercial paper) and publicly traded common equities. Level 2 assets (both Level 2A and Level 2B combined) are limited to 40 percent of total HQLA and Level 2B assets are limited to 15 percent of total HQLA. For additional information, refer to *Liquidity Risk – Global Liquidity Sources and Other Unencumbered Assets* within the MD&A section in the September 30, 2018 Form 10-Q.

## CONCENTRATION OF FUNDING SOURCES

We fund our assets primarily with a mix of deposits and secured and unsecured liabilities through a centralized, globally coordinated funding approach diversified across products, programs, markets, currencies and investor groups. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. Our long-term unsecured debt is primarily issued in a variety of maturities and currencies to achieve cost-efficient funding, to maintain an appropriate maturity profile and to ensure that we maintain global capital market access. Our trading activities in our broker-dealer entities are primarily funded on a secured basis through securities lending and repurchase agreements and these amounts will vary based on customer activity and market conditions. We believe funding these activities in the secured financing markets is less sensitive to changes in our credit ratings than unsecured financing, and more cost-efficient. For additional information on funding sources refer to *Liquidity Risk – Diversified Funding Sources* within the MD&A section in the September 30, 2018 Form 10-Q.

## DERIVATIVE EXPOSURES AND POTENTIAL COLLATERAL CALLS

We enter into derivative transactions with customers to help them manage different types of risk, including risks that they may face given changes in interest rates, currency relationships, securities prices or commodities prices. In addition, we enter into derivative transactions with third parties and between affiliate legal entities to enable management of risk across the enterprise. Risk factors in derivatives activities impacting liquidity include: contractual margin asymmetries, cash and collateral outflows related to changes in the financial condition of the Corporation, counterparty behavior and valuation changes.

## CURRENCY MISMATCH IN THE LCR

Given the nature of our business, our HQLA and net cash outflows are primarily in U.S. dollars. Additional amounts are primarily held in G7 currencies. We maintain and monitor concentrations within our funding profile, such as maturities, currencies and counterparties, and access foreign exchange markets to supplement local currency holdings to meet outflows.

## CENTRALIZED LIQUIDITY MANAGEMENT FUNCTION

We manage our liquidity position through line of business and asset-liability management activities, as well as through our legal entity funding strategy, on both a forward and current (including intraday) basis under both expected and stressed conditions. We believe that a centralized approach to funding and liquidity management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For additional information on funding sources refer to *Liquidity Risk – Funding and Liquidity Risk Management* within the MD&A section in the September 30, 2018 Form 10-Q.