

OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

☐ **What this form is NOT for**
You cannot use this form to
an alteration of manner of
with accounting requirements.

THURSDAY



A17 *A9DAXH8Q* 10/09/2020 #2
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① Bank of America Merrill Lynch International

Designated Activity Company

UK establishment number B R 0 0 0 8 3 3 9

→ **Filling in this form**
Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

**Part 2 Statement of details of parent law and other
information for an overseas company**

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ② COMPANIES ACT 2014

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☒ **Yes.** Please enter the name of the organisation or other
body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ③ International Financial Reporting Standards as adopted by EU

③ Please insert the name of the
appropriate accounting organisation
or body.

A3 Accounts

Accounts Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☒ **Yes.** Go to **Section A4.**

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A4**Audited accounts**

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to **Part 3 'Signature'**.☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.

① Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ①

Irish Law and International Standards on Auditing (UK and Ireland)

A5**Unaudited accounts**

Unaudited accounts

Is the company required to have its accounts audited?


Please tick the appropriate box.

☐ No.☒ Yes.**Part 3****Signature**

I am signing this form on behalf of the overseas company.

Signature

Signature

X  FOR + ON behalf of
Mervill Lynch Corporate
SERVICES X

This form may be signed by:
Director, Secretary, Permanent representative.

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Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Address

C/o Merrill Lynch Corporate Services Ltd

2 King Edward Street

Post town

London

County/Region

Postcode

E C 1 A 1 H Q

Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

Registered number: 229165

**BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DESIGNATED
ACTIVITY COMPANY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

COMPANY INFORMATION

DIRECTORS

G.C. Carp
A.M. Finucane
S.A. James
N. Jordan (appointed 2 October 2019)
S. Lilly (appointed 4 October 2019)
R. McHugh (appointed 13 December 2019)
J.G. Murphy
B.R. Thompson

COMPANY SECRETARY

Merrill Lynch Corporate Services Limited

REGISTERED NUMBER

229165

REGISTERED OFFICE

Two Park Place
Hatch Street
Dublin 2

INDEPENDENT AUDITORS

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
Dublin 1
Ireland

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

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BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

DIRECTORS' REPORT

The directors present their Annual Report and the audited Financial Statements of Bank of America Merrill Lynch International Designated Activity Company ("Bank of America Merrill Lynch International DAC", "BAMLI DAC", "the Company") for the year ended 31 December 2019.

The Company is a registered bank in the Republic of Ireland authorised and regulated by the Central Bank of Ireland ("CBI") and supervised under the Single Supervisory Mechanism ("SSM") by the European Central Bank ("ECB"). The Company is a wholly owned subsidiary of Bank of America, National Association ("BANA") and the ultimate parent of the Company is Bank of America Corporation (NYSE:BAC) ("BAC").

These financial statements recognise the first full twelve months of post-merger results, following the merger of Bank of America Merrill Lynch International Limited ("BAMLI Ltd"), into BAMLI DAC on 1 December 2018 (hereafter referred to as the Cross Border Merger ("CBM")). This is explained further in note 45 to the financial statements.

On 1 February 2019, the Company commenced business activities from its Stockholm branch. This branch acts as client coverage office, delivering an in-country presence for Investment Banking and offering advisory services. Previously this coverage was provided by an affiliated company.

On 1 September 2019, the Company transferred the majority of its Preferred Service Provider ("PSP") responsibilities and services which were being performed by the Company on behalf of other BAC subsidiaries, to BANA. The transfer includes fixed assets, employment contracts as well as the associated liabilities relating to deferred compensation and incentives. The net assets were transferred for consideration of \$161 million. There was no gain or loss on this transfer.

On 1 October 2019, the Company disposed of its entire investment in Merrill Lynch (Camberley) Limited to BankAmerica International Financial Corporation (an affiliated company) for consideration of \$180 million. There was no gain or loss on this disposal.

The Company is a wholly owned subsidiary of BAC, which prepares consolidated financial statements that include the Company (see note 1.6). As a result the Company has taken advantage of the exemption in Section 300 of the Companies Act 2014 from the obligation to prepare and deliver consolidated financial statements. The activity of the subsidiary company is set out in note 22 of the financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with Irish law and regulations.

Irish company law requires the directors to prepare the financial statements for each financial year. Under the law, the directors have prepared the financial statements in accordance with the Companies Act 2014 and Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law, the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date, of the profit or loss for that financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on BAC's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITIES

The Company provides a range of financial services and forms part of BAC's Global Banking and Markets ("GBAM") operations in the Europe, Middle East and Africa ("EMEA") region. Clients principally include large multinational groups, financial institutions, governments and government entities. The Company has the ability to conduct business with international clients and to trade throughout the European Economic Area ("EEA"). As well as providing financial services, during the year the Company was the primary EMEA region service company to other companies in the BAC group until the majority of these services were transferred to the London branch of BANA on 1 September 2019. Services provided included IT and operations support, administration and human resources support and real estate services.

As at 31 December 2019, the Company was rated by Fitch (AA-/F1+) and Standard & Poor's (A+/A-1).

FUTURE DEVELOPMENTS

The directors expect the principal activities of the Company to continue. The Company intends to commence business activities through a branch in Greece in the coming year. The Company also intends to expand the activities of its Frankfurt branch to incorporate the main activities of the Frankfurt branch of BANA including access to Euro clearing through TARGET2¹.

¹ TARGET2 is the real-time gross settlement (RTGS) system owned and operated by the Eurosystem. Central banks and commercial banks can submit payment orders in euro to TARGET2, where they are processed and settled in central bank money, i.e. money held in an account with a central bank.

DIRECTORS' REPORT (CONTINUED)

MARKET ENVIRONMENT – PRINCIPAL RISK AND UNCERTAINTIES

UK Exit from the European Union ("Brexit")

On 31 January 2020, the UK formally exited the European Union ("EU"). Upon exit, the UK has entered into a transition period, which is scheduled to end on 31 December 2020, unless otherwise extended. During this time the UK is negotiating with the EU to establish a free trade agreement and other terms of departure. The final outcome of negotiations between the UK and the EU regarding the terms and conditions of the withdrawal from the EU remain unclear. Short and long term global economic and market volatility and disruptions to regional and global financial markets may occur, including as a result of currency fluctuations and trade relations. There can be no guarantee that the UK and the EU will reach an agreement on trade or any other matters during the transition period or that the transition period will be extended if agreements are not reached.

There may be heightened uncertainty and/or market volatility if trade and other agreements are not reached by the end of the transition period, including with regard to cross border conduct of financial services and the treatment of existing financial transactions and contracts.

In preparation for the withdrawal, the Company will continue to assess potential risks, including operational, regulatory and legal risks.

Interbank Offered Rate reform

Reforms to and uncertainty regarding Interbank Offered Rates ("IBORs"), including the London Interbank Offered Rate ("LIBOR"), and certain other rates or indices may adversely affect the Company's business, financial condition and results of operations and could result in reputational harm to the Company.

In 2017, the UK FCA announced that it will no longer require participating banks to submit rates for LIBOR after 2021. The continuation of LIBOR on the current basis cannot be guaranteed after 2021, and there is substantial risk that LIBOR will be modified by 2021 or discontinued thereafter. This announcement, in conjunction with financial benchmark reforms and changes in short term interbank lending markets more generally, have resulted in uncertainty about the potential or actual discontinuation of IBOR, including LIBOR, and certain other rates or indices that serve as "benchmarks". Such benchmarks are used extensively in the global financial markets and in the Company's business. In particular, LIBOR is used in many of the Company's products and contracts. These reforms and actions may result in significant uncertainty as to future rules or methodologies used to calculate benchmarks, cause new or reformed benchmarks to perform differently from the discontinued benchmarks they are replacing, cause existing benchmarks to disappear or become unavailable or unrepresentative, or have other consequences that cannot be fully anticipated, which expose the Company to various financial, operational and legal risks.

Certain alternative reference rates ("ARRs") have been proposed to replace LIBOR and other IBORs. For example, the ARR Committee, a group of private market participants and official sector entities convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended that the Secured Overnight Financing Rate ("SOFR") replace US dollar LIBOR. However, the market transition from IBORs to ARRs is complex and pervasive throughout a number of different types of products and global financial markets.

There can be no assurance that ARRs will be adequate alternatives to IBORs or that the Company's existing assets and liabilities which are based on or linked to IBORs will transition successfully to ARRs, or of the timing of adoption and degree of integration and acceptance of such ARRs in the global financial markets, or the future availability or representativeness of such ARRs.

The Company's products and contracts that reference IBORs, in particular LIBOR, may contain language that determines when a successor rate including the ARR and/or the applicable spread adjustment to the designated rate (including IBORs) would be selected or determined. If a trigger is satisfied, the products and contracts may give the calculation agent discretion over the successor rate to be selected. The considerable uncertainty as to how the financial services industry will address the discontinuance of IBORs and/or such IBORs ceasing to be acceptable reference rates in financial instruments could ultimately result in client disputes and litigation surrounding the proper interpretation of the Company's IBOR based products and contracts. Accordingly, uncertainty regarding ARRs may continue to impact the Company's business, operations and financial condition repeatedly and indefinitely.

DIRECTORS' REPORT (CONTINUED)

The discontinuation of IBORs, including LIBOR, will require the Company to remediate IBOR based products and contracts, including related hedging arrangements that mature after the discontinuation date of the IBOR. These changes may adversely affect the yield on loans or securities held by the Company, amounts received and paid on derivatives entered into, the value of such loans, securities or derivative instruments, the trading market for such products and contracts, and the Company's ability to effectively use hedging instruments to manage risk. While some of these outstanding IBOR based products and contracts include fallback provisions to ARRs, many of the Company's outstanding IBOR based products and contracts do not include fallback provisions or adequate fallback mechanisms requiring remediation to modify their terms. However, some outstanding IBOR based products and contracts are particularly challenging to modify due to the requirement that all impacted parties consent to such modification.

In light of the extensive use of IBOR based products and contracts by the Company and other market participants, there can be no assurance that the Company and other market participants will be able to successfully modify all outstanding IBOR based products and contracts or be adequately prepared for a discontinuation of an IBOR at the time that such IBOR may cease to be published or otherwise discontinued.

Also, there can be no assurance that existing or new provisions for replacement or successor rates in the IBOR based products and contracts will include adequate methodologies for adjustments between the applicable IBOR and the corresponding successor rate or that the characteristics of the successor rates will be similar to or produce the economic equivalent of the benchmarks they seek to replace. For example, SOFR and other ARRs have compositions and characteristics that differ significantly from the benchmarks they replace, have limited history, and may demonstrate less predictable performance than the benchmarks they replace.

Changes or uncertainty resulting from the market transition from IBORs to ARRs could adversely affect the return on and pricing, liquidity and value of outstanding IBOR based products and contracts, cause significant market dislocations and disruptions that are relevant to the Company's business segment, potentially increase the cost of and access to capital, increase the risk of litigation or other disputes, including in connection with the interpretation and enforceability of, or the historical marketing practices or disclosures with respect to, outstanding IBOR based products and contracts with counterparties, and/or increase expenses related to the transition to ARRs, among other adverse consequences. Additionally, given the complexity of the transition to ARRs, the Company expects that the process may result in significant increased costs and also divert management time and attention from other areas of the business.

The market transition from IBORs to ARRs may alter the Company's risk profile and risk management strategies, including derivatives and hedging strategies, modelling and analytics, valuation tools, product design and systems, controls, procedures and operational infrastructure. This may prove challenging given the limited history of many of the proposed ARRs, and may increase the costs and risks related to potential regulatory compliance, requirements or inquiries. Among other risks, various products and contracts may transition to ARRs at different times or in different manners, with the result that the Company may face significant unexpected interest rate, pricing or other exposures across business or product lines. Reforms to and uncertainty regarding market transition from current IBORs to ARRs and other factors, including the pace of the transition to ARRs, the specific terms and parameters for market acceptance of any ARRs, prices of and liquidity of trading markets for products based on ARRs, and the Company's ability to transition and develop appropriate systems and analytics for one or more ARRs, may adversely affect the Company's business, including the ability to serve customers and maintain market share, financial condition or results of operations and could result in reputational harm to the Company.

Geopolitical

Direct and indirect effects of the coronavirus outbreak are impacting the global economy, markets, and the Company's counterparties and clients. The Company cannot predict the coronavirus's potential future direct or indirect effects; however, the Company is taking actions to mitigate the impacts on the Company. The coronavirus's effects could have a material negative impact on the Company's future results of operations, assets and liabilities.

Furthermore, changes in fiscal, monetary or regulatory policy could adversely affect the Company's business operations, organisational structure and results of operations. The Company is also subject to geopolitical risks which could adversely affect business and economic conditions globally. These include for example, acts or threats of terrorism and/or military conflicts.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

The Company is subject to the CBI Corporate Governance Requirements for Credit Institutions 2015 and additional requirements outlined for high impact designated institutions. The Company is also subject to the corporate governance requirement for institutions deemed "significant" for the purposes of the European Capital Requirements Directive (CRD IV). The BAMLI DAC Board ("the Board") formally reviews the corporate governance structure of the Company, including its branches, on an annual basis to ensure that it meets regulatory and legal requirements and industry best practice.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company faces seven key risks in its daily operations; market, credit, operational, liquidity, reputational, strategic and compliance risk. The Company's risk management objectives and policies as well as exposures in relation to the seven key risk types are described in the notes to the financial statements (see note 43).

RISK GOVERNANCE

The Board ensures suitable risk management and controls through the BAMLI DAC Board Risk Committee ("BAMLI DAC BRC"), the BAMLI DAC Audit Committee, the BAMLI DAC Nominations Committee, the BAMLI DAC Remuneration Committee and BAMLI DAC Management Risk Committee ("BAMLI DAC MRC").

The BAMLI DAC BRC assists the Board in fulfilling its oversight responsibilities relating to senior management's responsibilities regarding the identification of, management of, and planning for key risks of the Company.

The BAMLI DAC Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the Company's internal financial controls; the preparation and integrity of the Company's financial statements and statement of adherence; BAMLI DAC's relationship with its Independent Auditor, including pre-approval of any non-audit services; and the performance and independence of the Company's Internal Audit and Compliance functions.

The BAMLI DAC Nominations Committee shall assist the Board in fulfilling its oversight responsibilities in relation to the governance of the Board of Directors of the Company relating to nominations to the Board and reviewing and reporting to the Board on senior management talent planning and succession planning.

The BAMLI DAC Remuneration Committee is charged with oversight of compliance with remuneration policies and related regulatory requirements.

BAMLI DAC MRC reports to the BAMLI DAC BRC and is responsible for providing management oversight and approval of (or reviewing and recommending to the BAMLI DAC BRC, the Board or other committees, as appropriate) market risk including Internal Models Approach ("IMA"), credit risk, (in conjunction with the Credit Risk Committee ("CRC")), operational risk (in conjunction with the Operational Risk Committee ("ORC")), balance sheet, capital and liquidity management (in conjunction with the Asset and Liability Committee ("ALCO")), country risk, stress testing and concentration risk management activities of the Company.

REVIEW OF FINANCIAL STATEMENTS AND RELATED ESTIMATES AND JUDGEMENTS

The BAMLI DAC Audit Committee discharges its responsibility for the monitoring and integrity of the financial statements through:

- review of the financial statements for completeness and compliance with relevant accounting standards and other regulatory and legal requirements;
- reporting to the BAMLI DAC Board on the consistency and appropriateness of critical accounting policies and any changes thereto, taking into account the views of the independent auditor;
- review of any correspondence from regulators in relation to financial reporting;
- review of the going concern statement; and
- review and challenge of significant financial reporting judgements, estimates and the actions and judgements of management including those in respect of valuation of financial instruments.

Further detail on the critical accounting estimates and judgements is provided in note 2.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

DIRECTORS' REPORT (CONTINUED)

RESULTS AND DIVIDENDS

The Company's profit on ordinary activities after taxation was \$448 million (2018: \$64 million) as set out in the income statement.

The directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: \$nil).

BUSINESS REVIEW

The Company's results reflect the first full twelve months of post-merger results, following the merger of BAMLI Ltd, into BAMLI DAC on 1 December 2018. The effect of the merger was to create a scalable EU-domiciled credit institution directly owned by BANA which would support the EU business of BAC in response to the UK exit from the EU. The merger resulted in the addition of seven branches across Europe (Frankfurt, Amsterdam, Brussels, Paris, Zurich, Madrid and Milan) and ownership of a subsidiary in the UK, Merrill Lynch (Camberley) Limited (which itself was sold to an affiliate entity during 2019). As outlined in Note 45 to the Financial Statements, the merger resulted in \$50.3 billion of assets being acquired by the Company on 1 December 2018 and would have added \$497 million to profit after tax for year ended 31 December 2018 as shown in the Income Statement, if the merged entity had come into being at the start of that year.

In addition to the financial services it provides, during the year the Company generated revenue through providing support service functions to BAC group affiliates. Costs of these shared services are recharged to group entities under arm's length principles reflecting the economic contribution of the affiliate by way of service fees (including mark-up) determined in accordance with BAC's global transfer pricing policy. On 1 September 2019, the Company transferred the majority of the services to an affiliated company, however the Company continues to provide a limited range of affiliate services including finance, operations, risk and compliance support.

Divisional performance

Results are derived from the Company's core Global Banking and Markets activities and its Support Services activities which represent reportable segments as disclosed in note 3.

The Global Banking and Markets segment contributed \$1,757 million (2018: \$161 million) in terms of total operating income driven primarily by increased corporate and asset backed lending activities following the CBM.

The Support Services segment contributed \$828 million (2018: \$91 million) to total operating income.

Summary income statement

	2019 \$M	2018 \$M	Change \$M
Net interest, fee and commission income	860	76	784
Dealing profits and fair value income	442	57	385
Other operating income	1,283	119	1,164
Total operating income	2,585	252	2,333
Administrative expenses	(1,324)	(145)	(1,179)
Depreciation and other operating expense	(478)	(25)	(453)
Impairment charge for credit losses	(140)	(6)	(134)
Profit before taxation	643	76	567

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

DIRECTORS' REPORT (CONTINUED)

Net interest, fee and commission income

This income reflects the performance of the Company's lending businesses, consisting primarily of corporate and institutional lending and investment banking fees, in addition to certain asset backed lending, secured lending and leasing activity.

Dealing profits and fair value income

This income reflects the profits on the Company's trading asset and derivative portfolio as well as certain lending transactions which the Company has measured at fair value.

Other operating income

This income is generated primarily through the Company's Support Services activity to the broader BAC group and service fee income generated by global markets and banking activities.

Administrative expenses

Expenses are driven by compensation, overhead costs and direct trading-related costs.

Depreciation and other operating expenses

Depreciation expenses are incurred by the Company on property, plant and equipment and right of use assets used as part of its support services activities. Other operating expenses primarily relate to service fee expenses resulting from the purchase of services from other affiliates in the BAC group. The charges are computed under arm's length principles reflecting the economic contribution of the affiliate in accordance with BAC's global transfer pricing policy.

Impairment charge for credit losses

This represents the charge arising from the provision for expected credit losses on the Company's lending businesses, including write-offs.

Taxation

The Company's effective tax rate for the year is 30.3% (2018: 15.8%) driven mainly by the current year charge. The factors affecting the tax charge for the year are detailed in note 14.

Capital

Total eligible regulatory capital (inclusive of audited current year profits) increased from \$13,349 million as at 31 December 2018 to \$13,786 million as at 31 December 2019, which consisted of \$11,786 million Tier 1 capital (2018: \$11,349 million) and \$2,000 million Tier 2 capital (2018: \$2,000 million).

The Company's total capital ratio at 31 December 2019 as reported to the CBI was 23.7% (2018: 25.4%), exceeding the minimum capital requirement.

Further information on the Company's capital requirements under the Capital Requirements Directive IV ("CRD IV") is available in the Company's Pillar 3 disclosure document.

Liquidity

The Company is subject to the Basel III liquidity requirements legislated by the European Commission's Capital Requirement Regulations and Capital Requirements Directive ("CRR/CRD IV") including rules implementing the requirement for credit institutions to comply with the Liquidity Coverage Ratio ("LCR").

The Company was in excess of its regulatory liquidity requirements in both 2019 and 2018.

DIRECTORS' REPORT (CONTINUED)

POLITICAL CONTRIBUTIONS

The directors have satisfied themselves that there were no political contributions during the year (2018: \$nil) that require disclosure under the Electoral Act 1997.

NON FINANCIAL STATEMENT

Overview of Company and policies

As detailed earlier in this report, the Company's business model creates value for its stakeholders by providing banking and financing services to customers across EMEA. These operations expose the Company to a number of risks, including those of an environmental or social nature. BAC has established an Environmental and Social Risk Policy Framework (the "ESRP Framework") which forms the basis of how environmental and social risks facing BAC and its subsidiaries (including BAMLI DAC) are identified, measured, monitored and controlled. The ESRP Framework applies to all BAC employees as part of their wider responsibilities for managing risk (see note 43 for further detail on the Company's approach to risk management) under the BAC risk governance framework. Environmental and social issues can cross many of the seven key risk types faced by the Company.

Leadership under the ESRP Framework is delivered through both regional and global Environmental, Social and Governance ("ESG") committees with focus on ESG embedded across the business to reflect how BAC deploys capital to drive economic and environmental progress in its communities; how the Company builds trust and credibility; and how it creates a place that people want to work at, invest in and do business with. The ESG committees engage with risk management and other management committees as necessary on environmental and social issues.

Front line units ("FLUs") and risk teams determine if a proposed transaction or relationship presents potential environmental or social risks as part of Know Your Customer ("KYC"), due diligence and other onboarding processes. This determination is driven by a number of factors, including: cross-referencing BAC's prohibition list and heightened sensitivity list, which are both part of the ESRP Framework; understanding the customers' business, industry, management and reputation; application of BAC policies; adherence to regulation; and consultation with subject matter experts and those teams focused on customer screening and onboarding.

Set out below is a summary of the Company's approach to each of the main ESG components. Further information about BAC's approach to ESG matters can be accessed via the ESRP Framework at <https://about.bankofamerica.com/assets/pdf/EnvironmentalandSocialRiskPolicyFramework.pdf>.

Environmental matters

The Company complies with and reports to Energy and Environment Agencies on the Article 8 Energy Efficiency Directive ("Article 8 EDD"), EU Emission Trading Scheme, the UK CRC Energy Efficiency scheme and the ISPRa Registration, and operates towards overall BAC operational goals including becoming carbon-neutral and purchasing 100% renewable electricity by 2020 (including purchasing carbon credits where renewable energy is not available).

As part of its climate financing efforts, BAC established a global environmental business commitment to direct \$125 billion in financing for low-carbon and sustainable business by 2025. As at end of 2019, BAC has already completed this goal delivering \$136 billion globally. In EMEA, BAC entities, including BAMLI DAC, delivered \$15.9 billion towards these efforts.

BAMLI DAC is a member of BAC's Sustainable Finance Working Group which has been established in EMEA to review the legislative and supervisory initiatives being pursued by the EU and the UK to better understand, assess and prepare for the impact they will have primarily on the banks' platforms but also on its global franchise.

DIRECTORS' REPORT (CONTINUED)

Employee matters

The Company's Human Resources function deals with talent acquisition, diversity and inclusion, learning and development, compensation and benefits and employee relations issues.

- **Talent acquisition** - The Talent Acquisition team manages talent fulfilment needs through both internal movement and through the identification and selection of external talent. All hiring activity is supported by the Talent Operations team which provides the infrastructure and control environment to ensure hiring activity is consistent, compliant with applicable laws and internal policies, guidelines and procedures and appropriately monitored.

- **Diversity and inclusion** - The Company is committed to creating an inclusive workplace where everyone has the same opportunities regardless of their gender, gender identity, gender expression, marital status, race, colour, nationality, ethnic or national origins, age, religion, sexual orientation, responsibility for dependants or physical or mental disability. This is reflected in its Human Resources policies, guidelines and procedures. The Company also has numerous employee networks which provide engagement, development and networking opportunities for our diverse employee population. The Company complies with the applicable gender pay reporting legislation and is committed to bringing more women into financial services at a senior level.

- **Learning and development** - The Company maintains a mandatory training programme, underpinned by a standard operating procedure and process, which is owned and monitored by the Compliance team. This includes training on, amongst other things, the Company's Code of Conduct, whistleblowing, anti-money laundering and market abuse. In addition, other training courses are made available to individuals to support applicable development in their individual roles. A further suite of training is provided to managers to ensure they are appropriately trained on how to communicate and have crucial conversations, effective delegation, giving feedback and coaching, promoting teamwork and inclusion and managing risk responsibly.

- **Compensation and benefits** - The Compensation and Benefits team support the financial management, communication and administration of BAC enterprise-wide incentive plans. All activities are underpinned by policies with training, monitoring and evaluation processes in place to ensure that roles are fulfilled in an effective and consistent manner and in compliance with all applicable regulatory and legal requirements. The cornerstone of BAC's compensation philosophy across all lines of business is to pay for performance – overall BAC, line of business and individual performance. Through BAC's performance management process, employees understand performance expectations for their role through on-going dialogue with their manager. Each employee's performance is assessed on quantitative and qualitative objectives as well as specific behaviours, and performance is factored into each employee's incentive compensation award with no single factor having specific weighting.

- **Employee Relations** - The Employee Relations team provides consultative expertise and tools to manage and resolve employment risks.

Social matters

Respect for human rights:

BAC supports fundamental human rights and demonstrates leadership in responsible workplace practices across the enterprise and in all regions where the Company conducts business. BAC's commitment to fair, ethical and responsible business practices, as it engages with employees, clients, vendors and communities around the world, is embodied in its values and Code of Conduct. In addition, BAC has issued a Modern Slavery Statement on behalf of itself and its subsidiaries, including BAMLI DAC, see <https://about.bankofamerica.com/assets/pdf/Modern-Slavery-Act.pdf>.

Community engagement:

The Company offers its employees an array of opportunities to share their skills and to volunteer with charities. In EMEA, the BAC Foundation is focused on building pathways to economic mobility by supporting initiatives that help young people transition from education into sustained employment. During 2019 in BAMLI DAC, the BAC Foundation supported 11 charities and social enterprises. For the Company, 822 employees (35%) shared their time and skills with community organisations.

DIRECTORS' REPORT (CONTINUED)

During 2019 in EMEA, the BAC Foundation supported over 50 charities and social enterprises. 2,330 employees (29%) shared their time and skills with community organisations.

Vendor management:

BAC is dedicated to doing business with suppliers that respect ethics, human rights, diversity and inclusion, and the environment. BAC set expectations of our suppliers through our Vendor Code of Conduct, which we expect all suppliers to adhere to while conducting business with or on behalf of Bank of America. BAC reserve the right to monitor compliance with the code using a reasonable and risk-based approach and framework that is suitable for small and diverse-owned businesses as well as larger businesses with more mature compliance programs. BAC contract templates contain representations and warranties to ensure that suppliers use socially and environmentally beneficial practices relevant to and in line with best practices in their particular industry. Further information on how the Company, as part of BAC, approaches vendor management can be obtained at <https://about.bankofamerica.com/en-us/what-guides-us/vendor-management.html>.

Global compliance and operational risk

The Company's overall approach to managing risk, including compliance risk, is governed by the Risk Framework. As part of this, the Global Compliance & Operational Risk teams work in partnership to offer continuous challenge and oversight in order to minimise the risk of legal or regulatory sanctions, material financial loss or reputational damage, including but not limited to, the risks associated with bribery and corruption, economic sanctions, money laundering, terrorist and criminal financing, and internal and external fraud.

The Enterprise Anti-Bribery and Anti-Corruption ("ABAC") Policy and the Code of Conduct prohibits all forms of corruption conducted by the Company's employees and third parties. The ABAC Compliance programme considers the risks associated with the Company's business and the markets in which it operates, the provisions of gifts and entertainment, third party relationships and due diligence, hiring practices, political contributions, charitable donations and employee conduct. In addition, ABAC Compliance considers transactions posing heightened risks, particularly in markets and economies that are more susceptible to corruption and financial crime.

Outcomes and non-financial key performance Indicators ("KPIs")

As the Company adopts BAC's global approach to ESG issues, related non-financial KPIs are typically measured on a regional or global basis and as such specific metrics are considered to be less relevant to reporting at the Company level. Further information on BAC reporting of ESG performance, of which BAML DAC is a part, can be obtained at <https://about.bankofamerica.com/assets/pdf/Bank-of-America-2018-ESG-Performance-Data-Summary.pdf>

AUDITORS

The auditors, PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office in accordance with section 383(2), of the Companies Act 2014 and a resolution that they be reappointed will be proposed at the Annual General Meeting.

ACCOUNTING RECORDS

The measures taken by the directors to ensure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The Company's accounting records are maintained at the Company's registered office.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors who served during the year were:

Executive directors

G.C. Carp

B.R. Thompson (Chief Executive Officer)

Group non-executive directors

A.M. Finucane (Chair)

P.P. Keegan (resigned 25 October 2019)

S. Lilly (appointed 4 October 2019)

Independent non-executive directors

D.F. Guest (resigned 31 December 2019)

S.A. James

N. Jordan (appointed 2 October 2019)

J.G. Murphy

R. McHugh (appointed 13 December 2019)

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' COMPLIANCE STATEMENT

As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)). The directors confirm that:

- a compliance policy statement (as defined in section 225(3)(a)) has been drawn up setting out the Company's policies, which, in the directors' opinion, are appropriate to ensure compliance with the Company's relevant obligations;
- appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations have been put in place; and
- a review of those arrangements or structures has been conducted in the financial year to which this report relates.

ELECTRONIC DISTRIBUTION

The directors are responsible for ensuring that the Company's financial statements are provided for inclusion on the website of the Company's ultimate parent undertaking, BAC. The work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)

SUBSEQUENT EVENTS

Debt issuance

On 10 February 2020, the Company issued \$2 billion of MREL² eligible debt to ensure MREL levels remain sufficient to support the bank's resolution strategy and business model.

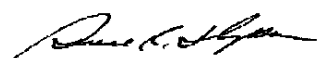
Coronavirus

IAS 10 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date.

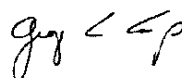
The coronavirus outbreak and its effects represent a non-adjusting event, and its post year end impact has not been reflected in the measurement of the company's assets and liabilities at 31 December 2019 and in particular in the measurement of fair value and impairment for financial assets.

Direct and indirect effects of the coronavirus outbreak are impacting the global economy, markets, and the Company's counterparties and clients. The Company cannot predict the coronavirus's potential future direct or indirect effects; however, the Company is taking actions to mitigate the impacts on the Company. The coronavirus's effects could have a material negative impact on the Company's future results of operations, assets and liabilities.

This report was approved by the board on 27 March 2020 and signed on its behalf.



B.R. Thompson
Director



G.C. Carp
Director

² MREL is the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution.



Independent auditors' report to the members of Bank of America Merrill Lynch International Designated Activity Company

Report on the audit of the financial statements

Opinion

In our opinion, Bank of America Merrill Lynch International Designated Activity Company's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the Statement of Financial Position as at 31 December 2019;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 10 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



Materiality

- Overall materiality: \$133 million (2018: \$131 million)– based on c. 1% of total capital resources

Audit scope

- We performed a full scope audit of the company's financial statements, based on materiality levels

Key audit matters

- Valuation of traded loans
- Impairment of loans and advances to customers and banks

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
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Chartered Accountants

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The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of traded loans</p> <p><i>Refer to note 1, note 2, note 20, note 43, note 44 and note 47 to the financial statements</i></p> <p>The Company trades a portfolio of loans which are acquired and then held at fair value through profit and loss until disposal. Within the portfolio there are loans which by their nature are less liquid or which may show signs of distress. These are inherently more complex to value as there is often limited or no external comparable market transactions upon which to base the fair value.</p> <p>In estimating the fair value of these loans, management use modelling techniques which incorporate both observable and unobservable inputs. Certain loans can be directly priced and other loans are valued using mainly unobservable inputs.</p> <p>We focused on this area as the methodology to determine the fair values for traded loans is subjective in nature and involves assumptions which are highly judgemental.</p>	<p>We understood and evaluated the design and tested the operational effectiveness of key controls over the valuation of this portfolio of loans. These controls included the performance of a monthly price verification process.</p> <p>The operation of this control either includes performing direct price testing to external market price sources or reperforming the valuation used by the front office using observable inputs, where available, and unobservable inputs.</p> <p>We independently corroborated the market inputs or prices for directly priced loans and assessed the pricing sources used.</p> <p>For those loans that could not be directly priced, we used our internal valuation experts to revalue a sample of loans using independent assumptions and data.</p> <p>We concluded that the valuation of traded loans is materially within an acceptable range of reasonable estimates.</p>



Key audit matter	How our audit addressed the key audit matter
<p>Impairment of loans and advances to customers and banks</p> <p><i>Refer to note 1, note 2, note 15, note 16, note 17, note 43 and note 47 to the financial statements</i></p> <p>IFRS 9 requires the Company to recognise impairment for loans and advances to customers and banks on an expected, forward looking basis including reflecting the Company's view of potential future economic events.</p> <p>The ECL calculation is a complex estimation which requires significant management judgement and we focussed on the areas which required the greatest level of management judgement including:</p> <ol style="list-style-type: none"> 1. The consideration of the need for post model overlays to address known model limitations and latent risks including risk concentration. These adjustments are by their nature inherently uncertain and the most judgmental. 2. The application of forward-looking information which is a critical part of the determination of ECL. The consideration and selection of appropriate macroeconomic factors and in particular determining the appropriate economic scenarios (base, two downside and one upside) and their associated probability weightings is a key driver of the overall ECL provision. 3. The determination of when there has been a Significant Increase in Credit Risk (SICR). This is one of the key judgements in the ECL process because a SICR requires the related impairment provision to be measured using a lifetime ECL rather than 12 month ECL. 	<p>With the assistance of our internal credit modelling specialists, we understood and critically assessed the overall methodology applied, including individual models used, in the measurement of ECL for the loans and advances to customers and banks to ensure that the provision was in accordance with IFRS 9. This included an end to end review to understand the key systems and controls used in the process.</p> <p>We considered the overall control framework and tested key controls including controls relating to model performance, approval of model changes, input data, credit risk rating, approval of macroeconomic scenarios for forward looking information and approval of post model overlays.</p> <p>We understood and assessed the appropriateness of post model overlays made by management to adjust their model output for known limitations and specific risk aspects of the portfolio including risk concentration.</p> <p>We compared, on a sample basis, the base case forward looking macroeconomic assumptions to publicly available benchmark information. We also considered the reasonableness of management's downside and upside assumptions.</p> <p>We assessed the SICR triggers identified by management for appropriateness and completeness and we re-performed key aspects of the SICR calculation. We reperformed model calculations on a sample basis.</p> <p>We concluded that the ECL provision is materially within an acceptable range of reasonable estimates.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company is structured along two operating segments, Global Banking and Markets and Support services and has nine branches in Europe. The Company's operations are supported by shared service centres in Ireland and the UK.

We determined whether the work would be performed by us or by other PwC network firms operating under our instruction (component auditors) in relation to controls and activities outside of Ireland. The most significant overseas territory is the UK.

In establishing the overall approach to the audit, we determined the type of work that needed to be performed at each financial statement line item by us or by component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude



whether sufficient audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

The nature, timing and extent of the work impacting the audit opinion was determined and monitored in Ireland. Where work was performed by component auditors, our involvement in that work included meetings between the component auditors and senior members of the engagement teams, review of the results of their audit procedures including the nature, timing and extent of the work impacting our audit opinion and frequent communications by the engagement team to corroborate that our audit plan was appropriately executed.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	\$ 133 million (2018: \$ 131 million).
How we determined it	c.1% of total capital resources
Rationale for benchmark applied	The use of total capital resources is considered appropriate as it reflects the key area of focus of management and users of the financial statements who are focused on the level of capital resources as the Company is a regulated bank entity.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$6.6 million (2018: \$ 6.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.



With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
 - In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
 - The financial statements are in agreement with the accounting records.
-

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 15 September 2009 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 December 2009 to 31 December 2019.

A handwritten signature in black ink that reads 'John M. McDonnell'.

John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

27 March 2020

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$M	As restated 2018 \$M
Interest income		961	105
Interest expense		(463)	(44)
NET INTEREST INCOME	4	498	61
Fee and commission income		370	17
Fee and commission expense		(8)	(2)
NET FEE AND COMMISSION INCOME	5	362	15
Dealing profits*		360	44
Net income from other financial instruments at FVPL*	6	82	13
Other operating income	7	1,283	119
TOTAL OPERATING INCOME		2,585	252
Administrative expense	8	(1,324)	(145)
Depreciation and amortisation	23, 24	(104)	(4)
Other operating expense	9	(374)	(21)
Impairment charge for credit losses		(140)	(6)
TOTAL OPERATING EXPENSES		(1,942)	(176)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		643	76
Taxation on profit on ordinary activities	14	(195)	(12)
PROFIT FOR THE FINANCIAL YEAR		448	64

The results above include profit before tax of \$38 million (2018: \$4 million) from discontinued operations. See note 3 for further details.

The notes on pages 25 to 106 form part of these financial statements.

* Prior period restated, for more information refer to note 1.1.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$M	2018 \$M
Profit for the financial year		448	64
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		12	1
Movement in fair value of debt instruments at FVOCI		(1)	-
Items that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefit obligations		(17)	-
		(6)	1
Total comprehensive income for the financial year		<u>442</u>	<u>65</u>

The notes on pages 25 to 106 form part of these financial statements.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 \$M	2018 \$M
ASSETS			
Cash held at central banks		9,155	11,517
Loans and advances to banks	16	8,287	3,662
Loans and advances to customers	17	28,726	27,244
Reverse repurchase agreements	18	5,500	6,000
Market and client receivables	19	1,328	1,825
Trading assets	20	1,544	1,682
Investment securities	21	1,617	1,314
Derivative financial instruments		1,913	1,442
Investments in group undertakings	22	-	180
Property, plant and equipment	23	95	192
Right-of-use asset	24	488	-
Other assets	25	245	473
Prepayments and accrued income	26	87	109
TOTAL ASSETS		58,985	55,640
LIABILITIES			
Deposits by banks	28	27,758	22,631
Deposits by customers	29	11,788	15,319
Debt securities	30	814	-
Market and client payables	31	781	1,247
Derivative financial instruments		2,261	1,775
Financial liabilities designated at fair value		16	28
Other liabilities	32	1,453	862
Accruals and deferred income	34	104	253
Subordinated liabilities	35	2,000	2,000
Retirement benefit obligations	36	164	141
TOTAL LIABILITIES		47,139	44,256

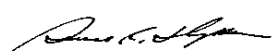
BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)**

	Note	2019 \$M	2018 \$M
CAPITAL AND RESERVES			
Called up share capital	37	32	32
Share premium account	38	9,061	9,061
Foreign exchange reserve	38	13	1
Capital contribution reserve	38	59	59
Profit and loss account	38	<u>2,681</u>	<u>2,231</u>
TOTAL EQUITY		<u>11,846</u>	<u>11,384</u>
 TOTAL LIABILITIES AND EQUITY			
		<u>58,985</u>	<u>55,640</u>

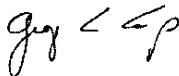
The notes on pages 25 to 106 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 27 March 2020.



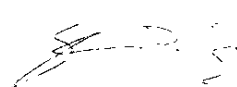
B.R. Thompson

Director



G.C. Carp

Director



S. Lilly

Director



**Merrill Lynch Corporate
Services Limited**
Company secretary

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Foreign exchange reserve	Capital contribution reserve	Profit and loss account	Total equity
	\$M	\$M	\$M	\$M	\$M	\$M
At 1 January 2019	32	9,061	1	59	2,231	11,384
Comprehensive income for the year						
Profit for the year	-	-	-	-	448	448
Currency translation differences	-	-	12	-	-	12
Movement in fair value of debt securities at FVOCI	-	-	-	-	(1)	(1)
Actuarial losses relating to retirement schemes	-	-	-	-	(17)	(17)
Total comprehensive income for the year	-	-	12	-	430	442
Group share based payment costs recharged	-	-	-	-	(64)	(64)
Group share based payment costs	-	-	-	-	84	84
At 31 December 2019	32	9,061	13	59	2,681	11,846

The notes on pages 25 to 106 form part of these financial statements.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

	Called up share capital	Share premium account	Foreign exchange reserve	Capital contribution reserve	Profit and loss account	Total equity
	\$M	\$M	\$M	\$M	\$M	\$M
At 1 January 2018	32	-	-	59	2,154	2,245
Impact of transition to IFRS 9	-	-	-	-	13	13
At 1 January 2018 following IFRS 9 transition	32	-	-	59	2,167	2,258
Comprehensive income for the year						
Profit for the year	-	-	-	-	64	64
Currency translation differences	-	-	1	-	-	1
Total comprehensive income for the year	-	-	1	-	64	65
Contributions by and distributions to owners						
Premium on shares issued	-	9,061	-	-	-	9,061
At 31 December 2018	32	9,061	1	59	2,231	11,384

The notes on pages 25 to 106 form part of these financial statements.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently throughout the current and prior year, except where noted, are set out below.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Companies Act 2014, Financial Reporting Standard 100 ("FRS 100") - Application of Financial Reporting Requirements and Financial Reporting Standard 101 ("FRS 101") - Reduced Disclosure Framework.

FRS 100 and FRS 101 set out the disclosure exemptions for the individual financial statements of entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards that have been adopted in the EU ("EU-adopted IFRS"). References to accounting standards in these financial statements will accordingly relate to applicable International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS").

The financial statements have been prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value. The Company does not maintain historical cost information on items at fair value as this is not relevant to the operation of the business.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Restatement of 2018 revenues for non-market making derivatives

Revenue generated on certain derivatives held for the purposes of managing foreign currency exposure have been presented as part of net dealing profits. This is a change in presentation to align with the homogenous balance sheet treatment of the derivative portfolio as well as the reporting presentation of the wider BAC Group.

Prior year balances have been restated in accordance with IAS 8 - Accounting Policies, Changes in Estimates and Errors to ensure presentation is on a comparable basis. The restatement impacted the following categories within Operating Income:

- Dealing profits have been re-stated and increased by \$32 million from \$12 million
- Net income from other financial instruments at FVPL has been restated and decreased by \$32 million from \$45 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

Below is a summary of the standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2019 that had a material impact on the Company.

IFRS 16 Leases ("IFRS 16")

The Company has adopted IFRS 16 Leases for the first time with a date of initial application of 1 January 2019. IFRS 16 addresses the definition of a lease, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard replaces IAS 17 - Leases, and related interpretations. IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement. The Company's lessor accounting under IFRS 16 has not changed substantially from the previous requirements under IAS 17.

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019. For contracts entered into or modified on or after 1 January 2019, the Company applies the definition in IFRS 16 to determine whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has adopted IFRS 16 using the modified retrospective approach, and as such comparative information has not been restated. Comparative information presented in these financial statements is prepared based on the accounting policies that the Company had previously applied under IAS 17.

The right of use asset and lease liability recorded as at 1 January 2019 was \$555 million. There was no cumulative effect of initial application recorded in retained earnings. IFRS 16 results in lease expenses being recognised earlier than under IAS 17, with lease expense previously recorded within administrative expenses being replaced by amortisation of the right-of-use asset and accrual of finance costs relating to the lease liability presented in interest expense. For further details on the Company's accounting policy with respect to leases, see note 1.14.

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 3.67%.

1.3 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- the requirements of paragraphs 40 (A-D) of IAS 1 Presentation of Financial Statements to disclose a third balance sheet on retrospective accounting policy changes, restatements, or reclassifications;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.4 GOING CONCERN

The directors have a reasonable expectation, based on current and anticipated future performance, capital and liquidity position that the Company will continue in operational existence for a period of at least 12 months from the date of approval of the annual report and financial statements. The financial statements have, therefore, been prepared on a going concern basis. Disclosures in respect to liquidity risk and capital management are set out in note 43.

1.5 INCORPORATION AND DOMICILE INFORMATION

The Company is a designated activity company and is incorporated and domiciled in the Republic of Ireland, with branches operating in London, Paris, Madrid, Amsterdam, Brussels, Frankfurt, Stockholm, Zurich and Milan. The registered office is located at Two Park Place, Hatch Street, Dublin 2.

1.6 CONSOLIDATED FINANCIAL STATEMENTS

The Company has taken advantage of the exemption in section 300 of the Companies Act 2014 from the obligation to prepare and deliver consolidated financial statements as the Company is a wholly owned subsidiary of BAC, which prepares consolidated financial statements that include the Company. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group.

1.7 FOREIGN CURRENCIES

The financial statements have been presented in US dollars which is also the functional currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are subsequently re-translated into the functional currency using the exchange rates prevailing at the reporting date. Exchange gains and losses on monetary assets and liabilities are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between exchange gains and losses resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Exchange gains and losses related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary assets and liabilities in a foreign currency that are not measured at fair value are not subsequently re-translated for movements in prevailing exchange rates.

Exchange gains and losses on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Exchange gains and losses on non-monetary financial assets measured at fair value through other comprehensive income are included in other comprehensive income.

The financial statements of branches whose functional currency is not US dollars are translated to US dollars at the exchange rate prevailing at the reporting date for the statement of financial position and at the exchange rate prevailing at the date of the transaction for the income statement. Translation differences arising on profit and loss for the current year and on opening net assets of these branches are recognised in the statement of other comprehensive income and recorded as a movement in reserves.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.8 SEGMENTAL REPORTING

The Company conducts two operational activities, comprising Global Banking and Markets and the Support Services business. Segment performance is not analysed geographically as the Company operates primarily within a single region of EMEA.

1.9 INTEREST INCOME AND EXPENSE

Amortised cost and effective interest rate

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider expected credit losses. For financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes all amounts received or paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument, and all other premiums and discounts.

Calculation of interest income and expense

Interest income and expense for all financial instruments measured at amortised cost are recognised on an accruals basis using the effective interest method. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recognised using the effective interest rate method.

The effective interest rate is applied to the gross carrying amount of the financial asset (for non credit impaired assets) or to the amortised cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on all trading assets and liabilities, and other financial instruments measured at FVPL, are recognised using the contractual interest rate in dealing profits and net income on other financial instruments at FVPL, respectively.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.10 DEALING PROFITS

Dealing profits include the profits and losses arising on both the purchase and sale of trading instruments and from their revaluation to fair value. Interest and dividend income earned from these instruments are also presented within dealing profits. Dealing profits also includes gains and losses on derivatives used in the trading businesses as well as derivatives held for the purpose of hedging foreign currency exposure.

1.11 FEES AND COMMISSIONS

Loan facility and arrangement fees are deferred and recognised over the life of the facility.

Investment banking income includes underwriting, financial advisory services, and syndication fee income. The Company accounts for revenues from contracts with customers under IFRS 15. Syndication fee income represent fees earned as the agent responsible for structuring, arranging and administering a loan syndication. Revenue is typically recognised once the transaction is completed and all services have been rendered and the Company has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Financial advisory services consist of fees earned for assisting customers with transactions related to mergers and acquisitions and financial restructurings. Revenue varies depending on the size and number of services performed for each contract and is generally contingent on successful execution of the transaction. Revenue is typically recognized once the transaction is completed and all services have been rendered. Additionally, the Company may earn a fixed fee in merger and acquisition transactions to provide a fairness opinion, with the fees recognised when the opinion is delivered to the customer.

1.12 NET INCOME FROM OTHER FINANCIAL INSTRUMENTS AT FVPL

Net income from other financial instruments at FVPL relates to financial assets and financial liabilities designated as at FVPL, non-trading assets and liabilities measured mandatorily at FVPL, and certain derivative instruments used to manage credit risk relating to these assets and liabilities. The net income includes fair value changes, interest, dividends, and foreign exchange differences.

1.13 SERVICE FEE INCOME

Service fee income consists of charges made to affiliated undertakings to remunerate the Company for services provided or to reimburse the Company for expenditure incurred. Service fee income is recognised on an accruals basis when the transactions occurred or as the service is provided, and is recorded within other operating income

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.14 LEASES

Lessor arrangements

The Company provides equipment financing to its customers through a variety of lessor arrangements. Finance leases are carried at the aggregate of lease payments receivable plus the estimated residual value of the leased property less unearned income, and are reported within loans and advances to customers. Income on finance leases is recorded in interest income using the effective interest rate method.

Lessee arrangements

For lessee arrangements, the Company records right-of-use assets in property, plant and equipment and lease liabilities in other liabilities at lease commencement.

The Company made an accounting policy election not to separate lease and non-lease components of a contract that is or contains a lease for its real estate and equipment leases. As such, lease payments represent payments on both lease and non-lease components. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Company's incremental borrowing rate. Right-of-use assets initially equal the lease liability, adjusted for any lease payments made prior to lease commencement and for any lease incentives.

Right-of use assets are generally depreciated over the shorter of the asset's useful life and the lease term, on a straight line basis. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period.

Prior to 1 January 2019, the Company classified leases that did not transfer substantially all of the risks and rewards of ownership as operating leases. Rentals under operating leases were charged to the income statement on a straight line basis over the lease term.

1.15 RETIREMENT BENEFIT SCHEMES

The Company participates in defined benefit and defined contribution pension schemes in the Republic of Ireland and across Europe.

For the defined benefit schemes, the Company recognises a net asset or liability, being the difference between the present value of the defined benefit obligation at the end of the reporting period and the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The income statement includes interest charged or credited on the defined benefit assets and liabilities, the impact of foreign currency revaluation and service costs.

The Company also operates defined contribution plans which receive contributions calculated as a percentage of each employee's plan salary based on their length of service. The Company's legal or constructive obligation for these plans is limited to the contributions. The contributions are recognised as employee benefit expense when they are due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.16 MERGERS UNDER COMMON CONTROL

The Company applies predecessor accounting to business combinations between entities under common control, as these transactions fall outside of the scope of IFRS 3 – Business Combinations. Accordingly, the Company recognises the assets acquired and liabilities assumed of the absorbed entity at their carrying value as at the date of the merger. Group reconstruction relief has been applied and share premium has been recognised accordingly.

1.17 INVESTMENTS IN SUBSIDIARY

A subsidiary is defined as an entity that is controlled by another entity. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are held at cost less provision for impairment.

At each reporting date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. In the event of impairment, the carrying amount of the asset is reduced accordingly and the amount of the loss is recognised in the income statement.

Profit or loss on disposal of investments and dividends received from investments are disclosed in the income statement.

1.18 FINANCIAL ASSETS

The Company recognises financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets as measured at: amortised cost, FVOCI or FVPL. A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Company initially measures a financial asset at its fair value plus or minus, in the case of a financial asset not subsequently measured at FVPL, transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Immediately after initial recognition, the Company recognises an expected credit loss allowance for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 1.21, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

A debt instrument is classified as measured at FVOCI only if it meets both of the following conditions and is not designated as FVPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes, are held to maximise cash flows through sale, or are managed on a fair value basis), then the financial assets are classified as part of 'other' business model and are measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include:

- Past experience on how the cash flows for the assets were collected
- How the asset's performance is evaluated and reported to key management personnel
- How risks are assessed and managed
- How managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, that is to say that interest includes only consideration for the time value of money, credit risks, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis. The Company has not taken this election for its equity investments.

All other financial assets, including derivative assets, are classified as measured at FVPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.19 FINANCIAL LIABILITIES

The Company recognises financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Derivative liabilities held for trading or held for risk management purposes are measured at fair value through profit or loss.

Loan commitments that the entity designates as at FVPL are recorded on the statement of financial position at fair value at inception of the agreement. Subsequent movements in fair value are recorded in the income statement within net income from other financial instruments at FVPL.

All remaining financial liabilities are carried at amortised cost using the effective interest method.

1.20 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

<i>Freehold property</i>	<i>– 5 to 40 years</i>
<i>Leasehold improvements</i>	<i>– 3 to 15 years</i>
<i>Office equipment</i>	<i>– 2 to 15 years</i>

Depreciation policies are reviewed on a regular basis and are revised in line with actual useful life compared to original estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.21 IMPAIRMENT OF FINANCIAL ASSETS HELD AT AMORTISED COST AND FVOCI

The Company recognises loss allowances for expected credit loss ("ECL") on the following financial instruments that are not measured at FVPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Company measures loss allowances at an amount equal to 12-month ECL for financial instruments on which credit risk has not increased significantly since their initial recognition. Loss allowances for financial instruments where there has been a significant increase in credit risk are measured at lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses, measured as follows:

For financial assets that are not credit-impaired at the reporting date, the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);

For financial assets that are credit-impaired at the reporting date, the difference between the gross carrying amount and the present value of estimated future cash flows;

For undrawn loan commitments, the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn upon and the cash flows that the Company expects to receive; and

For financial guarantee contracts, the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised, and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired'

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

For financial assets measured at amortised cost, the loss allowance for ECL is presented as a deduction from the gross carrying amount of the assets. For loan commitments and financial guarantee contracts, the loss allowance is presented as a provision.

For debt instruments measured at FVOCI, no loss allowance is recognised in the statement of financial position as the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve, with a corresponding charge to profit or loss.

An impairment gain or loss is recognised in the income statement at the amount of expected credit losses (or reversals) that is required to adjust the loss allowance to the amount required at the balance sheet date.

Write offs

Loans and debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.22 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current tax, including Irish corporation tax and foreign taxes, is provided for at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and is measured at the average tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.23 SECURITIES FINANCING TRANSACTIONS

Resale agreements are accounted for as secured financing transactions. Resale agreements are recorded at amortised cost, being their contractual amounts plus accrued interest. Contractual interest coupon on resale agreements at amortised cost is recorded as interest income.

The Company's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under the agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and the Company may require counterparties to deposit additional collateral or may return collateral pledged when appropriate.

Securities financing transactions give rise to negligible credit risk as a result of these collateral provisions. These instruments therefore are managed based on market risk rather than credit risk.

All resale activities are transacted under master agreements that give the Company the right, in the event of default of the counterparty, to liquidate collateral held and to offset receivables and payables with the same counterparty.

Securities received under resale agreements are not recognised in the statement of financial position as the risks and rewards of ownership are not obtained from the counterparty.

1.24 OFFSETTING

Where the Company has the legal right to net settle and intends to do so (with any of its debtors or creditors) on a net basis, or to realise the asset and settle the liability simultaneously, the balance included within the financial statements is the net balance due to or from the counterparty.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.25 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company *retains substantially all the risks and rewards of ownership of a transferred financial asset*, the Company continues to recognise the financial asset and also recognises a secured borrowing for the cash proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received and any cumulative gain that had been recognised in OCI is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications to the terms of financial assets and liabilities may result in derecognition if it is deemed that the modification results in an expiry of the contractual rights and obligations of the original instrument, see note 1.29 for further details.

1.26 TRADE AND SETTLEMENT DATED TRANSACTIONS

In general, funding financial instruments (e.g. loans and deposits) are recognised and derecognised on the statement of financial position on a settlement date basis and trading instruments (e.g. debt securities, derivatives) are recognised and derecognised on a trade date basis. Traded loans are recognised and derecognised on a settlement date basis.

1.27 SHARE BASED PAYMENTS

BAC grants equity based payment awards to employees of the Company under various incentive schemes.

For most awards, expense is generally recognised proportionately over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to *employees that meet retirement eligibility criteria*, the Company accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, the Company recognises expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

As this is a group share based payment arrangement, all awards are treated by the Company as equity settled share based payment plans and are measured based on the fair value of those awards at grant date.

The fair value determined at the grant date is expensed over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The Company has entered into a chargeback agreement with BAC under which it is committed to pay BAC the market value at grant date as well as subsequent movements in fair value of those awards to BAC at the time of delivery to its employees.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.28 FINANCIAL GUARANTEES AND COMMITMENTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight light basis over the life of the guarantee, and the amount determined in accordance with the ECL model as detailed in note 1.21.

Loan commitments that the Company designates as financial liabilities at fair value through profit or loss are recognised as disclosed in note 1.19.

Other loan commitments provided by the Company are measured as the amount of the loss allowance calculated in accordance with note 1.21. The Company has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Loss allowance arising from financial guarantees and loan commitments are included within other liabilities.

1.29 MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

If the terms of a financial asset or financial liability are modified, the Company evaluates whether the new terms of the modified instrument are substantially different to the original terms. If the new terms are substantially different, then the original instrument is derecognised and a new instrument, based on the modified terms, is recognised at fair value. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

If the contractual terms of the modified asset or liability carried at amortised cost are not substantially different, then the modification does not result in derecognition. Instead the Company recalculates the gross carrying amount of the financial instrument based on the revised cash flows of the financial instrument and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

If such a modification of a financial asset is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases it is presented as interest income.

Where modification does result in derecognition, the date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining where a significant increase in credit risk has occurred.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.30 RECOGNITION OF DAY ONE PROFIT OR LOSS

Evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets.

The Company has entered into transactions where fair value is determined using valuation models for which not all inputs are market observable prices or rates. The difference between the transaction price and the model valuation, commonly referred to as "day one profit or loss", is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit or loss is determined individually and is either deferred until the instrument's fair value can be determined using market observable inputs or realised through disposal or settlement. Profit or loss is deferred on level 3 trades and a minimum threshold is applied per trade which on an aggregate basis is immaterial.

The financial instrument is subsequently measured at fair value. Subsequent changes in fair value are recognised immediately in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with FRS 101 requires the use of accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimates

(a) Impairment of financial instruments

The Company's accounting policy for losses in relation to the impairment of financial instruments is described in note 1.21. The measurement of the expected credit loss allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and customer behaviour. An explanation of the inputs, assumptions and estimation techniques used in measuring ECL is provided in note 15, which also sets out the key sensitivities of the ECL to changes in these elements.

In applying the accounting requirements for calculating impairment, the Company has made significant judgements such as in relation to establishing groups of similar financial assets for the purposes of measuring ECL, and establishing the number and relative weightings for forward-looking scenarios used in the calculation.

As part of the staging assessment required under IFRS 9, the Company applies judgement in establishing criteria for determining whether the risk of default on a financial instrument has increased significantly since initial recognition, considering reasonable and supportable information that is relevant and available without undue cost or effort.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. Note 15 provides additional detail on the Company's approach to determining significant increase in credit risk.

(b) Valuation of financial instruments

The Company's accounting policy for valuation of financial instruments is included in notes 1.18 and 1.19. The fair values of financial instruments that are not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs.

Where models are used to determine fair values, they are periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions. Note 44 further discusses the valuation of financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Judgements

Classification of financial assets

The classification of financial assets is based on an assessment of the business model within which the assets are held. The Company follows the guidance of IFRS 9 in determining whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. In some cases this determination requires significant judgement, for example when grouping portfolios of assets managed under the same business model or when assessing the impact of contractual terms for contractually linked instruments.

In order to perform the business model assessment, the Company evaluates, among other factors, the strategy of the business and types of management information used to measure performance of the portfolio as well as information regarding sales from the portfolio. Contractual cash flow information is considered by reviewing transaction and structure documentation in conjunction with line of business experts to ensure that relevant terms are analysed. See accounting policy note 1.18 for further details regarding classification of financial assets.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

3. SEGMENTAL ANALYSIS

The segmental analysis of the Company's results and financial position is set out below. The Company operates two principal activities, comprising the Global Banking and Markets business and Support Services.

	Global Banking and Markets \$M	Support Services \$M	Total \$M
2019			
Net interest income	498	-	498
Net fee and commission income	362	-	362
Dealing profits	360	-	360
Net income from other financial instruments at FVPL	82	-	82
Other operating income	455	828	1,283
	<hr/>	<hr/>	<hr/>
Total operating income before expenses and impairment	1,757	828	2,585
	<hr/>	<hr/>	<hr/>
Total operating expenses	(1,026)	(776)	(1,802)
Impairment charge for credit losses	(140)	-	(140)
	<hr/>	<hr/>	<hr/>
Profit before taxation	591	52	643

	Global Banking and Markets \$M	Support Services \$M	Total \$M
2018			
Net interest income	61	-	61
Net fee and commission income	15	-	15
Dealing profits*	44	-	44
Net income from other financial instruments at FVPL*	13	-	13
Other operating income	28	91	119
	<hr/>	<hr/>	<hr/>
Total operating income	161	91	252
	<hr/>	<hr/>	<hr/>
Total operating expenses	(90)	(86)	(176)
	<hr/>	<hr/>	<hr/>
Profit before taxation	71	5	76

The Support Services segment does not contribute a significant proportion of the Company's assets and liabilities, being primarily driven by support costs incurred and recharged to affiliated companies. As such a breakdown of net assets by segment is not considered necessary.

* Prior period restated - For more information refer to note 1.1.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

3. SEGMENTAL ANALYSIS (CONTINUED)

The below table shows a disaggregation of revenues under the scope of IFRS 15 by operating segment.

	Global Banking and Markets \$M	Support services \$M	Total \$M
2019			
Investment banking fees	223	-	223
Other fee and commission income	147	-	147
Service fee income	396	828	1,224
	<u>766</u>	<u>828</u>	<u>1,594</u>
	Global Banking and Markets \$M	Support services \$M	Total \$M
2018			
Investment banking fees	8	-	8
Other fee and commission income	9	-	9
Service fee income	25	91	116
	<u>42</u>	<u>91</u>	<u>133</u>

As a result of the transfers to the London branch of BANA on 1 September 2019, the Company's Support Services activities have reduced. However, The Company continues to provide support services. For the current year the income arising on support services is still material enough to merit a separate segment in this report.

See note 5 for further detail on investment banking fees and other fee and commission income. See note 7 for service fee income within other operating income.

Discontinued operations

During the year, the following were recognised in the Income Statement in relation to the operations which have discontinued in relation to the transfer to the London branch of BANA.

	2019 \$M	2018 \$M
Other operating income	498	64
Depreciation	(24)	(3)
Administrative expenses	(436)	(57)
	<u>38</u>	<u>4</u>
Profit before tax attributable to discontinued operations	<u>38</u>	<u>4</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

4. NET INTEREST INCOME

	2019	2018
	\$M	\$M
Loans and advances to customers and banks	784	71
Debt instruments at FVOCI	8	1
Other	169	33
	<hr/>	<hr/>
Interest receivable and similar income	961	105
	<hr/>	<hr/>
Deposits by banks and customers	(320)	(29)
Subordinated debt	(81)	(7)
Interest expense on assets	(50)	(8)
Interest on lease liabilities	(12)	-
	<hr/>	<hr/>
Interest payable and similar expense	(463)	(44)
	<hr/>	<hr/>
Net interest income	498	61
	<hr/>	<hr/>
Amounts above include:		
Net interest (expense) / income due to or from affiliated companies	(171)	5

All amounts included within net interest income are calculated using the effective interest method.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

5. NET FEE AND COMMISSION INCOME

	2019 \$M	2018 \$M
Investment banking		
Financial advisory services	148	3
Loan syndication fees	75	5
	<hr/>	<hr/>
Total investment banking fees	223	8
Other fee and commission income	147	9
	<hr/>	<hr/>
Total fee and commission income	370	17
Fee and commission expense	(8)	(2)
	<hr/>	<hr/>
Net fee and commission income	<u>362</u>	<u>15</u>

Other fees and commission income is comprised primarily of loan commitment fees.

The net fee and commission income above includes income of \$294 million (2018: \$17 million) and expense of \$8 million (2018: \$2 million) relating to financial assets and liabilities not measured at FVPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

6. NET INCOME FROM OTHER FINANCIAL INSTRUMENTS AT FVPL

The table below shows net income from financial instruments measured at FVPL, other than those included in dealing profits.

	2019 \$M	2018 \$M
Derivatives*	(45)	3
Loans and advances	127	10
	<hr/>	<hr/>
	<u>82</u>	<u>13</u>

*Prior period restated for more information see note 1.1

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

7. OTHER OPERATING INCOME

	2019	2018
	\$M	\$M
Service fee income	1,224	116
Other	59	3
	<u>1,283</u>	<u>119</u>

8. ADMINISTRATIVE EXPENSE

	2019	2018
	\$M	\$M
Staff costs (see note 11)	975	98
Operating lease rentals: Land and buildings	-	8
Bank and investment firm resolution repayment	(4)	(4)
Other	353	43
	<u>1,324</u>	<u>145</u>

9. OTHER OPERATING EXPENSE

	2019	2018
	\$M	\$M
Service fee expense	372	21
Other operating expenses	2	-
	<u>374</u>	<u>21</u>

10. AUDITORS' REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2019	2018
	\$000	\$000
Fees for the audit of the Company	1,384	1,843
Fees for audit related assurance services	42	330
	<u>1,426</u>	<u>2,173</u>

Included within the fees for audit related assurance services for 2019 are fees of \$22,000 in relation to Country by Country Reporting and fees of \$20,000 for other agreed upon procedures.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

11. STAFF COSTS

	2019	2018
	\$M	\$M
Wages and salaries	839	88
Social security costs	89	7
Defined benefit and defined contribution pension scheme costs (see note 36)	47	3
	<u>975</u>	<u>98</u>

Included within wages and salaries are charges relating to share based compensation plans, see note 13 for further details.

The average monthly number of employees, including the directors, and contractors during the year was as follows:

	2019	2018
	No.	No.
Support, operations and technology	5,207	582
Trading, sales and advisory	387	31
	<u>5,594</u>	<u>613</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

12. DIRECTORS' REMUNERATION

Of the directors that served during the year, 9 (2018: 10) were remunerated by the Company and the amounts included below are those relating to their services as directors for the Company based on an estimated time allocation basis.

	2019 \$'000	2018 \$'000
Non-executive directors fees	705	305
Emoluments	18,358	8,137
Pension contributions	64	43
	<u>19,127</u>	<u>8,485</u>

13. SHARE BASED PAYMENTS

BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Key Employee Equity Plan ("KEEP"). Under the KEEP, BAC grants stock-based awards, restricted stock and restricted stock units ("RSUs").

For most awards, expense is generally recognized proportionately over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, BAC accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, BAC recognizes expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

Certain awards contain claw back provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances.

The total pre-tax compensation cost recognised in profit and loss for share-based compensation plans for the year to 31 December 2019 was \$123 million (2018: \$13 million).

Restricted stock units

A RSU is deemed equivalent in fair market value to one share of BAC common stock.

In 2019 the RSUs are authorised to settle predominantly in shares of common stock of BAC which generally vest in three equal annual instalments beginning one year from the grant date.

Recipients of RSU awards may receive cash payments equivalent to dividends.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

14. TAXATION

	2019 \$M	2018 \$M
Current tax		
Irish corporation tax on profits for the year	-	10
Double taxation relief	-	(10)
	<u>-</u>	<u>-</u>
Foreign tax on income for the year	185	13
Total current tax	185	13
Deferred tax		
Origination and reversal of timing differences (see note 27)	11	(1)
Impact of change in foreign branch tax rate	(1)	-
Total deferred tax	10	(1)
Income tax expense	195	12

The tax on the Company's profit before tax differs from the amount that would arise using the tax rate applicable as follows:

	2019 \$M	2018 \$M
Profit before tax	643	76
Tax calculated at Irish tax rates applicable of 12.50%	80	10
Tax effects of:		
Expenses not deductible for tax purposes	-	-
Impact of foreign taxes	185	2
Utilisation of prior year losses	(80)	-
Other temporary differences leading to an increase/(decrease) in taxation	11	-
Impact of change in foreign branch tax rate	(1)	-
Total tax charge for the period	195	12

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Management is of the opinion that the Company will be able to generate sufficient future taxable income as at the reporting date, having considered historic performance to recover part of the deferred tax asset at 31 December 2019 of \$2 million (2018: \$88 million). The Company has unrecognised deferred tax assets totalling \$371 million (2018 \$473 million), primarily in relation to losses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

15. PROVISION FOR LOAN LOSS

Measurement of ECL

The key inputs in the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD"): the likelihood of a borrower defaulting on its financial obligation
- Loss given default ("LGD"): the magnitude of the likely loss if there is a default
- Exposure at default ("EAD"): the expected exposure in the event of a default.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The Company generally derives these parameters from internally developed statistical models based on internally compiled data comprising quantitative and qualitative factors, as well as other historical data such as recovery rates of claims against defaulted counterparties.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company uses a variety of actual and forecast information to formulate a 'base case' view of the future direction of relevant economic variables, as well as a representative range of other possible forecast scenarios. The Company leverages its existing forecasting processes in developing multiple economic scenarios for IFRS 9. Four economic scenarios have been utilised in order to capture any risks that may occur during the life of asset.

The base case scenario represents a most-likely outcome and is also used by the Company for other purposes such as strategic planning and budgeting. The other three scenarios – strong inflationary growth, moderate recession and severe recession - capture the non-linearity of potential upside and downside scenarios on the ECL measurement.

The Company has identified and documented the key economic assumptions that drive credit risk and credit losses for each portfolio of financial instruments. These economic assumptions include corporate bond spreads, GDP growth, and unemployment rates, as well as other key economic variables. In order to calculate lifetime ECL for loans classified as stage 2 or stage 3, the Company uses the existing forecast horizon followed by extrapolation to cover the lifetime of the financial asset.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent the best estimate of the possible outcomes and the chosen scenarios are appropriately representative of the range of possible scenarios.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

15. PROVISION FOR LOAN LOSS (CONTINUED)

Credit risk ratings

As part of its risk management process, the Company assigns numeric risk ratings to its corporate loan facilities based on quantitative and qualitative assessments of the obligor and facility. These risk ratings are reviewed at least annually or more often if material events have occurred related to the obligor or facility.

Credit risk ratings are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk rating. The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining a significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company compares the remaining lifetime PD as at the reporting date with the remaining lifetime PD for this point in time as estimated at the time of initial recognition of the exposure (adjusted as relevant for changes in prepayment expectations). The Company calculates the remaining lifetime PD using the same methodology, obligor-level data elements, and forecasted macroeconomic scenarios and scenario weights used to calculate ECL. In addition to quantitative review of PD and risk rating changes, qualitative factors leveraging internal credit risk officers' risk assessment are considered as well as a backstop based on delinquency. Financial instruments that have been determined to have a significant increase in credit risk are reviewed in line with rating timelines to identify whether there has been an improvement of credit quality in the underlying instrument.

Sensitivity

The calculation of the ECL allowance is dependent on a number of judgements and estimates as to the inputs and assumptions inherent in the model. Variables around stage determination, scenario weighting, and other macroeconomic forecast assumptions are considered to have the most material impact on the ECL calculations for the Company's primary third party loan and lease population. Review of the assumptions is integrated into the Company's risk and governance processes. As part of these governance processes, the Company has adopted a framework to assess certain risks, such as concentration of exposure to single names, sectors or geographies, that may not be fully captured in the modelled ECL computation. The results of this assessment are then overlaid to the modelled output to result in the overall ECL provision. Whilst overlays to the modelled output are intended to ensure that the Company has appropriately captured the risks from which credit losses may be expected to arise, the ECL provision remains sensitive to changes in the model assumptions, for example:

- In relation to stage determination, moving all loans to stage 1 and calculating ECL on a 12-month basis would reduce the allowance by approximately \$26 million (2018: \$19 million), whereas moving all loans to the lifetime loss horizon (moving all stage 1 loans to stage 2 or 3) would increase the ECL allowance by approximately \$61 million (2018: \$33 million).
- Running staging and ECL calculations using only the strong inflationary growth scenario would reduce the ECL allowance by approximately \$6 million (2018: \$14 million), whereas using only the moderate recession scenario would increase ECL allowance by approximately \$58 million (2018: \$20 million).
- The ECL allowance would increase by \$183 million if the most severe macroeconomic scenario was weighted to 100% probability, without accounting for the impact of this scenario on model overlays.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

15. PROVISION FOR LOAN LOSS (CONTINUED)

Note that this disclosure is intended to illustrate the relative sensitivity of the ECL allowance calculation and is not predictive or indicative of future loss experience.

Collective based and other loss allowance assessment

The primary credit exposures of the Company falling within the impairment provisions of IFRS 9 relate to the Company's portfolio of loans and advances to third party customers and banks, as well as its third party loan commitments. Loss allowances for these financial instruments is modelled on an instrument by instrument basis, determining the relevant PD, LGD and EAD using statistical data as described above and throughout this note.

For other financial instruments the Company assesses the ECL on either a collective or an individual basis using a reduced-complexity calculation, whilst still incorporating as relevant quantitative historical loss experience data and forward-looking information as well as qualitative information as to the nature of risks inherent in the instruments. In the case of the Company's reverse repurchase agreement the credit exposure is over-collateralised, and the Company's customer and other receivables are typically short-dated. The Company's investment securities at FVOCI are held in high investment grade assets. As a result the PD, LGD, or both are such that the resulting ECL is not material to the Company. Actual amounts written off during the year on these other financial instruments are also not material to the Company. In light of this, separate disclosure of ECL allowance or amounts written off on these instruments is not considered necessary in the financial statements.

Additionally, the company individually assesses non-performing exposures held at amortised cost for provisions based on a discounted cashflow analysis.

Reconciliation of loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. An explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired is included within the accounting policy note 1.21.

Loans and advances to banks

	12 month ECL \$M
As at 1 January 2019	1
New financial assets originated or purchased	4
Changes to model assumptions and methodologies	(1)
Financial assets derecognised during the period (not written off)	(1)
	<hr/>
As at 31 December 2019	3
	<hr/>
	12 month ECL \$M
As at 1 January 2018	-
Migrated in due to the CBM on 1 December 2018	1
	<hr/>
As at 31 December 2018	1
	<hr/>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

15. PROVISION FOR LOAN LOSS (CONTINUED)

Loans and advances to customers

	12 month ECL	Lifetime ECLs Not credit-impaired loans	Lifetime ECLs Credit-impaired loans	Total
	\$M	\$M	\$M	\$M
As at 1 January 2019	13	54	12	79
Transfers to 12 month ECLs	3	(3)	-	-
Transfers to lifetime ECLs – not credit impaired loans	(1)	1	-	-
Transfers to lifetime ECLs – credit impaired loans	(1)	(14)	15	-
New financial assets originated or purchased	20	25	9	54
Changes in PDs / LGDs / EADs	3	(13)	17	7
Changes to model assumptions and methodologies	19	3	6	28
Amounts written off	-	-	(26)	(26)
Financial assets derecognised during the period (not written off)	(20)	(29)	(6)	(55)
Exchange and other adjustments	1	-	-	1
As at 31 December 2019	37	24	27	88

	12 month ECL	Lifetime ECLs Not credit-impaired loans	Lifetime ECLs Credit-impaired loans	Total
	\$M	\$M	\$M	\$M
As at 1 January 2018	-	-	-	-
Migrated in due to the CBM on 1 December 2018	7	54	12	73
New financial assets originated or purchased	6	-	-	6
As at 31 December 2018	13	54	12	79

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

15. PROVISION FOR LOAN LOSS (CONTINUED)

Guarantees and commitments

	12 month ECL	Lifetime ECLs Not credit-impaired loans	Lifetime ECLs Credit-impaired loans	Total
	\$M	\$M	\$M	\$M
As at 1 January 2019	4	13	4	21
Transfers to 12 month ECLs	1	(1)	-	-
Transfers to lifetime ECLs – credit impaired loans	-	(3)	3	-
New guarantees/commitments originated or purchased	21	12	-	33
Changes in PDs / LGDs / EADs	4	15	6	25
Changes to model assumptions and methodologies	18	(2)	3	19
Guarantees/commitments derecognised during the year (not written off)	(16)	(10)	(5)	(31)
Exchange and other adjustments	(4)	(2)	-	(6)
As at 31 December 2019	28	22	11	61

	12 month ECL	Lifetime ECLs Not credit-impaired loans	Lifetime ECLs Credit-impaired loans	Total
	\$M	\$M	\$M	\$M
As at 1 January 2018	-	-	-	-
Migrated in due to the CBM on 1 December 2018	4	13	4	21
As at 31 December 2018	4	13	4	21

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2019 and that are still subject to enforcement activity is \$87 million (2018: \$nil).

Impact to the loss allowance of material changes in the gross carrying amount

The overall allowance increased from an amount of \$101 million as at 31 December 2018 to \$152 million as at 31 December 2019. The increase in 12-month ECL was primarily driven by growth in the Company's portfolio resulting from the acquisition of new customers and updates to model assumptions and methodologies. Lifetime ECL not credit-impaired was impacted by an increase overall PD's in relation to the existing portfolio and transfers to lifetime ECL credit-impaired, whilst the movement in lifetime ECL credit-impaired was as a result of transfers in due to a higher number of forbore and non-performing loans.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

15. PROVISION FOR LOAN LOSS (CONTINUED)

Definition of default

The Company considers a financial asset to be in default when:

- Material exposures are more than 90 days past-due and / or;
- The borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

Any exposure which is deemed to be in default per the CRD IV definition is deemed to be Non-Performing. The Company treats nonperforming exposures as defaulted exposures for provisioning, capital and financial reporting purposes.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Company considers qualitative indicators such as breaches of covenants, as well as quantitative indicators such as overdue status and non-payment on other obligations of the same issuer. Data from external sources is also used in the consideration of whether a borrower is in default.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 1.29.

For further information on the Company's exposure to and management of credit risk, see note 43.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

16. LOANS AND ADVANCES TO BANKS

	2019 \$M	2018 \$M
Gross carrying amount of loans and advances to banks at amortised cost	7,892	3,663
Allowance for impairment (see note 15)	(3)	(1)
	<u>7,889</u>	<u>3,662</u>
Loans and advances to banks at FVPL	398	-
	<u>8,287</u>	<u>3,662</u>
Total loans and advances to banks		
	<u>8,287</u>	<u>3,662</u>
	2019 \$M	2018 \$M
Analysed by maturity:		
On demand	833	1,364
Within three months	4,906	568
Between three months and one year	966	583
Between one year and five years	1,585	1,148
	<u>8,290</u>	<u>3,663</u>
Allowance for impairment	(3)	(1)
	<u>8,287</u>	<u>3,662</u>
Total loans and advances to banks		
	<u>8,287</u>	<u>3,662</u>
Amounts above include:		
Due from affiliated companies	<u>5,608</u>	<u>1,508</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

17. LOANS AND ADVANCES TO CUSTOMERS

	2019 \$M	2018 \$M
Gross carrying amount of loans and advances to customers at amortised cost	26,471	24,871
Allowance for impairment (see note 15)	(88)	(79)
	<u>26,383</u>	<u>24,792</u>
Loans and advances to customers at FVPL	2,343	2,452
Total loans and advances to customers	<u>28,726</u>	<u>27,244</u>

	2019 \$M	2018 \$M
Analysed by maturity:		
On demand	250	274
Within three months	2,088	1,598
Between three months and one year	3,677	2,852
Between one year and five years	18,537	19,449
More than five years	4,262	3,150
	<u>28,814</u>	<u>27,323</u>
Allowance for impairment	(88)	(79)
Total loans and advances to customers	<u>28,726</u>	<u>27,244</u>
Amounts above include:		
Due from affiliated companies	-	9

Loans and advances to customers includes \$57 million (2018: \$72 million) of finance lease receivables. See note 24 for further details regarding these finance leases.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

18. REVERSE REPURCHASE AGREEMENTS

	2019	2018
	\$M	\$M
Reverse repurchase agreements	<u>5,500</u>	<u>6,000</u>

All reverse repurchase agreements are held with an affiliated company and are repayable on demand.

19. MARKET AND CLIENT RECEIVABLES

	2019	2018
	\$M	\$M
On demand	<u>1,328</u>	<u>1,825</u>

Market and client receivables relate to cash collateral and trades pending settlement, and are all repayable on demand.

20. TRADING ASSETS

	2019	2018
	\$M	\$M
Government debt securities	268	241
Traded loans	1,194	1,330
Other debt securities	82	111
	<u>1,544</u>	<u>1,682</u>

	2019	2018
	\$M	\$M
Analysed by maturity:		
Within three months	60	73
Between three months and one year	107	232
Between one year and five years	350	325
More than five years	1,027	1,052
	<u>1,544</u>	<u>1,682</u>

Distressed debt assets included in the above are presented according to their contractual maturity. Where the contractual maturity date has passed, or the resulting claim is otherwise to be settled at an uncertain date in the future, the balance has been presented as due after more than five years. The prior period comparatives have been restated to ensure consistency with current year presentation. In the prior year financial statements \$273 million was included within "on demand", and has been included within the "more than 5 years" in the maturity analysis above.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

21. INVESTMENT SECURITIES

	2019 \$M	2018 \$M
Debt instruments held at FVOCI	1,572	1,269
Equity instruments held at FVPL	45	45
	<u>1,617</u>	<u>1,314</u>

	2019 \$M	2018 \$M
Analysed by maturity:		
Equity instruments	45	45
Within three months	463	1,269
Between three months and one year	1,109	-
	<u>1,617</u>	<u>1,314</u>

22. INVESTMENT IN GROUP UNDERTAKINGS

	2019 \$M	2018 \$M
Cost		
At 1 January	180	-
Migrated in due to Cross Border Merger on 1 December 2018	-	180
Disposals	(180)	-
	<u>-</u>	<u>180</u>
At 31 December	-	180

On 1 October 2019, the company disposed of its subsidiary, Merrill Lynch (Camberley) Ltd to an affiliated company for a consideration of \$180 million. There was no gain or loss realised on the disposal.

The principal activity of Merrill Lynch (Camberley) Ltd is to operate a data centre.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

23. PROPERTY, PLANT AND EQUIPMENT

	Freehold property \$M	Leasehold improvements \$M	Office equipment \$M	Total \$M
COST OR VALUATION				
At 1 January 2019	95	169	398	662
Additions	-	50	45	95
Transfers intra group	(95)	(14)	(396)	(505)
Disposals	-	(10)	(1)	(11)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	-	195	46	241
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 2019	67	116	287	470
Depreciation charge	1	16	28	45
Transfers intra group	(68)	(6)	(286)	(360)
Disposals	-	(8)	(1)	(9)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	-	118	28	146
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 2019	<hr/> -	<hr/> 77	<hr/> 18	<hr/> 95
At 31 December 2018	<hr/> 28	<hr/> 53	<hr/> 111	<hr/> 192

On 1 September 2019, the Company transferred fixed assets to an affiliated company with a net book value of \$145 million for nil gain or loss.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold property	Leasehold improvements	Office equipment	Total
	\$M	\$M	\$M	\$M
COST OR VALUATION				
Additions	-	13	8	21
Migrated in due to the CBM on 1 December 2018	95	156	390	641
	<u>95</u>	<u>169</u>	<u>398</u>	<u>662</u>
At 31 December 2018				
DEPRECIATION				
Depreciation charge	-	1	3	4
Migrated in due to CBM on 1 December 2018	67	115	284	466
	<u>67</u>	<u>116</u>	<u>287</u>	<u>470</u>
At 31 December 2018				
NET BOOK VALUE				
At 31 December 2018	<u>28</u>	<u>-</u>	<u>111</u>	<u>192</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

24. LEASES

Lessor arrangements

The Company's lessor arrangements consist of finance leases for equipment and machinery. Lease agreements may include options to renew or for the lessee to purchase the leased item at the end of the lease term.

For the year ended 31 December 2019, total lease income was \$2 million (2018: nil), which relates to finance income on the net investment in finance leases.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

24. LEASES (continued)

The following table sets out the maturity analysis of the Company's finance lease receivables:

	2019	2018
	\$M	\$M
Less than one year	19	19
One to two years	11	18
Two to three years	10	10
Three to four years	10	9
Four to five years	4	9
More than five years	3	7
Total undiscounted lease payments receivable	57	72
Discounted unguaranteed residual value	-	-
Unearned finance income	-	-
Net investment in lease	57	72

The Company's finance leases include agreements where the finance income is based on floating rates of interest. For these agreements, the amounts included above represent the fixed principal repayments only.

Lessee arrangements

The Company's lessee arrangements predominantly consist of leases for premises, in addition the Company leases equipment assets and has identified embedded leases in relation to its third party data colocation arrangements.

Lease terms may contain renewal and extension options and early termination features. Generally, these options do not impact the lease term because the Company is not reasonably certain that it will exercise the options. The weighted-average lease term was 8.3 years at 31 December 2019.

Right-of-use assets

	Real estate	Equipment	Total
2019	\$M	\$M	\$M
Balance on transition at 1 January 2019	551	4	555
Balance at 31 December 2019	<u>488</u>	<u>-</u>	<u>488</u>

Additions to the right-of-use assets during 2019 totalled \$8 million. The amortisation charge for the year was \$55 million in respect of real estate, and \$4 million in respect of equipment. \$12 million of real estate right-of-use assets transferred to an affiliated company during the year.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

24. LEASES (continued)

Lease liabilities

	2019
	\$M
Maturity analysis – contractual undiscounted cash flows	
Less than one year	69
One to five years	173
More than five years	335
Total undiscounted lease liabilities at 31 December	<u>577</u>

	2019
	\$M
Lease liabilities included in the statement of financial position at 31 December	501
Current	59
Non – current	442

	2019
	\$M
Amounts recognised in profit or loss	
Interest on lease liabilities	12
Amortisation charge for the year	59
Variable lease payments not included in the measurement of lease liabilities	17

Variable lease costs primarily relate to business rates payable as part of the Company's leasing arrangements.

The total cash outflow for leases during the year was \$77 million.

25. OTHER ASSETS

	2019	2018
	\$M	\$M
Amounts owed by group undertakings	163	221
Deferred tax (see note 27)	2	88
Taxation	47	22
Other assets	33	142
	<u>245</u>	<u>473</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

26. PREPAYMENTS AND ACCRUED INCOME

	2019 \$M	2018 \$M
Accrued income	82	85
Other	5	24
	<u>87</u>	<u>109</u>

27. DEFERRED TAXATION

	2019 \$M	2018 \$M
At 1 January	88	-
Charged to profit or loss (see note 14)	(11)	1
Transfer of assets to/from an affiliated company	(76)	-
Migrated in due to the CBM on 1 December 2018	-	87
Impact of change in foreign branch tax rate	1	-
	<u>2</u>	<u>88</u>
At 31 December		

The deferred tax asset is made up as follows:

	2019 \$M	2018 \$M
Accelerated capital allowances	8	58
Timing differences relating to compensation and social security costs	20	27
Timing differences in relation to the provision for loans	(26)	3
	<u>2</u>	<u>88</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

28. DEPOSITS BY BANKS

	2019 \$M	2018 \$M
Analysed by maturity:		
On demand	219	726
Within three months	45	4
Between three months and one year	5,903	8,548
Between one year and five years	19,982	12,152
After five years	1,609	1,201
	<u>27,758</u>	<u>22,631</u>
Amounts above include:		
Due to affiliated companies	<u>27,735</u>	<u>22,566</u>

29. DEPOSITS BY CUSTOMERS

	2019 \$M	2018 \$M
Analysed by maturity:		
On demand	10,702	8,299
Within three months	112	42
Between three months and one year	63	5,507
Between one year and five years	911	1,462
After five years	-	9
	<u>11,788</u>	<u>15,319</u>
Amounts above include:		
Due to affiliated companies	<u>1,442</u>	<u>7,640</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

30. DEBT SECURITIES

Debt securities consist entirely of Certificates of Deposits, \$56 million of which are payable within 3 months (2018: nil) and \$758 million payable between three months and a year (2018 nil). All amounts are due to third parties (2018: nil).

31. MARKET AND CLIENT PAYABLES

	2019 \$M	2018 \$M
Analysed by maturity:		
On demand	<u>781</u>	<u>1,247</u>

Market and client payables relate to cash collateral and trades pending settlement.

32. OTHER LIABILITIES

	2019 \$M	2018 \$M
Amounts owed to affiliated companies	289	571
Tax creditor	90	91
Provisions (see note 33)	61	21
Lease liabilities (see note 24)	501	-
Other	512	179
	<u>1,453</u>	<u>862</u>

At 31 December 2019, the Company had a provision of \$13 million under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets to reflect the payment that is expected to be made to the UK tax authority, Her Majesty's Revenue and Customs ("HMRC") in respect of VAT on Head Office expense allocations. The timing of the expected payment is not known at this time. HMRC are conducting an industry-wide review of the VAT treatment of these services. This amount is also reflected in other creditors and accruals. The provision has been measured based on:

- the value of services that have specifically been queried by the tax authorities, and;
- conclusions made from previous communication with those authorities

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

33. PROVISIONS

	2019 \$M	2018 \$M
Loan commitments and financial guarantees issued	61	21
	<u>61</u>	<u>21</u>

The provision for financial guarantee contracts issued represents the amounts recognised at issuance less cumulative amortisation, plus an ECL provision of \$6 million (2018: \$nil).

The provision for loan commitments issued represents the amounts recognised as issuance of loan commitments less cumulative amortisation, plus an ECL provision of \$55 million (2018: \$21 million).

34. ACCRUALS AND DEFERRED INCOME

	2019 \$M	2018 \$M
Interest payable	29	27
Other accruals	75	226
	<u>104</u>	<u>253</u>

35. SUBORDINATED LIABILITIES

	2019 \$M	2018 \$M
US Dollar denominated loan notes maturing in 2027 and bearing interest at 3 month USD LIBOR plus 176 basis points	1,000	1,000
US Dollar denominated loan notes maturing in 2028 and bearing interest at 3 month USD LIBOR plus 133 basis points	1,000	1,000
	<u>2,000</u>	<u>2,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

36. RETIREMENT BENEFIT SCHEMES

The Company participates in a number of defined benefit and defined contribution pension schemes.

Defined contribution schemes

The main defined contribution pension scheme is the Bank of America Merrill Lynch UK Pension Plan (formerly the ML UK Pension Plan) ("the Plan") which is generally available to the employees of the London branch of BAMLI DAC. The principal employer of the Plan is Merrill Lynch International ("MLI").

The costs of defined contribution pension schemes are a percentage of each employee's plan salary based on the length of service and are charged to the income statement in the period in which they fall due.

The Company's pension cost for the year in respect of defined contribution schemes was \$42 million (2018: \$1 million).

Defined benefit schemes

The Company participates in defined benefit plans relating to former BAC group branches and legal entities. The plans consist of both funded and unfunded arrangements.

The main defined benefit obligations of the Company are in respect of German and Swiss employees. There are also defined benefit obligations relating to Dutch and Italian employees.

Defined benefit scheme - Switzerland

Following the CBM in 2018, the Swiss plan held by BAMLI Ltd ("the Zurich Plan") was migrated into BAMLI DAC. The Zurich Plan is a stand-alone pension foundation providing cash balance benefits in accordance with mandatory Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge/Loi Fédérale sur la Prévoyance Professionnelle Vieillesse, Survivants et Invalidité ("LPP/BVG") requirements. The retirement benefits are provided either as a lump sum at retirement, or as an annuity, and there are associated benefits on death or disability. The Foundation is governed by a Board, which is legally responsible for all aspects of the operation of the Foundation including overseeing the investments and the distribution of the benefits. There is equal representation of Board members with half appointed by the employer and half elected by the membership. The participating employers in the

The Foundation consists of BAMLI DAC and other Swiss subsidiaries of the Bank of America Group and BAMLI DAC is the principal employer in Switzerland. The employer contributions are generally made in accordance with the benefit formula. Total defined benefit employer contributions made in 2019 were \$1 million (2018: \$nil) and expected total 2020 contributions are \$1 million (2019: \$1 million).

In respect of future funding:

- All employers – Employer share of the retirement credits: equal to the total credits less the member contributions as specified in the Zurich Plan rules.

- All employers – 5.2% of total risk insured salaries for risk, administration and other costs: 2.15% of total insured salaries for risk benefits in respect of the Foundation's risk insurance premium and an additional allowance for the administration and other costs of running the Zurich Plan.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

36. RETIREMENT BENEFIT SCHEMES (continued)

Defined benefit schemes – Germany

Prior to the CBM, the Company was responsible for certain defined benefit obligations relating to former employees of the Frankfurt branch of BAMLI DAC. Employer contributions related to the payment of benefits. The portion of the liabilities relating to active employees was held by the Frankfurt branch of BAMLI Ltd rather than BAMLI DAC.

Following the CBM, defined benefit obligations relating to active employees of the Frankfurt branch of BAMLI Ltd were migrated into the Company.

The plans are as follows:

ML International Bank Defined Pension Plan is sponsored by the London branch of BAMLI DAC. The plan relates to former German Global Wealth and Investment Management ("GWIM") employees. These defined benefit obligations are unfunded.

ML Capital Markets Bank Defined Benefit Plan is sponsored by BAMLI DAC head office and consists of liabilities for non-active members following the transfer of the active German employees and liabilities to the Frankfurt branch of BAMLI Ltd in 2016. Following the CBM, the active employee liability of the plan held within BAMLI Ltd was migrated to BAMLI DAC, and is sponsored by Frankfurt branch of BAMLI DAC.

ML Capital Markets Bank Deferred Compensation Plan ("DCP") is also sponsored by BAMLI DAC head office and also consists of liabilities for non-active members following the transfer of the active German employees and liabilities to the Frankfurt branch of BAMLI Ltd in 2016. This DCP is partially funded by insurance contracts. Following the CBM, the active employee liability of the plan was migrated to BAMLI DAC and is sponsored by the Frankfurt branch of BAMLI DAC.

Further to the CBM, the following schemes relating to German employees were added to the Company's retirement benefit obligations:

- *ML Management GmbH DB Plan* is sponsored by the Frankfurt branch of BAMLI DAC and consists of liabilities in respect of German employees following the dissolution of ML Management GmbH during 2016. These defined benefit obligations are unfunded.
- *ML IM Defined Benefit Plan and ML IM DCPs* are sponsored by the Frankfurt Branch of BAMLI DAC. These plans relate to German GWIM employees. The defined benefit obligations are unfunded.

During 2019, the *BAMLI DAC Pension Plan 1992 and DCP* relating to German employees were transferred from an affiliated company to the Company. These plans are both sponsored by the Frankfurt branch of BAMLI DAC, are unfunded and relate to active members.

Total defined benefit employer contributions made in 2019 were \$3 million and expected total 2020 employer contributions are \$4 million.

Defined benefit schemes - Other

The Other plans migrated to the Company following the CBM and consist of a funded defined benefit pension arrangement in The Netherlands administered via an insurance contract held by the Company, and unfunded Termination Indemnity ("TFR") benefits in Italy.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

36. RETIREMENT BENEFIT SCHEMES (continued)

Employer contributions in the Netherlands plan are equal to the ongoing insurance premiums and in the unfunded plans, are equal to the benefits due, which the employer pays directly. Total defined benefit employer contributions in respect of the other plans made in 2019 were \$nil and expected total 2020 contributions are also \$nil.

The below table shows the net pension liability on the statement of financial position and associated expense in the income statement.

	2019	2018
	\$M	\$M
Fair value of scheme assets	96	84
Present value of defined benefit obligations	(260)	(225)
	<hr/>	<hr/>
Net pension liability on statement of financial position	<u>(164)</u>	<u>(141)</u>
Current service cost	3	-
Interest expense	2	2
	<hr/>	<hr/>
Net defined benefit pension expense on income statement	<u>5</u>	<u>2</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Present value of obligation Switzerland \$M	Present value of obligation Germany \$M	Present value of obligation Other \$M	Fair value of plan assets Switzerland \$M	Fair value of plan assets Germany \$M	Fair value of plan assets Other \$M	Fair value of assets Total \$M	Present value of obligation Total \$M	Fair value of plan assets Total \$M	Net pension liability Total \$M
At 1 January 2019	(95)	(125)	(5)	76	4	4	(225)	84	(141)	(141)
Transferred in	-	(7)	-	-	-	-	(7)	-	-	(7)
	(95)	(132)	(5)	76	4	4	(232)	84	(148)	
Amounts recognised in P&L:										
Current service cost	(2)	(1)	-	-	-	-	(3)	-	-	(3)
Interest (expense)/income	(1)	(2)	-	1	-	-	(3)	1	(2)	(2)
	(3)	(3)	-	1	-	-	(6)	1	(5)	(5)
Amounts recognised in OCI:										
Return on plan assets (excluding interest income)	-	-	-	10	-	1	-	11	11	11
Gain/(loss) from change in experience assumptions	3	(1)	-	-	-	-	2	-	-	2
Loss from change in financial assumptions	(13)	(16)	(1)	-	-	-	(30)	-	-	(30)
	(10)	(17)	(1)	10	-	1	(28)	11	(17)	(17)
Foreign exchange differences	(1)	2	-	1	-	-	1	1	1	2
Contributions										
Employer	-	-	-	1	3	-	-	4	4	4
Plan participants	(1)	-	-	1	-	-	(1)	1	1	-
	(2)	2	-	3	3	-	-	6	6	6
Payments from plan										
Benefit payments	3	3	-	(3)	(3)	-	6	(6)	(6)	-
	(107)	(147)	(6)	87	4	5	(260)	96	(164)	(164)
At 31 December 2019										

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Present value of obligation Switzerland \$M	Present value of obligation Germany \$M	Present value of obligation Other \$M	Fair value of plan assets Switzerland \$M	Fair value of plan assets Germany \$M	Fair value of plan assets Other \$M	Fair value of plan assets Total \$M	Present value of obligation Total \$M	Fair value of plan assets Total \$M	Net pension liability Total \$M
At 1 January 2018	-	(102)	-	-	4	-	(102)	4	4	(98)
Transferred in	(95)	(28)	(5)	76	-	4	(128)	4	80	(48)
	(95)	(130)	(5)	76	4	4	(230)	4	84	(146)
Amounts recognised in P&L:										
Interest (expense)/income	-	(2)	-	-	-	-	(2)	-	-	(2)
	-	(2)	-	-	-	-	(2)	-	-	(2)
Foreign exchange differences	(1)	5	-	1	-	-	4	-	1	5
Contributions	-	-	-	-	2	-	-	-	2	2
Employer	(1)	5	-	1	2	-	4	-	3	7
Payments from plan										
Benefit payments	1	2	-	(1)	(2)	-	3	-	(3)	-
At 31 December 2018	(95)	(125)	(5)	76	4	4	(225)	4	84	(141)

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

36. RETIREMENT BENEFIT SCHEMES (continued)

The principal actuarial assumptions were as follows and are weighted by the size of the pension liability:

	2019	2018
Discount rate	0.68%	1.42%
Pension growth rate	1.12%	0.95%
CPI Inflation	<u>1.68%</u>	<u>1.67%</u>

	2019	2018
Life expectancy for males aged 65	20.5	20.5
Life expectancy for females aged 65	23.4	23.3
Life expectancy at 65 for male currently aged 50	22.2	22.2
Life expectancy at 65 for females currently aged 50	<u>24.8</u>	<u>24.8</u>

The mortality assumptions are based on actuarial advice in accordance with published statistics and past experience and allow for expected future improvements in mortality rates. Note, the 2018 life expectancy assumptions shown above are based on the final actuarial report, whereas those in the 2018 financial statements which were based on a draft actuarial report.

The overall plan assets (all of which are at quoted market price) are invested in the following asset classes:

	2019 \$M	2018 \$M
Equities	31	26
Debt	26	29
Real estate	18	13
Other	21	16
	<u>96</u>	<u>84</u>

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Defined benefit obligation 2019 \$M	Defined benefit obligation 2018 \$M
Current value as at 31 December	260	225
Following a 1.0% increase in the discount rate		
Change	(40)	(34)
New value	219	191
Following a 1.0% increase in the inflation assumption		
Change	24	18
New value	284	243
Following an increase in life expectancy of one year		
Change	9	8
New value	269	233

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

36. RETIREMENT BENEFIT SCHEMES (continued)

The plan exposes the Company to a number of risks, the most significant of which are:

Changes in bond yields

Corporate bond yields of a term and currency similar to the liabilities are used as a basis for setting the discount rate for each plan. An increase in Eurozone corporate bond yields will decrease the value placed on the plans' liabilities for accounting purposes.

Inflation risk

A proportion of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.

Life expectancy

The majority of the plans' liabilities are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

37. CALLED UP SHARE CAPITAL

	2019 \$M	2018 \$M
Authorised, allotted, called up and fully paid		
32,067,011 (2018: 32,067,011) Ordinary shares of \$1.00 each	<u>32</u>	<u>32</u>

38. RESERVES**Share premium account**

Under the terms of the 2018 merger, a share of nominal value \$1 was issued by the Company to the immediate parent BANA as consideration for the net assets of BAMLI Ltd. Group reconstruction relief was applied to limit the increase in share premium on BAMLI DAC to \$9,061 million.

Foreign exchange reserve

The foreign exchange reserve consists of translation differences arising on the profit and loss for the current year and on opening reserves on branches whose functional currency is not US dollars.

Other reserves

Merrill Lynch Europe Limited released the Company of intra-group pension obligation recharges of \$59 million in 2015. This was treated as a capital contribution.

Profit and loss account

The difference between equity-settled share scheme awards costs as calculated in accordance with IFRS 2 Share Based Payments and the amounts recharged for such awards by the intermediate parent undertaking is included within profit and loss reserves.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

39. OTHER FINANCIAL COMMITMENTS

The below table represents the amounts payable under other financial commitments.

	2019	2018
	\$M	\$M
Undrawn commitments	39,722	32,820
Purchase commitments	437	315
Financial guarantees	1,734	748
	<hr/>	<hr/>
	<u>41,893</u>	<u>33,883</u>

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

40. FINANCIAL INSTRUMENTS BY CATEGORY

The following table analyses the carrying amount of the Company's financial assets and liabilities by category and by statement of financial position heading:

31 December 2019

	Amortised cost \$M	Mandatorily at FVPL \$M	Designated at FVPL \$M	FVOCI - debt instruments \$M	FVPL - equity instruments \$M	Total \$M
Cash at central banks	9,155	-	-	-	-	9,155
Loans and advances to banks	7,889	398	-	-	-	8,287
Loans and advances to customers	26,383	2,343	-	-	-	28,726
Reverse repurchase agreements	5,500	-	-	-	-	5,500
Market and client receivables	1,328	-	-	-	-	1,328
Trading assets	-	1,544	-	-	-	1,544
Investment securities	-	-	-	-	-	-
Derivative financial instruments	-	1,913	-	1,572	45	1,617
Other assets	163	-	-	-	-	1,913
Prepayments and accrued income	82	-	-	-	-	163
						82
Financial assets	50,500	6,198	-	1,572	45	58,315
Deposits by banks	27,758	-	-	-	-	27,758
Deposits by customers	11,788	-	-	-	-	11,788
Debt Securities	814	-	-	-	-	814
Market and client payables	781	-	-	-	-	781
Derivative financial instruments	-	2,261	-	-	-	2,261
Financial liabilities designated FVPL	-	-	16	-	-	16
Other liabilities	790	-	-	-	-	790
Accruals and deferred income	104	-	-	-	-	104
Subordinated liabilities	2,000	-	-	-	-	2,000
Financial liabilities	44,035	2,261	16	-	-	46,312

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2018

	Amortised cost \$M	Mandatorily at FVPL \$M	Designated at FVPL \$M	FVOCI - debt instruments \$M	FVPL - equity instruments \$M	Total \$M
Cash at central banks	11,517	-	-	-	-	11,517
Loans and advances to banks	3,662	-	-	-	-	3,662
Loans and advances to customers	24,792	2,452	-	-	-	27,244
Reverse repurchase agreements	6,000	-	-	-	-	6,000
Market and client receivables	1,825	-	-	-	-	1,825
Trading assets	-	1,682	-	-	-	1,682
Investment securities	-	-	-	1,269	45	1,314
Derivative financial instruments	-	1,442	-	-	-	1,442
Other assets	221	-	-	-	-	221
Prepayments and accrued income	85	-	-	-	-	85
Financial assets	48,102	5,576	-	1,269	45	54,992
Deposits by banks	22,631	-	-	-	-	22,631
Deposits by customers	15,319	-	-	-	-	15,319
Market and client payables	1,247	-	-	-	-	1,247
Derivative financial instruments	-	1,775	-	-	-	1,775
Financial liabilities designated FVPL	-	-	28	-	-	28
Other liabilities	571	-	-	-	-	571
Accruals and deferred income	253	-	-	-	-	253
Subordinated liabilities	2,000	-	-	-	-	2,000
Financial liabilities	42,021	1,775	28	-	-	43,824

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

41. TRANSFERRED ASSETS AND UNCONSOLIDATED STRUCTURED ENTITIES

Transfers of financial assets

The Company enters into transactions in the normal course of business in which it transfers financial assets to third parties and to Special Purpose Entities ("SPE"). These transactions may result in the financial assets continuing to be recognised or being derecognised. Refer to note 1.18 and 1.25 for the accounting policy that governs recognition and de-recognition of financial assets.

The Company has entered into transactions where it has continuing involvement in transferred assets that have been derecognised in full. Continuing involvement typically involves the provision of liquidity facilities. The total carrying amount of continuing involvement in transactions where it has transferred financial assets that were derecognised in full was \$53 million (2018: \$9 million), which is the same as its fair value for both reporting periods. The maximum exposure to loss for these assets is \$69 million (2018: \$9 million) and the total size of the SPEs is \$1,359 million (2018: \$34 million). There was no material income received by the Company during 2019 nor 2018 in relation to these transactions.

Interest in unconsolidated structured entities

The Company's interest in an unconsolidated structured entity is considered as the contractual and noncontractual involvement that exposes the Company to variability of returns from the performance of the structured entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

This includes activity where the Company uses structured entities to securitise commercial real estate loans and advances as a source of finance and a means of risk transfer. The loans and advances are transferred by the Company to the structured entities for cash, and the structured entities issue debt securities to investors. As part of this activity, the Company retains a portion of the original loan, which represents an ongoing exposure of the Company to unconsolidated SPE's.

The Company considers itself the sponsor of a structured entity where it is primarily involved in the design and establishment of the structured entity; and further where the Company transfers assets to the structured entity; markets products associated with the structured entity in its own name; provides operational support to ensure the SPE's continue operation and/or provides guarantees regarding the structured entity's performance. The Company's exposure within its loans and advances portfolio with respect to unconsolidated SPE's totalled \$9,597 million (2018: \$8,879 million) with a maximum exposure to loss of \$11,887 million (2018: \$11,045 million).

The Company typically has either an interest or control over sponsored SPE's, and instances where it has neither are rare.

During the year the Company has not provided any non-contractual financial or other support to unconsolidated structured entities.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

42. OFFSETTING

The following table presents financial instruments that are subject to enforceable master netting arrangements and other similar agreements but not offset:

31 December 2019

	Gross amount presented \$M	Financial instrument netting \$M	Cash collateral \$M	Net amount \$M
Assets				
Derivative financial instruments	<u>1,913</u>	<u>(473)</u>	<u>(651)</u>	<u>789</u>
Liabilities				
Derivative financial instruments	<u>2,261</u>	<u>(473)</u>	<u>(1,253)</u>	<u>535</u>

31 December 2018

	Gross amount presented \$M	Financial instrument netting \$M	Cash collateral \$M	Net amount \$M
Assets				
Derivative financial instruments	<u>1,442</u>	<u>(280)</u>	<u>(460)</u>	<u>702</u>
Liabilities				
Derivative financial instruments	<u>1,775</u>	<u>(280)</u>	<u>(1,055)</u>	<u>440</u>

Financial instruments

The Company can undertake a number of financial instrument transactions with a single counterparty and may enter into an ISDA master netting agreement or their equivalent ("master netting agreements") with that counterparty. Such an agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract. These agreements are commonly used to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. A master netting arrangement commonly creates a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

The Company enters into master netting agreements with the Company's major derivative counterparties. Where there is not an intention to settle on a net basis in the normal course of business, the balances have not been offset in the statement of financial position and have been presented separately in the table above.

Cash collateral

Cash collateral relates to collateral received and pledged against derivatives and which have not been offset in the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT

Legal entity risk governance

BAC has established a risk governance framework (the "Risk Framework"), which serves as the foundation for consistent and effective management of the risks facing BAC and its subsidiaries (including BAMLI DAC).

The Risk Framework applies to all BAC employees. It provides an understanding of BAMLI DAC's approach to risk management and each employee's responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Company. 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 DAC's risk management approach:

- Culture of Managing Risk Well;
- Risk Appetite and Risk Limits;
- Risk Management Processes;
- Risk Data Management, Aggregation and Reporting; and
- Risk Governance

The Risk Management processes outlined above allow BAC businesses (including BAMLI DAC) to manage risks across the seven key risk types; market, credit, compliance and operational, liquidity, reputational, strategic and capital management.

Set out below is a summary of the Company's approach to each of the risk types.

Market risk

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

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

Price risk

Price risk is the risk to current or projected financial condition and resilience arising from changes in the value of either trading portfolios or other obligations that are entered into as part of distributing risk. These portfolios typically are subject to daily price movements and are accounted for primarily on a mark to-market basis. This risk occurs most significantly from market-making, dealing and capital markets activity in interest rate, foreign exchange, equity, commodities and credit markets. In addition, this risk also includes the credit risk of traded products, e.g. the ability of an issuer to pay amounts due to satisfy contractual cash flows. It also includes market exposure that is contingent upon a counterparty default or a change made prior to maturity of a hedged or accrual accounted position. The values of asset and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility.

Interest rate risk

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 DAC'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.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

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 Value at Risk ("VaR") models. BAMLI DAC'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, and it uses a historical simulation approach based on a three – year window of historical data. The primary VaR statistic is equivalent to a 99 percent confidence level. This means that for a VaR with a one day holding period, there should not be losses in excess of VaR, on average, 99 out of 100 trading days. 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.

BAMLI DAC identifies and assesses any risks that are not adequately captured by its models on at least a quarterly basis and holds additional own funds against those risks.

The table that follows presents the Company's average and year-end VaR for 2019 and 2018. Additionally, high and low VaR is presented independently for each risk category and overall.

	Year end 2019	High 2019	Average 2019	Low 2019
	\$000	\$000	\$000	\$000
99% Daily VaR				
Credit spread risk	5,622	6,493	5,386	3,984
Currency risk	1,357	3,428	1,593	55
Interest rate risk	426	1,882	1,252	342
Total	5,718	7,279	5,840	4,332
	Year end 2018	High 2018	Average 2018	Low 2018
	\$000	\$000	\$000	\$000
99% Daily VaR				
Credit spread risk	6,635	6,792	553	-
Currency risk	327	405	43	4
Interest rate risk	756	786	247	33
Total	6,665	6,792	649	70

Credit risk

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 DAC commits to, or enters in to, an agreement with a borrower or counterparty. BAMLI DAC defines credit exposure to a borrower or counterparty as the loss potential arising from loans, leases, derivatives, and other extensions of credit.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

43. RISK MANAGEMENT (continued)

Credit risk management

BAMLI DAC 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.

In its commercial FLUs, BAMLI DAC 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 the Company's credit risks, thus providing executive management with the information required to guide or redirect FLUs and certain legal entity strategic plans, if necessary.

The primary credit risks of the Company relate to its commercial lending activities. The Company has limited derivatives exposure.

Commercial lending

The Company's commercial lending activities consist primarily of corporate and institutional lending, in addition to certain asset backed and secured lending. Depending on market conditions, the Company may seek to mitigate or reduce loan exposure through third party syndications, securitisations, secondary loan sales or the purchase of single name and basket credit default swaps.

The Company typically provides drawn and committed but undrawn corporate and institutional lending facilities to clients for general corporate purposes, backup liquidity lines, bridge financings, and acquisition related activities. While these facilities may be supported by credit enhancing arrangements such as property liens or claims on operating assets, the Company generally expects repayment through other sources including cash flow and/or recapitalisation. Asset backed and other secured finance facilities are typically secured by assets such as commercial mortgages, residential mortgages, auto loans, leases, consumer loans and other receivables. Credit assessment for these facilities relies primarily on the amount, asset type, quality, and liquidity of the supporting collateral, as the performance of the collateral and/or associated cash flows are the expected source of repayment.

Impaired loans are measured based on the present value of payments expected to be received, observable market prices or, for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral.

Derivatives trading

The Company enters into International Swaps and Derivatives Association, Inc. ("ISDA") master agreements or their equivalent ("master netting agreements") with derivative counterparties. Master netting agreements provide risk mitigation in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset when closing out the trades upon event of default. Master Netting Agreements are standardised in the industry but are negotiated bilaterally with some terms, credit terms in particular negotiated by the parties. The enforceability of master netting agreements under bankruptcy laws in certain countries is not free from doubt, and receivables and payables with counterparties in these countries are accordingly recorded on a gross basis for risk assessment purposes.

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

In addition, to reduce the risk of loss in the event of counterparty default, the Company usually requires collateral documented in the Credit Support Annex to an ISDA. From an economic standpoint, the Company evaluates risk exposures net of related collateral that meets specified standards. The Company also attempts to mitigate its default risk on derivatives whenever possible by entering into transactions with provisions that enable it to terminate or reset the terms of the derivative contracts under certain defined conditions.

Credit quality analysis

The following table analyses the carrying amount and maximum credit exposure of the Company's financial assets by external credit rating or internal equivalent thereof. Where there is no rating, the balances are classified as not rated. Although the table reflects the Company's gross exposure, the Company manages its credit exposures on a net basis.

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2019							
Cash held at central banks	3,653	5,468	34	-	9,155	-	9,155
Loans and advances to banks	-	7,100	1,062	128	8,290	(3)	8,287
Loans and advances to customers	1,802	17,133	8,914	965	28,814	(88)	28,726
Reverse repurchase agreements	-	5,500	-	-	5,500	-	5,500
Market and client receivables	-	1,218	-	110	1,328	-	1,328
Trading assets	20	-	-	1,524	1,544	-	1,544
Investment Securities	1,572	-	-	45	1,617	-	1,617
Derivative financial instruments	61	1,170	671	11	1,913	-	1,913
	7,108	37,589	10,681	2,783	58,161	(91)	58,070
Guarantees and commitments	1,125	30,082	9,472	1,214	41,893	(61)	41,832
	8,233	67,671	20,153	3,997	100,054	(152)	99,902

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

For financial instruments within the scope of the impairment provisions of IFRS 9, the below tables further analyse the credit quality of the instrument by its staging within the impairment process, between stage 1 (12-month ECL), stage 2 (lifetime ECL not credit-impaired) and stage 3 (lifetime ECL credit-impaired).

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2019 – Stage 1							
Cash held at central banks	3,653	5,468	34	-	9,155	-	9,155
Loans and advances to banks	-	6,710	1,062	120	7,892	(3)	7,889
Loans and advances to customers	1,802	15,932	6,930	582	25,246	(37)	25,209
Reverse repurchase agreements	-	5,500	-	-	5,500	-	5,500
Market and client receivables	-	1,218	-	110	1,328	-	1,328
Investment Securities	1,572	-	-	45	1,617	-	1,617
	7,027	34,828	8,026	857	50,738	(40)	50,698
Guarantees and commitments	1,124	29,704	5,992	237	37,057	(28)	37,029
	8,151	64,532	14,018	1,094	87,795	(68)	87,727
	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2019 – Stage 2							
Loans and advances to customers	-	-	624	20	644	(24)	620
Guarantees and commitments	-	-	442	-	442	(22)	420
	-	-	1,066	20	1,086	(46)	1,040
	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2019 – Stage 3							
Loans and advances to customers	-	1	579	1	581	(27)	554
Guarantees and commitments	-	-	121	6	127	(11)	116
	-	1	700	7	708	(38)	670

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

The below tables show comparative credit ratings for BAMLI DAC's exposures at 31 December 2018.

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2018							
Cash held at central banks	5,642	5,865	10	-	11,517	-	11,517
Loans and advances to banks	23	2,959	681	-	3,663	(1)	3,662
Loans and advances to customers	915	15,169	10,951	288	27,323	(79)	27,244
Reverse repurchase agreements	-	6,000	-	-	6,000	-	6,000
Market and client receivables	-	98	1,643	84	1,825	-	1,825
Trading assets	55	23	366	1,238	1,682	-	1,682
Investment Securities	1,269	-	-	45	1,314	-	1,314
Derivative financial instruments	-	960	472	10	1,442	-	1,442
	7,904	31,074	14,123	1,665	54,766	(80)	54,686
Guarantees and commitments	1,436	23,309	7,620	1,518	33,883	(21)	33,862
	9,340	54,383	21,743	3,183	88,649	(101)	88,548

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2018							
– Stage 1							
Cash held at central banks	5,642	5,865	10	-	11,517	-	11,517
Loans and advances to banks	23	2,959	681	-	3,663	(1)	3,662
Loans and advances to customers	915	14,252	7,807	190	23,164	(13)	23,151
Reverse repurchase agreements	-	6,000	-	-	6,000	-	6,000
Market and client receivables	-	98	1,643	84	1,825	-	1,825
Investment Securities	1,269	-	-	-	1,269	-	1,269
	7,849	29,174	10,141	274	47,438	(14)	47,424
Guarantees and commitments	1,436	23,309	6,711	1,518	32,974	(4)	32,970
	9,285	52,483	16,852	1,792	80,412	(18)	80,394
	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2018							
– Stage 2							
Loans and advances to customers	-	362	1,069	1	1,432	(54)	1,378
Guarantees and commitments	-	-	781	-	781	(13)	768
	-	362	1,850	1	2,213	(67)	2,146
	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment allowance	Overall exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2018							
– Stage 3							
Loans and advances to customers	-	-	275	-	275	(12)	263
Guarantees and commitments	-	-	128	-	128	(4)	124
	-	-	403	-	403	(16)	387

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

Collateral held and other credit enhancements

The Company holds collateral or other credit enhancements against its credit risk associated with certain of its financial assets and commitments. The following table reflects by asset class of financial instrument the amount that best represents the Company's maximum exposure to credit risk and a quantification of the extent to which collateral and other credit enhancements mitigate credit risk as viewed by management.

	2019 Maximum exposure to credit risk \$M	2019 Identifiable mitigation \$M	2018 Maximum exposure to credit risk \$M	2018 Identifiable mitigation \$M
Cash held at central banks	9,155	-	11,517	-
Loans and advances to banks	8,287	-	3,662	-
Loans and advances to customers	28,726	9,943	27,244	3,727
Reverse repurchase agreements	5,500	5,500	6,000	6,000
Market and client receivables	1,328	1,253	1,825	1,789
Trading assets	1,544	309	1,682	277
Investment securities	1,617	-	1,314	-
Derivative financial instruments	1,913	1,124	1,442	745
Other assets	163	-	473	-
Prepayments and accrued income	82	-	109	-
	58,315	18,129	55,268	12,538
Guarantees and commitments	41,893	408	33,883	393
	100,208	18,537	89,151	12,931

Market and client receivables primarily represent receivables to collateral posted by the Company to cover derivative liabilities or other short term receivables as a result of pending trade settlements. Credit risk on these positions is mitigated to the extent of the offsetting short trading position or the value of the underlying unsettled bond transaction.

Where the Company does not routinely update the valuation of the collateral held, or where specific values are not generally available for the value of collateral, no offset has been included in the identified mitigation column in the above table.

For loans and advances, the Company may request that corporate borrowers provide collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. In general the Company does not routinely update the valuation of the collateral held against all loans to corporate customers as its focus is on the overall creditworthiness of the customer. Valuation of collateral for these loans is updated when a loan is put on a watch list for closer monitoring. For credit-impaired loans, the Company obtains appraisals of collateral as it provides input into determining the management credit risk actions.

Trading assets represent primarily traded positions corporate loans and other bonds and securities. Certain traded loan positions are secured against real estate or other assets, and the Company monitors the value of the underlying collateral in determining the fair value of the position.

The Company mitigates the credit risk of derivatives and reverse sale and repurchase agreements by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Investment securities primarily relate to government bonds held for liquidity purposes and equity holdings in strategic investments.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

The Company mitigates the credit risk exposure for certain loans and loan commitments managed on a fair value basis by purchasing credit risk protection in the form of credit derivatives. As at 31 December 2019, these derivative contracts provided notional principal protection of \$101 million (2018: \$300 million).

The following table sets out the carrying amount of credit-impaired financial assets and the value of identifiable collateral and other credit mitigants.

	Amount of credit impaired financial assets	Identifiable collateral	Other credit mitigants
	\$M	\$M	\$M
31 December 2019			
Loans and advances to customers	581	598	-
31 December 2018			
Loans and advances to customers	275	-	-

As 31 December 2019 the Company has not recognised a loss allowance in relation to its reverse sale and repurchase agreements as a result of the collateral held on these positions.

The Company did not obtain any financial or non-financial assets through taking possession of collateral held as security against loans and advances.

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. The Company does not generally use the non-cash collateral for its own operations.

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**NOTES TO THE FINANCIAL STATEMENTS
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43. RISK MANAGEMENT (continued)

Concentrations of credit risk

The Company monitors concentration of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, loan commitments and guarantees is shown below.

	Loans and advances to banks \$M	Loans and advances to customers \$M	Reverse repurchase agreements \$M	Debt financial instruments at FVOCI \$M	Guarantees and commitments \$M
As at 31 December 2019					
Gross amount	8,290	28,814	5,500	1,572	-
Amount committed/ guaranteed	-	-	-	-	41,893
	8,290	28,814	5,500	1,572	41,893

**Portfolio concentration by
geography**

France	-	2,190	-	57	7,804
Germany	56	1,644	-	-	4,050
Ireland	40	1,528	-	-	851
Italy	-	1,603	-	-	1,625
Luxembourg	-	2,501	-	-	3,788
Netherlands	-	2,403	-	-	4,166
Spain	7	1,875	-	-	1,150
Switzerland	-	887	-	-	1,750
UK	168	7,618	-	1,492	10,562
USA	5,519	235	5,500	-	344
Other	2,500	6,330	-	23	5,803
	8,290	28,814	5,500	1,572	41,893

Portfolio concentration by sector

Central banks	-	-	-	-	-
Central governments	-	552	-	1,572	-
Non-financial corporations	-	18,288	-	-	27,818
Credit institutions	8,290	-	5,500	-	743
Other financial corporations	-	9,974	-	-	13,332
	8,290	28,814	5,500	1,572	41,893

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

	Loans and advances to banks	Loans and advances to customers	Reverse repurchase agreements	Debt financial instruments at FVOCI	Guarantees and commitments
	\$M	\$M	\$M	\$M	\$M
As at 31 December 2018					
Gross amount	3,662	27,323	6,000	1,269	-
Amount committed/ guaranteed	-	-	-	-	33,883
	3,662	27,323	6,000	1,269	33,883

**Portfolio concentration by
geography**

France	-	1,366	-	-	5,658
Germany	75	1,107	-	-	3,869
Ireland	44	2,332	-	-	814
Italy	3	1,562	-	-	921
Luxembourg	300	2,911	-	-	2,060
Netherlands	-	2,010	-	-	2,087
Spain	3	2,473	-	-	1,206
Switzerland	1	516	-	-	1,424
UK	1,074	7,124	-	1,269	9,353
USA	419	613	6,000	-	613
Other	1,743	5,309	-	-	5,878
	3,662	27,323	6,000	1,269	33,883

Portfolio concentration by sector

Central banks	-	-	-	-	-
Central governments	-	552	-	1,269	-
Non financial corporations	-	15,570	-	-	22,951
Credit institutions	3,662	-	6,000	-	652
Other financial corporations	-	11,201	-	-	10,280
	3,662	27,323	6,000	1,269	33,883

Past due status of customer receivables

For customer receivables, the Company calculates loss allowance based on a provision matrix, as the short term nature of the positions are such that the past due status is the primary driver in the loss calculation (adjusted as relevant for available forward-looking information). At December 2019 there were no customer receivables past due (2018: \$12 million).

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**NOTES TO THE FINANCIAL STATEMENTS
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43. RISK MANAGEMENT (continued)**Compliance and operational risk**

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Company arising from the failure of the Company to comply with the requirements of applicable laws, rules and regulations and our internal policies and procedures. The Company is committed to the highest level of compliance and has no appetite for violations of legislative or regulatory requirements. The Company seeks to anticipate and assess compliance risks to core businesses and respond to these risks effectively should they materialise. Whilst the Company strives to prevent compliance violations in everything it does, the Company cannot fully eliminate compliance risk, but manage it by establishing risk management processes to reduce our exposure to financial loss, reputational harm or regulatory sanctions.

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. The Company has designed an operational risk management programme, in compliance with Basel II Advanced Measurement Approach requirements, that incorporates and documents our process for identifying, measuring, monitoring, controlling and reporting operational risk information to executive management and the BAMLI DAC Board of Directors, or appropriate board-level committees. The Company manages operational risk by establishing permissible thresholds to reduce our exposure to financial loss, reputational harm or regulatory sanctions.

Compliance and Operational Risk Management Process

FLUs and control functions are first and foremost responsible for managing all aspects of their businesses, including their compliance and operational risk. FLUs and control functions are required to understand their business processes and related risks and controls, including third party dependencies, the related regulatory requirements, and monitor and report on the effectiveness of the control environment. In order to actively monitor and assess the performance of their processes and controls, they must conduct comprehensive quality assurance activities and identify issues and risks to remediate control gaps and weaknesses. FLUs and control functions must also adhere to operational risk appetite limits to meet strategic, capital and financial planning objectives. Finally, FLUs and control functions are responsible for the proactive identification, management, and escalation of compliance and operational risks across the Company.

Liquidity risk

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

Liquidity Risk Management

The BAMLI DAC Liquidity Risk Policy ("BAMLI DAC LRP") defines the approach to managing BAMLI DAC's liquidity, aligned to group processes and tailored to meet BAMLI DAC's business mix, strategy, activity profile, risk appetite and regulatory requirements and is approved by the BAMLI DAC Board. The BAMLI DAC MRC reviews and recommends Risk Appetite limits to the BAMLI DAC BRC, which in turn reviews and recommends to the BAMLI DAC Board for approval.

Each of the FLUs are accountable for managing liquidity risk within the BAMLI DAC Liquidity Risk Appetite. Global Risk Management ("GRM") a second line of defence, provides independent oversight and supervision of FLU activities, an independent view of the liquidity risk of FLU activities and assesses the effectiveness of BAMLI DAC's liquidity risk management processes.

GRM works with Treasury and the Businesses to monitor actual and forecast liquidity and funding requirements with a focus on limit utilisation and trends, and any change in business / market behaviour may require a change in liquidity risk management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

43. RISK MANAGEMENT (continued)

The BAMLI DAC LRP further describes the Liquidity Risk roles and responsibilities including requirements for liquidity risk limits, stress testing, analytics and reporting, and recovery and resolution planning.

Liquidity Risk Governance

The BAMLI DAC Board provides oversight of BAMLI DAC's liquidity risk profile and at least annually, approves the BAMLI DAC Risk Appetite Statement, which sets forth the level of liquidity risk that BAMLI DAC may assume in connection with the BAMLI DAC Strategic and Capital Plan through the BAMLI DAC ICAAP. The BAMLI DAC Board periodically reviews the liquidity risk-management strategies, policies, and procedures described in the BAMLI DAC Risk Appetite Statement and the BAMLI DAC LRP.

The BAMLI DAC BRC is responsible for overseeing BAMLI DAC's overall risk framework, performance against the risk appetite and the BAMLI DAC CEO, BAMLI DAC CRO and senior management's identification of, measurement of, monitoring of and control of key risks. At least quarterly senior management reports on BAMLI DAC's liquidity risk profile and liquidity risk appetite to the BAMLI DAC BRC.

The BAMLI DAC MRC provides management oversight of liquidity risk of BAMLI DAC's activities. The BAMLI DAC MRC is responsible for holistic risk management, including an integrated evaluation of risk, earnings, capital and liquidity. The BAMLI DAC MRC reports utilisation against the BAMLI DAC Risk Appetite Statement to the BAMLI DAC BRC and the BAMLI DAC Board, at least quarterly.

GRM is responsible for maintaining a liquidity risk limits framework to ensure that the entity is managed within its liquidity risk appetite. Liquidity risk limits are classified as:

- Board-owned Risk Appetite
- BAMLI DAC MRC-owned Management Level Appetite Limits
- Non-Risk Appetite Limits
- Early Warning Indicators

Limits are monitored and reported daily and a clear escalation path to BAMLI DAC Senior Management, BAMLI DAC ALCO, BAMLI DAC MRC, BAMLI DAC BRC, and the BAMLI DAC Board by limit category and breach type exists.

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 DAC Board, BAMLI DAC BRC, and BAMLI DAC Senior Management.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

The following tables below represent the undiscounted cash flows of the Company's financial liabilities:

	On demand	< 3mths	>3mths <1 yr	1 yr < 5 yrs	> 5yrs	Total
	\$M	\$M	\$M	\$M	\$M	\$M
31 December 2019						
Non-trading financial liabilities						
Deposits by banks	219	45	5,903	19,982	1,609	27,758
Deposits by customers	10,702	112	63	911	-	11,788
Debt securities	-	56	741	-	-	797
Market and client payables	781	-	-	-	-	781
Financial liabilities designated at fair value	16	-	-	-	-	16
Subordinated liabilities	-	-	66	261	2,237	2,564
	11,718	213	6,773	21,154	3,846	43,704
Guarantees and commitments	41,456	437	-	-	-	41,893
	53,174	650	6,773	21,154	3,846	85,597
Trading liabilities						
Derivative financial instruments	2,261	-	-	-	-	2,261
	2,261	-	-	-	-	2,261
31 December 2018						
Non-trading financial liabilities						
Deposits by banks	726	4	8,548	12,152	1,201	22,631
Deposits by customers	8,299	42	5,507	1,462	9	15,319
Market and client payables	1,247	-	-	-	-	1,247
Financial liabilities designated at fair value	28	-	-	-	-	28
Subordinated liabilities	-	-	45	193	2,206	2,444
	10,300	46	14,100	13,807	3,416	41,669
Guarantees and commitments	34,236	315	-	-	-	34,551
	44,536	361	14,100	13,807	3,416	76,220
Trading liabilities						
Derivative financial instruments	1,775	-	-	-	-	1,775
	1,775	-	-	-	-	1,775

The Company has recorded all derivative financial instrument liabilities in the "on demand" category to reflect the common market practice of terminating such liabilities at fair value upon a client's request, although the Company is generally not contractually obliged to do so. The Company has provided the present value rather than contractual undiscounted cash flows for these instruments. The Company considers it unlikely that, in any given period, all of the liabilities will unwind in the short term. The Company manages liquidity for these instruments by actively unwinding asset positions to ensure appropriately balanced cash flows. Guarantees and commitments and financial liabilities designated at fair value are undiscounted and are shown on the basis of the earliest date they can be called. All other

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

43. RISK MANAGEMENT (continued)

figures are undiscounted and show contractual maturities.

Reputational risk

Reputational risk is the potential risk that negative perceptions of the Company's conduct or business practices will adversely affect its profitability or operations.

The Company 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.

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.

At the 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 EU 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 DAC are considered as part of the EU Reputational Risk Committee.

Items requiring increased attention may be escalated from the EU Reputational Risk Committee to the Global Reputational Risk Committee as appropriate. Reputational risk items relating to BAMLI DAC are reported to the BAMLI DAC BRC

Strategic risk

Strategic risk is the risk that results from incorrect assumptions about external or internal factors, inappropriate business plans (e.g. too aggressive, wrong focus, ambiguous), ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments, in the geographic locations in which BAMLI DAC operates (such as competitor actions, changing customer preferences, product obsolescence, and technology developments).

Strategic risk is managed through the ongoing 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 BAMLI DAC 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.

BAMLI DAC strategy execution and risk management are aligned to the overall BAC strategic plans through a formal planning and approval process. The BAMLI DAC strategic plans are set within the

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

43. RISK MANAGEMENT (continued)

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.

The BAC Board is responsible for overseeing the strategic planning process and management's implementation of the resulting strategic plan. The strategic plan is reviewed and approved annually by the BAC Board in consideration of the capital plan, financial operating plan 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 and consistent with detailed planning undertaken at the business unit, regional and BAMLI DAC level.

BAMLI DAC's strategic plan is reviewed and approved annually by the BAMLI DAC Board in consideration of the capital plan, financial operating plan, liquidity requirements and risk appetite. Strategic decisions relating to BAMLI DAC are presented and discussed at the BAMLI DAC BRC and the BAMLI DAC 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 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 DAC Board and the BAC Board as necessary regarding the impact to the control environment.

Focused regional performance updates are provided to executive leadership and the BAMLI DAC Board on a periodic basis. 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).

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**NOTES TO THE FINANCIAL STATEMENTS
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43. RISK MANAGEMENT (continued)**Security and collateral**

At 31 December 2019 the fair value of financial assets accepted as collateral that the Company is permitted to use, sell or repledge in the absence of default was \$6,285 million (2018: \$6,659 million). The actual fair value of financial assets accepted as collateral that have been used, sold or repledged was \$675 million (2018: \$539 million). The collateral obtained is composed of cash and government and agency securities. The Company is obliged to return cash or equivalent securities as appropriate.

Security has been given by the Company by way of specific and general charges in respect of certain contractual commitments. The collateral pledged is in the form of cash. At 31 December 2019 the Company had delivered cash collateral of \$1,328 million (2018: \$1,092 million) against contractual commitments under derivative liability positions.

Capital Management

The Company's objective when managing capital is to ensure sufficient level and composition of capital to support the Company's business activities and associated risk during both normal economic environment and under stress conditions.

A strong capital position is essential to the Company's business strategy and competitive position, this is supported through its capital management framework designed to ensure that the Company is adequately capitalised at all times in relation to:

- Minimum risk-based regulatory capital requirements (Pillar 1 capital under CRD IV) and Pillar 2 / individual capital guidance ("ICG") set by the CBI and relevant CRD IV and CBI buffers and the application of an internal capital buffer above those prescribed in regulation
- The risks faced by the Company through regular review of the current and future business activities
- Upcoming and future regulations impacting the Company

The framework used to manage capital within the Company is supported by regular point in time capital calculations and reporting, supplemented by forward-looking projection and stress testing. Each step of the process is supported by established controls. This includes weekly, monthly and quarterly reporting to ensure there is sufficient oversight to enabling effective management of its capital adequacy position within the Company's risk appetite limits. Escalation of issues are driven by specific triggers.

The composition of the Company's regulatory capital is as follows.

	2019	2018
	\$M	\$M
Common Equity Tier 1 (equity share capital and reserves)	11,786	11,349
Tier 2 (qualifying long-term subordinated liabilities)	2,000	2,000
Total capital resources	13,786	13,349

As at 31 December 2019 the Company exceeded external capital requirements. Capital resources are inclusive of audited current year profits.

Company information is included as part of the Pillar 3 disclosures of BAMLI DAC made available on the firm's website in accordance with part eight of the capital requirements regulations, this can be obtained via <http://investor.bankofamerica.com>.

The Company makes country by country reporting disclosures as required under capital requirements can be obtained via <http://investor.bankofamerica.com>.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

44. FAIR VALUE DISCLOSURES

In accordance with IFRS 13 – Fair Value Measurement, financial instruments carried at fair value have been categorised into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial instruments are considered Level 1 when valuations are based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Trading account assets, financial liabilities designated at fair value and investment securities

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair values of trading account assets and liabilities and equity securities. In less liquid markets, market price quotes may not be readily available. Some of these instruments are valued using a net asset value approach, which considers the value of the underlying assets and liabilities. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies.

Derivative assets and liabilities

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate. *Derivative liabilities considered Level 3 relate to total return swaps and credit default swaps for which fair value has been determined consistently with reference to the related hedged assets.*

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

44. FAIR VALUE DISCLOSURES (CONTINUED)

Fair value measurement as at 31 December 2019

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Loans and advances to customers	-	2,255	124	2,379
Loans and advances to banks	-	398	-	398
Trading assets	-	890	654	1,544
Derivative financial instruments	-	1,881	32	1,913
Investment securities	57	1,515	45	1,617
Total assets	57	6,939	855	7,851
Derivative financial instruments	-	2,252	9	2,261
Financial liabilities designated at fair value	-	16	-	16
Total liabilities	-	2,268	9	2,277

Fair value measurement as at 31 December 2018

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Loans and advances to customers	-	2,422	30	2,452
Trading assets	241	593	848	1,682
Derivative financial instruments	-	1,437	5	1,442
Investment securities	-	1,269	45	1,314
Total assets	241	5,721	928	6,890
Derivative financial instruments	-	1,770	5	1,775
Financial liabilities designated at fair value	-	24	4	28
Total liabilities	-	1,794	9	1,803

During 2019, there were transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy for certain government securities within trading assets. There were no transfers of financial instruments between Level 1 and Level 2 during 2018.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

44. FAIR VALUE DISCLOSURES (CONTINUED)

Fair values of Level 3 assets and liabilities

Level 3 derivative contracts primarily relate to interest rate and inflation-linked derivatives that are long dated and/or have unobservable model valuation inputs (e.g. unobservable correlation).

Level 3 trading assets primarily relate to loans that have unobservable model valuation inputs.

By definition Level 3 inputs relate to mark-to-model financial instruments having unobservable model inputs that have an overall significant impact on the financial instrument fair value. This is true whether the financial instrument is considered a cash security, securitised product or structured derivative. Classification on Level 3 is a result of failure to be classified on either Levels 1 or 2. It is important to note some key points regarding the use of Level 3 inputs for the purposes of estimating fair value:

- Unobservable inputs can only be used in the absence of reliable observable market data.
- If unobservable inputs are used, they must reflect the assumptions market participants would use when pricing the asset or liability, including assumptions about risk. If the Company's own data is used to develop unobservable inputs, this should be adjusted if reasonably available information suggests other market participants would use different data.
- Assumptions about risk include the risk or uncertainty inherent in a particular valuation model used to estimate fair value, as well as the inputs used by the valuation model. A fair value estimate produced from a valuation model must be adjusted for these risks if a market participant would do so in their pricing of an asset or liability. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 in the fair value hierarchy.

The table below presents a reconciliation of all Level 3 financial instruments measured at fair value. Level 3 assets were \$855 million as of 31 December 2019 (2018: \$928 million) and represented 11 percent (2018: 13 percent) of assets measured at fair value. Level 3 liabilities were \$9 million as of 31 December 2019 (2018: \$9 million).

	Loans and advances to customers \$M	Trading assets \$M	Derivative assets \$M	Investment Securities \$M	Derivative liabilities \$M	Financial liabilities designated at fair value \$M	Total \$M
Balance at 1 January 2019	30	848	5	45	(5)	(4)	919
Total gains/(losses) recognised within the income statement	(9)	73	12	-	(5)	(1)	70
Purchases	-	188	-	-	-	-	188
Sales	-	(185)	-	-	-	-	(185)
Issuances	96	-	-	-	-	-	96
Settlements	(8)	(443)	(12)	-	1	5	(457)
Transfer into level 3	23	244	27	-	-	-	294
Transfer out of level 3	(8)	(71)	-	-	-	-	(79)
Balance at 31 December 2019	124	654	32	45	(9)	-	846
Unrealised gains/(losses)	(10)	(19)	12	-	(5)	-	(22)

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FAIR VALUE DISCLOSURES (CONTINUED)

The transfers into Level 3 from Level 2 during the year were due to lack of observable market pricing data subsequent to purchase. The transfers out of Level 3 to Level 2 during the year were due to increased availability of observable pricing data on underlying positions.

	Loans and advances to customers \$M	Trading assets \$M	Derivative assets \$M	Investment Securities \$M	Derivative liabilities \$M	Financial liabilities designated at fair value \$M	Total \$M
Balance at 1 January 2018	-	10	7	-	(7)	-	10
Impact of transition to IFRS 9	-	-	-	25	-	-	25
Balances migrated due to the CBM on 1 December 2018	30	855	-	19	-	(4)	900
Total gains/(losses) recognised within dealing profits	-	12	(1)	1	1	-	13
Sales	-	(20)	-	-	-	-	(20)
Settlements	-	(30)	(1)	-	1	-	(30)
Transfer into level 3	-	21	-	-	-	-	21
Balance at 31 December 2018	30	848	5	45	(5)	(4)	919
Unrealised gains/(losses)	-	10	(1)	1	1	-	11

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

44. FAIR VALUE DISCLOSURES (CONTINUED)

The table below provides information on the valuation techniques, significant unobservable inputs and their ranges and averages for each major category of assets and liabilities measured at fair value on a recurring basis with a significant Level 3 balance.

The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory. Further, the range of unobservable inputs may differ across firms in the financial services industry because of diversity in the types of products included in each firm's inventory. The ranges calculated are at a BAC group level. BAMLI DAC is within or at those ranges.

The Company uses multiple market approaches in valuing certain of its Level 3 financial instruments. For example, market comparables and discounted cash flows are used together. For a given product, such as corporate debt securities, market comparables may be used to estimate some of the unobservable inputs and then these inputs are incorporated into a discounted cash flow model. Therefore, the balances disclosed encompass both of these techniques.

31 December 2019

Financial instrument value technique	Fair valuation	Inputs		
		Significant unobservable inputs	Range of inputs	Weighted average
Loans				
Instruments backed by residential real estate assets	Discounted cash flow	Yield	0% to 25%	6%
Trading account assets - Mortgage trading loans and ABS Loans and leases	Market comparables	Prepayment speed	1% to 27% CPR	17%
		Default rate	0% to 3% CDR	1%
		Loss severity	0% to 47%	14%
		Price	\$0 to \$160	\$94
Instruments backed by commercial real estate assets	Discounted cash flow	Yield Price	0% to 30%	14%
Trading account assets - Corporate securities, trading loans and Other trading account assets - Mortgage	Market comparables		\$0 to \$100	\$55
Commercial loans, debt securities and other including assets designated at fair value	Discounted cash flow,	Yield	1% to 20%	6%
Trading account assets - Corporate securities, trading loans and other Trading account assets - Non U.S. sovereign debt	Market comparables	Prepayment speed	10% to 20%	13%
Trading account assets		Default rate	3% to 4%	4%
		Loss severity	35% to 40%	38%
		Price	\$0 to \$142	\$72

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

44. FAIR VALUE DISCLOSURES (CONTINUED)

31 December 2018

Financial instrument value technique	Fair valuation	Inputs		
		Significant unobservable inputs	Range of inputs	Weighted average
Loans				
Instruments backed by residential real estate assets Trading account assets - Mortgage trading loans and ABS Loans and leases	Discounted cash flow Market comparables	Yield Prepayment speed Default rate Loss severity Price	0% to 25% 0% to 21% CPR 0% to 3% CDR 0% to 51% \$0 to \$128	8% 12% 1% 17% \$72
Instruments backed by commercial real estate assets Trading account assets – Corporate securities, trading loans and Other trading account assets - Mortgage	Discounted cash flow Market comparables	Yield Price	0% to 25% \$0 to \$100	7% \$79
Commercial loans, debt securities and other assets Trading account assets – Corporate securities, trading loans and other Trading account assets – Non U.S. sovereign debt	Discounted cash flow, Market comparables	Yield Prepayment speed Default rate Loss severity Price	1% to 18% 10% to 20% 3% to 4% 35% to 40% \$0 to \$41	13% 15% 4% 38% \$68

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

44. FAIR VALUE DISCLOSURES (CONTINUED)

The Company uses multiple market approaches in valuing certain Level 3 financial instruments. For example, market comparables and discounted cash flows are used together. For a given product, such as corporate debt securities, market comparables may be used to estimate some of the unobservable inputs and then these inputs are incorporated into a discounted cash flow model. Therefore, the balances disclosed encompass both of these techniques.

The level of aggregation and diversity within the products disclosed in the tables result in certain ranges of inputs being wide and unevenly distributed across asset and liability categories.

Loans and securities

For instruments backed by residential real estate assets, commercial real estate assets and commercial loans, debt securities and other, a significant increase in market yields, default rates, loss severities or duration would result in a significantly lower fair value for long positions. The impact of changes in prepayment speeds would have differing impacts depending on the seniority of the instrument and, in the case of Collateralised Loan Obligations, whether prepayments can be reinvested.

For instruments backed by commercial real estate assets, a significant increase in price would result in a significantly higher fair value.

Derivative assets and liabilities

For credit derivatives, a significant increase in market yield, upfront points (i.e., a single upfront payment made by a protection buyer at inception), credit spreads, default rates or loss severities would result in a significantly lower fair value for protection sellers and higher fair value for protection buyers. The impact of changes in prepayment speeds would have differing impacts depending on the seniority of the instrument.

For interest rate derivatives a significant change in long-dated rates and volatilities and correlation inputs (e.g., the degree of correlation between an equity security and an index, between two different commodities, between two different interest rates, or between interest rates and foreign exchange rates) would result in a significant impact to the fair value; however, the magnitude and direction of the impact depends on whether the Company is long or short the exposure.

Sensitivity analysis of unobservable inputs

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the balance sheet date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Company's valuation control policies. Were the Company to have valued the financial instruments concerned using input values drawn from the extremes of the ranges of reasonable possible alternatives then as at 31 December 2019, they could have increased fair value by as much as \$75 million (2018: \$116 million) or decreased fair value by as much as \$57 million (2018: \$32 million).

This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable inputs and is not predictive or indicative of future movements in fair value. Furthermore, it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonable possible alternatives. Hence, the estimates disclosed above are likely to be greater than the true uncertainty in fair value at the balance sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

44. FAIR VALUE DISCLOSURES (CONTINUED)**Day one profit / (loss)**

Below is the amount that has yet to be recognised in the income statement relating to the difference between the fair value at recognition (being the transaction price) and the amount that would have arisen had valuation techniques used for subsequent measurement been applied at initial recognition, less any subsequent releases. The breakdown is as follows:

	2019 \$M	2018 \$M
At 1 January	-	-
Day one profit on new trades not recognised in income statement	15	-
At 31 December	15	-

Financial assets and liabilities carried at amortised cost

The below summarises the fair value of the Company's financial assets and liabilities which are carried at amortised cost.

Reverse repurchase agreements and repurchase agreements are classified as level 2 and the carrying amount is deemed a reasonable approximation of fair value, given the short-term nature of these instruments.

Loans and advances to banks and customers held at amortised cost are classified as level 2 and have a fair value of \$33,397 million (2018: \$27,931 million).

The fair value of subordinated liabilities and other long term funding is determined by reference to quoted market prices where available or by reference to quoted market prices of similar instruments. Subordinated liabilities and other long term funding are classified as level 2 and have a fair value of \$2,098 million (2018: \$1,929 million).

All other debtors and creditors in the statement of financial position are classified as level 2. The carrying amounts are a reasonable approximation of their fair value, due to the short term nature of these instruments.

45. CROSS BORDER MERGER

As noted in the Directors report, on 1 December 2018 BANA merged the Company with BAMLI Ltd.

Under the terms of the merger, an ordinary share of nominal value \$1 was issued by BAMLI DAC to the immediate parent BANA as consideration for the net assets of BAMLI Ltd. Group reconstruction relief has been applied to limit the increase in share premium on BAMLI DAC to \$9,061 million (see note 37).

BAMLI DAC has applied predecessor accounting whereby the assets, liabilities and results of BAMLI Ltd have been incorporated into the results of BAMLI DAC from the date of the merger, 1 December 2018.

Assets and liabilities have been transferred at carrying value and the prior year results have not been restated. Consequently, amounts reported for 2018 include the results of the merged entity from the merger date, and before that date do not include the results of BAMLI Ltd.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

45. CROSS BORDER MERGER (continued)

The carrying values of the assets and liabilities transferred to the Company as part of the merger on 1 December 2018 were as follows:

	1 December 2018
	\$M
Cash held at central banks	7,239
Loans and advances to banks	4,620
Loans and advances to customers	25,208
Reverse repurchase agreements	7,300
Market and client receivables	1,666
Trading assets	1,760
Derivative financial instruments	33
Other assets	2,512
Total assets	50,338
Deposits by banks	25,439
Deposits by customers	10,828
Market and client payables	1,589
Derivative financial instrument	46
Subordinated liabilities	2,000
Other liabilities	1,375
Total liabilities	41,277
Net assets at date of merger	9,061

From the date of merger, BAMLI Ltd has contributed \$206 million of operating income and \$54 million of profit after taxation. If the merger date had been on the first day of the financial year, BAMLI Ltd would have contributed \$2,687 million of operating income and \$497 million of profit after taxation.

46. RELATED PARTY TRANSACTIONS

As detailed in note 1.3, the Company has elected to take advantage of the exemption available under FRS 101 for the requirements in IAS 24 - Related Party Disclosures to disclose related party transactions entered into between two or more wholly owned members of a group.

Management consider key management personnel to be represented by the board of directors of the Company. Details of the remuneration of the directors are included in note 12.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

47. SUBSEQUENT EVENTS

Debt issuance

On 10 February 2020, the Company issued \$2 billion of MREL³ eligible debt to ensure MREL levels remain sufficient to support the bank's resolution strategy and business model.

Coronavirus

IAS 10 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date.

The coronavirus outbreak and its effects represent a non-adjusting event, and its post year end impact has not been reflected in the measurement of the company's assets and liabilities at 31 December 2019 and in particular in the measurement of fair value and impairment for financial assets.

Direct and indirect effects of the coronavirus outbreak are impacting the global economy, markets, and the Company's counterparties and clients. The Company cannot predict the coronavirus's potential future direct or indirect effects; however, the Company is taking actions to mitigate the impacts on the Company. The coronavirus's effects could have a material negative impact on the Company's future results of operations, assets and liabilities.

48. CONTROLLING PARTY

The Company's immediate parent company is BANA and the ultimate parent company and controlling party is BAC, which is organised and existing under the laws of the State of Delaware in the United States of America.

The parent company of the largest, and smallest, group that includes the Company and for which group financial statements are prepared is BAC. Copies of BAC's consolidated financial statements can be obtained from either of the following website locations: <http://investor.bankofamerica.com> or www.sec.gov/.

³ MREL is the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution.