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In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

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OS AA01

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

Companies House

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A04 19/05/2023 #110
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 reg an alteration of manner of com with accounting requirements.

Part 1 Corporate company name

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

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	Bank of America Europe Designated Activity Company
UK establishment number	B R 0 0 8 3 3 9

❶ 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 audited.

Legislation ❷	Companies Act 2014

❷ This means the relevant rules or legislation which regulates the preparation 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 ❸	International Financial Reporting Standards as adopted by EU

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

OS AA01

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

A3 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'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	Irish Law and International Standards on Auditing (UK and Ireland)	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X BKalsi X
	This form may be signed by: ~~Director,~~ Secretary, ~~Permanent representative.~~

OS AA01

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

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 Secretary's Office
Company name	Merrill Lynch Corporate Services Limited
Address	2 King Edward Street
Post town	London
County/Region	
Postcode	E C 1 A 1 H Q
Country	United Kingdom
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

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.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

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

Registered number: 229165

BANK OF AMERICA EUROPE DAC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS	C.P. Bessant (Non-executive director) (appointed 27 May 2022) O.T. Bussmann (Independent non-executive director) P.M. Donofrio (Non-executive director) (appointed 1 December 2022) A.M. Finucane (Non-executive director) (resigned 31 December 2022) S.A. James (Independent non-executive director) N.M. Jordan (Independent non-executive director) J.H. Lee R. McHugh (Independent non-executive director) B.A. Mensah (Non-executive director) (appointed 27 May 2022) J.G. Murphy (Non-executive director) F. Vicario
COMPANY SECRETARY	Merrill Lynch Corporate Services Limited
REGISTERED NUMBER	229165
REGISTERED OFFICE	Two Park Place Hatch Street Dublin 2
INDEPENDENT AUDITORS	Mazars Chartered Accountants and Statutory Audit Firm Block 3 Harcourt Centre Harcourt Road Dublin 2 Ireland

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their Annual Report and the audited financial statements of Bank of America Europe Designated Activity Company ("BofA Europe", "the Company") for the year ended 31 December 2022.

The Company is a registered bank in the Republic of Ireland which is 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"). Hereafter, "affiliate" means BAC or any of its subsidiaries. BAC together with its consolidated subsidiaries, form the "BAC Group" (or "Enterprise").

The Company is a designated activity company and is incorporated and domiciled in the Republic of Ireland, with branches operating in the United Kingdom ("UK"), Belgium, France, Germany, Greece, Italy, the Netherlands, Spain, Sweden and Switzerland, in addition to its Irish Head Office.

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 satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial end date, 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 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.

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 Group's Global Banking and Global Markets 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") and other key markets within the EMEA region.

As well as providing financial services, during the year the Company also provided support services to other companies in the BAC Group in the EMEA region. Services provided include information technology ("IT") and operations support, administration and human resources ("HR") support and real estate services.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

As at 31 December 2022, 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 Luxembourg in the coming year.

MARKET ENVIRONMENT

Geopolitical

Global market conditions in 2022 were markedly different from the prior year - volatility dominated (both in markets and in politics) amidst growing concern over geopolitics, record inflation, and rising rates. In EMEA, Italy held a snap general election as a result of a parliamentary impasse. Volatility was particularly pronounced in the UK where three different Prime Ministers held office, and a mini budget announcement in September led to turmoil in the UK pension sector as gilt yields rose to the highest level since 2022. The political events caused significant market volatility and forced intervention by the Bank of England to prevent broader financial instability.

Geopolitical risks were heightened in 2022, driven by conflict between Russia and Ukraine, tensions between China and Hong Kong/Taiwan, and tensions between the United States of America ("US") and China.

Meanwhile, consumer prices continued to accelerate driven by elevated food and energy prices, with the UK Consumer Price Index at a 40 year high and Euro Area inflation hitting a double-digit record. The majority of central banks have responded by tightening monetary conditions, raising rates to fight inflation and increasing the cost of borrowing which was further elevated due to wider credit spreads.

Activity in primary markets is down across the board. Following a record 2021, for the BAC Group, EMEA Equity Capital Markets ("ECM") volumes are down 69%, Mergers & Acquisitions ("M&A") activity is down 36%, EMEA Debt Capital Markets activity has also slowed, with investment grade issuance down 12% year on year and leveraged finance activity down 45% year on year. Looking ahead, economists are forecasting slower economic growth beyond 2022, with the possibility of recession.

Russia/Ukraine Conflict

Due to the on-going conflict between Russia and Ukraine there was significant volatility in financial and commodities markets and multiple jurisdictions implemented various economic sanctions,

Russia responded to Western/Global sanctions by restricting oil flows to Europe. This, coupled with oil supply cuts by Organisation of Petroleum Exporting Countries (OPEC), has increasingly threatened Europe's energy supply with many European governments and firms planning for the possibility of gas shortages in the winter period.

The Company's direct exposure to Russia remains immaterial.

Cybersecurity

The Company has adopted the comprehensive Global Information Security ("GIS") Program and Information Security Enterprise Policy that establishes a risk-based security framework designed to protect the confidentiality, integrity and availability of information assets and resources. The program is designed to provide the necessary requirements to enable the BAC Group to prepare, prevent, detect, respond, and recover from increasing changes in the threat landscape. The Information Security policy, baselines, and standards are applicable across the Enterprise and third-party suppliers and is supported by a sustained investment program across human and technical resources.

Cybersecurity risk and exposure remain heightened because of, among other things, the evolving nature and pervasiveness of cyber threats, the BAC Group's prominent size and scale, high profile brand, geographic footprint and international presence and role in the financial services industry and the broader economy. The financial services industry is particularly at risk because of the use of, and reliance on, digital banking and other digital services, including mobile banking products, such as mobile payments, and other web-end cloud-based products and applications and the development of additional remote connectivity solutions, which increase cybersecurity risks and exposure. Acceptance and use of such digital banking products and services have substantially increased since the onset of the pandemic. Additionally, the proliferation of third-party financial data aggregators and emerging technologies, including the use of automation, artificial intelligence ("AI") and robotics, increases cybersecurity risks and exposure.

A cyberattack, information or security breach of the BAC Group or of a third party could adversely affect the ability to conduct business, manage exposure to risk, result in the disclosure and/or misuse of information and/or fraudulent activity and increase its operational and security systems and critical infrastructure costs.

In 2022, the Company did not experience any losses or other consequences relating to cyberattacks or other information or security breaches, whether directed at the Company or third parties.

Transition from London Interbank Offered Rate ("LIBOR") and other benchmark rates

After 31 December 2021, ICE Benchmark Administration ("IBA") ceased publishing British Pound Sterling ("GBP"), Euro, Swiss Franc, and Japanese Yen ("JPY") LIBOR settings and one week and two-month U.S. dollar ("USD") LIBOR settings. However, certain LIBOR settings that became no longer representative are being published using a modified calculation (i.e., on a "synthetic" basis). The remaining USD LIBOR settings (i.e., overnight, one-month, three-month, six-month and twelve-month) will cease or become non-representative immediately after 30 June 2023.

The Company continues to be part of the BAC-wide transition program with respect to LIBOR and other impacted benchmark rates. BAC also continues to monitor a variety of market scenarios as part of its transition efforts, including risks associated with insufficient preparation by individual market participants or the overall market ecosystem, ability of market participants to transition away from impacted benchmarks, and access and demand by clients and market participants to liquidity in certain products, including LIBOR products.

The Company has remediated a significant majority of its notional contractual exposure to LIBOR products referencing USD LIBOR settings that will cease or become non-representative immediately after 30 June, 2023 (i.e., updated to include fallback provisions to alternative reference rates ("ARRs"), such as the Secured Overnight Financing Rate for USD LIBOR, that are based on market-driven protocols, regulatory guidance, and industry recommended fallback provisions and related mechanisms). The remaining non-remediated USD LIBOR exposures, a majority of which is made up of guarantees and commitments, represents a small minority of outstanding USD LIBOR notional contractual exposures of the Company and will require active dialogue with clients to modify the contracts. For any residual exposures after 30 June 2023 that continue to have no fallback provisions, the Company is assessing and planning to leverage relevant contractual and statutory solutions, including the Adjustable Interest Rate (LIBOR) Act, enacted in March 2022 at the federal level in the U.S., and other relevant legislation, to transition such exposure to ARRs.

For further information on the status of the Company's IBOR transition, see note 43.

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 IV ("CRD IV") as amended by Capital Requirements Directive V ("CRD V") and European Banking Authority Guidelines on internal governance under Directive 2013/36/EU. The Company's 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's risk management objectives and policies, as well as exposures in relation to the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks) are described in the notes to the financial statements.

For details of the Company's risk management policies, see note 42.

RISK GOVERNANCE

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

The 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 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; the Company's relationship with its Independent Auditors, including pre-approval of any non-audit services; and the performance and independence of the Company's Internal Audit and Compliance functions.

The Nominations Committee assists 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 Remuneration Committee assists the Board in fulfilling its oversight responsibilities relating to compliance with remuneration policies and related regulatory requirements.

The MRC reports to the BRC and is responsible for providing management oversight and approval of (or reviewing and recommending to the BRC) market risk, credit risk, (in conjunction with the Credit Risk Committee), operational risk (in conjunction with the Operational Risk Committee), 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 (including any branches).

REVIEW OF FINANCIAL STATEMENTS AND RELATED ESTIMATES AND JUDGEMENTS

The 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 Board on the consistency and appropriateness of critical accounting policies and any changes thereto, taking into account the views of the Independent Auditors;
- 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.

For further detail on the critical accounting estimates and judgements, see note 2.

RESULTS AND DIVIDENDS

The Company's profit on ordinary activities after taxation was $539 million (2021: $611 million) as set out in the income statement.

The directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: $nil).

BUSINESS REVIEW

The Company's profit on ordinary activities before taxation was $714 million, a decrease of $35 million compared with the year ended 31 December 2021.

Total operating income was $2,028 million, an increase of $36 million compared with the year ended 31 December 2021. This reflects higher net interest income and lower net trading income:

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

- net interest income was $168 million higher when compared with the year ended 31 December 2021
- net trading income was $96 million lower compared with the year ended 31 December 2021
- the movement in net expense from financial instruments measured at fair value through profit or loss ("FVPL") reduced operating income by $58 million compared with the year ended 31 December 2021
- other operating income was $22 million higher when compared with the year ended 31 December 2021

Total operating expenses were $1,314 million, an increase of $71 million compared with the year ended 31 December 2021. This reflects impairment charges resulting from increases in the provisions for credit losses in 2022 partially offset by reductions in other expenses:

- expected credit loss provisions increased by $258 million compared with the year ended 31 December 2021
- other expense drivers reduced by $187 million compared with the year ended 31 December 2021

Divisional performance

Results are derived from the Company's core Global Banking and Global Markets activities and its Support Services activities, which represent reportable segments. For information on the results of these activities, see note 3.

Global Banking and Global Markets contributed $1,850 million (2021: $1,772 million) of total operating income before expenses and impairment. The Support Services segment contributed $178 million (2021: $220 million) to total operating income before expenses and impairment.

Summary income statement

	2022 $M	2021 $M	Change $M
Net interest, fee and commission income	1,030	862	168
Net trading and fair value income	162	316	(154)
Other operating income	836	814	22
Total operating income	2,028	1,992	36
Administrative expenses	(717)	(808)	91
Depreciation and other operating expenses	(491)	(587)	96
Impairment (charge)/release for credit losses	(106)	152	(258)
Profit before taxation	714	749	(35)

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.

Net trading and fair value income

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

Other operating income

This income is generated through the Company's services to other affiliates in the BAC Group. Service fee income is computed under arm's length principles in accordance with BAC Group's Global Transfer Pricing Policy. The Company's service fee income relates to both its Support Services activity and income generated by Global Banking and Global Markets 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 ongoing 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 Group's Global Transfer Pricing policy.

Impairment (charge) / release for credit losses

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

Taxation

The Company's effective tax rate for the year is 24.6% (2021: 18.5%) driven mainly by the foreign tax liability arising in the London, Paris and Frankfurt branches of the Company. For details of the factors affecting the tax charge for the year, see note 14.

Capital

Total eligible regulatory capital (exclusive of audited profits) increased from $13,846 million as at 31 December 2021 to $14,221 million as at 31 December 2022, which consisted of $12,221 million Tier 1 capital (2021: $11,846 million) and $2,000 million Tier 2 capital (2021: $2,000 million).

The Company's total capital ratio at 31 December 2022 as estimated was 26.2% (2021: 26.2%), significantly exceeding the minimum capital requirement.

Further information on the Company's capital requirements under the CRD V will be 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 ("CRR") and CRD IV as amended by CRD V including rules implementing the requirement for credit institutions to comply with the Liquidity Coverage Ratio and Net Stable Funding Ratio.

The Company was in excess of its regulatory liquidity requirements in both 2022 and 2021.

POLITICAL CONTRIBUTIONS

The directors have satisfied themselves that there were no political contributions during the year (2021: $nil) that require disclosure under the Electoral Act 1997.

INDEPENDENT AUDITORS

The Independent Auditors, Mazars, 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 Company's Annual General Meeting.

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 a range of financial services to customers across EMEA. These operations expose the Company to a number of risks, including those of an environmental or social nature. BAC Group's Environmental and Social Risk Policy Framework ("ESRPF") aligns with the Company's Risk Framework and provides additional clarity and transparency regarding the Company's approach to environmental and social risks, inclusive of climate-related financial risk ("climate risk"). Recognising that certain sectors are more sensitive to these types of risk, the Company evaluates the associated risks as appropriate. Refer to the environmental matters section below for additional information.

Set out below is a summary of the Company's approach to each of the main Environmental, Social and Governance ("ESG") components. Further information about BAC Group's approach to ESG matters can be accessed via the ESRPF at www.bankofamerica.com/ESRPF and Bank of America's Task Force on Climate-related Financial Disclosures Report (the "TCFD Report") available at www.bankofamerica.com/TCFD.

Environmental matters

Climate-related risks are divided into two major categories: (1) risks related to the transition to a low-carbon economy, which may entail extensive policy, legal, technology and market changes, and (2) risks related to the physical impacts of climate change, driven by extreme weather events, such as hurricanes and floods, as well as chronic longer-term shifts, such as rising average global temperatures and sea levels. These changes and events can have broad impacts on operations, supply chains, distribution networks, customers, and markets and are otherwise referred to, respectively, as transition risk and physical risk. These risks can impact both financial and non-financial risk types.

The Company embeds climate risk considerations into its existing risk management programmes, including credit risk. For financial assets held at amortised cost, there has been no material impact of climate related risks on the Company's loss allowances for expected credit losses. For financial instruments held at fair value, there have not been any adjustments to fair value specifically for climate related risks.

No material climate-related risk variables impacting the financial position of the Company as at 31 December 2022 have been identified.

The following sections provide more details on strategy, governance, and risk management.

Strategy

BAC Group's three-pronged climate strategy is part of the Company overall focus on Responsible Growth and centres on close partnership with internal and external parties:

- minimising the BAC Group's impact on the environment with a commitment to achieve Net Zero before 2050;
- inspiring and enabling clients to achieve Net Zero before 2050; and
- assessing and managing climate-related risks, including those risks associated with not achieving Net Zero.

As part of its strategy to address climate change and drive sustainable use of natural resources, BAC Group is committed to mobilising and deploying $1.5 trillion to sustainable finance by 2030; $1 trillion to accelerate the transition toward a low-carbon economy; and $500 billion for inclusive social development. BAC Group is also committed to achieving Net Zero before 2050.

To help ensure a harmonised approach across the Enterprise, BAC Group has established an Enterprise Climate Programme. The programme brings together executives across lines of business ("LOBs"), ESG, Public Policy, Global Risk Management ("GRM"), Global Sustainable Finance, and Enterprise Credit to drive climate action across its LOBs and seven risk types. Under this enterprise-wide programme, climate strategy is being integrated across all aspects of BAC Group's business, from client onboarding and underwriting to deal selection and risk management.

The Company participates on the EMEA ESG Strategic Council. The objective of the Council is to facilitate dialogue and raise awareness across LOBs to accelerate the mobilisation of capital deployment towards BAC's $1.5tn sustainable finance commitment, through lending, capital raising, advisory, and investment services, and by developing innovative financial solutions aligned with recognised industry standards.

A key part of the Enterprise-wide climate strategy is developing risk assessment capabilities such as through the use of scenario analyses. The Company incorporates climate risks into scenario analyses, which leverage scenarios designed by the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS"), to assess how these risks could affect the Company and its clients across a range of physical and transition risk scenarios. Through the application of scenario analysis, potential pathways in the transition to a net zero economy are assessed. This includes assessing the impact of changes across both physical and transition related risks and events and providing deeper insight into how climate-related risks and opportunities may evolve.

In 2022 the Company participated in the Single Supervisory Mechanism ("SSM") Climate Stress Test exercise, the results of which were submitted to the ECB. This exercise further accelerated BAC Group's climate scenario analysis efforts and helped guide work going forward.

Governance

BAC Group's Risk Framework (as adopted by the Company) establishes clear ownership and accountability for managing risk across the three lines of defence: LOBs, independent risk management and Corporate Audit. The same approach to ownership and accountability is followed for climate risk as for other risks facing BAC Group.

As part of the Enterprise Climate Program, which BofA Europe is integrated into, BAC has established an Enterprise Climate Steering Council which is responsible for overseeing execution of climate-related priorities.

The Board of the Company ensures suitable risk management, governance and controls for the Company through appropriate committees and alignment to BAC Group policies where appropriate. This includes consideration of climate-related risks and opportunities. The BRC assists the Board in fulfilling its oversight responsibility relating to management of climate and environmental risk. The BRC has received a number of briefings at their quarterly meetings on the topic of climate risk and the progress being made to further embed climate risk management into the Risk Framework and to meet regulatory expectations on managing climate-related financial risk.

The MRC is responsible for providing management review and assessment of exposure to climate and environmental risk and overseeing the approach implemented to manage climate and environmental risk. The MRC receives updates on the progress being made to further embed climate into the risk management framework and to meet regulatory expectations. To support the Board and committees in overseeing the management of climate risk, the Company developed and continues to enhance reporting capabilities, including regular reporting to the MRC and quarterly reporting to the BRC. This reporting includes a climate risk dashboard that consolidates information on how climate risk manifests across the key risk types.

Within the EMEA region, the EMEA ESG Risk and Regulatory Steering Group ("Steering Group") is responsible for providing management oversight of activities related to the financial risks from climate change and other ESG-related regulatory requirements impacting BAC Group's EMEA legal entities. The Steering Group is attended by senior leaders from across the three lines of defence including the ESG team and is connected to the Enterprise ESG and Climate Risk governance framework and to the Company governance framework. The Steering Group generally meets monthly and is co-chaired by the Chief Risk Officer of the Company. In addition, the ESG Risk and Regulatory Steering Group provides oversight, challenge and review of the Company risk activities related to the management of climate and environmental risk.

Management of climate change risk

As climate risk spans across multiple risk types, the Company has developed and continues to enhance processes to embed climate risk considerations into risk management programmes established for strategic, credit, market, liquidity, compliance, operational and reputational risks.

Effective management of climate risk requires coordinated governance, clearly defined roles and responsibilities, and well-developed processes to identify, measure, monitor and control risks.

- *Risk Identification* - A key element of how the Company manages climate risk is the risk identification process through which climate and other risks are identified across all LOBs and control functions, prioritised in its risk inventory and evaluated to determine estimated severity and likelihood of occurrence. Once identified, climate risks are assessed for potential impacts.

- *Risk Measurement* - Measurement of climate risk is conducted using a range of methods with key examples including scenario analysis and stress testing and industry and country level assessments. Industry and country level assessments are conducted by Credit Risk and leveraged across a broad spectrum of climate-related functions.

- *Risk Monitoring* - the Company has developed climate-related risk metrics to enable monitoring of exposure to climate risk as part of ongoing risk management routines. The monitoring of these metrics is carried out on an ongoing basis and reported to the Company MRC and BRC.

- *Risk Controls* – the Company establishes and communicates climate-related risk controls through policies, standards, procedures and processes. The Company has incorporated climate considerations into its Risk Appetite Statement ("RAS"). Qualitative statements have been supplemented by monitoring metrics such as the Company's credit exposure to "High" and "Moderate" climate sensitive industries and countries, and non-legal operational losses from physical climate-related risks.

The Company continues to build out and enhance its climate risk management capabilities in line with the expectations set out in ECB Guide on Climate-related and Environmental Risks and in a way that is proportionate to the nature, scale, complexity and risk profile of the Company:

- Climate risk management is being embedded into the credit risk framework. Credit and risk officers are being trained on climate change and its impact on credit risk. High, moderate, or low climate risk designations have been assigned to industry segments and countries in BAC Group's coverage universe. Climate risk supplements have been developed for high and moderate risk industries and incorporated into Enterprise Industry Risk Guidance documents. These provide credit underwriters and risk officers with guidance for clients in the relevant industries and countries. The climate risk designations are supplemented by borrower level assessments of climate and environmental risk Climate & Environmental Risk Assessment ("CERA") process since two companies in the same sector/country may be impacted differently by climate change based on their unique business model, management awareness, strategy and preparedness to deal with the risks.

- The existing market risk management framework has been expanded to incorporate consideration of climate risks.The Company has created daily risk reporting and monthly dashboards that track climate Key Risk Indicators (KRI's) and climate stress scenario(s) to analyse the impact of "sudden transition" risks on trading portfolios with a particular focus on identifying concentrations of risk within the portfolio.

- Climate risk assessments of the key drivers of liquidity risk for the Company have been performed. Reporting has been enhanced to include monitoring metrics that track concentrations in funding sources and uses by climate sensitive industries / sectors.

- Climate risk considerations have been integrated into key elements of the Compliance and Operational Risk programme, including conducting risk assessments; assessing monitoring and testing opportunities; analysing issues for broader themes; managing regulatory change; developing metrics and reporting; and incorporating climate topics in training and awareness messaging. In addition, through the operational risk Scenario Analysis programme, risk management and front-line unit and control function teams consider a number of climate-related scenarios to further understand the impact of transition risk, in addition to acute and chronic climate-related physical risk, on the Company's operations.

- The EMEA Reputational Risk Committee is responsible for reviewing all business activities which may impact reputational risk in the region including those related to climate risk.

Employee matters

The Company's HR 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. 2022 saw a return to a hybrid approach to talent acquisition events and programmes, with the Summer Internship and core Campus attraction activities returning to in-person, while other smaller events and candidate outreach continued to be delivered virtually.

- 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 HR policies, guidelines and procedures. The Company also has numerous employee networks which provide engagement, development and networking opportunities for the diverse employee population. The Company complies with the applicable gender pay reporting legislation and is committed to promoting gender equality in 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. In support of its responsible growth strategy, a further suite of training is provided to managers to drive consistent behaviours including being a diversity and inclusion champion, risk management, being a talent leader, managing process and data, being a financial steward and being an advocate and communicator. To accommodate varied working arrangements, the learning offering has been delivered through a virtual learning environment enabling employees to participate regardless of location.

- Compensation and benefits - The Compensation and Benefits team support the financial management, communication and administration of BAC Group-wide incentive plans. All activities are underpinned by policies with training, monitoring and evaluation processes in place to ensure that employees are paid in an effective and consistent manner and in compliance with all applicable regulatory and legal requirements. The cornerstone of BAC's remuneration philosophy across all LOBs is to pay for performance - BAC Group (including of the Company), line of business, and individual performance. Through BAC's performance management process, employees understand performance expectations for their role through goal-setting, performance reviews and on-going dialogue with their manager. Each employee's performance is assessed on quantitative and qualitative objectives, and is factored into the decision process for each employee's incentive remuneration award. As a result, an employee's remuneration can be influenced not only by what the employee achieves, but how the employee achieves it. The Company compensation team, based in Dublin, is responsible for the operation of remuneration within the Company in accordance with all applicable regulations.

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

HR Shared Services (HR Service Centre, Life Events services, HR systems, HR Reporting and Payroll): Serve as a primary point of contact for HR queries; life event employee support; produce standard form and regulatory employment references; execute pay services delivery and ensure compliance with all relevant tax filing obligations; payroll accounting.

Generalist: Support the business leaders on HR initiatives including (but not limited to) talent and workforce planning, and provide strategic HR advice.

Regular updates were provided to the Board throughout 2022 by HR and the resulting discussions and decisions on measures to provide support to employees in relation to the COVID-19 pandemic. The Company, as part of BAC's global response, continued to focus on promoting health and safety and limiting the risk of exposure, including keeping employees informed and providing timely resources, tools and wide-ranging benefits. The Return to Office programme is now complete.

Social matters

Respect for human rights:

BAC is committed to respecting human rights and demonstrates leadership in responsible workplace practices across the BAC Group and in all regions where it conducts business. BAC's commitment to fair, ethical and responsible business practices, as it engages with employees, clients, suppliers and communities around the world, is embodied in its values and Code of Conduct with which the Company is aligned. To learn more about BAC's commitment to human rights, see about.bankofamerica.com/assets/pdf/human-rights-statement.pdf. In addition, BAC has issued a Modern Slavery Statement on behalf of itself and its subsidiaries, including but not limited to the Company, see www.bankofamerica.com/modernslaveryact.

Racial equality:

Through Responsible Growth, the Company delivers for teammates, clients and shareholders and helps address society's biggest challenges. One example is the Company's work to advance racial equality and economic opportunity - internally, this is core to being a great place to work, hiring and recruiting diverse talent to ensure strong representation in the Company's workforce, and aligned policies and accountabilities; externally, this is core to the Company's client-driven approach, delivering products and services that meet the needs of its diverse clients and communities. Building on that long-standing work, and in order to ensure everyone has access to the tools and resources needed to build wealth, the Company is focused on connecting diverse people and communities to good jobs, ensuring adequate access to health care, providing access to capital to grow small businesses, and building a solid base of affordable housing.

This work is fundamental to how the Company runs the business, supports the teammates and delivers for clients. The BAC Group has a $15 billion commitment to affordable homeownership and is engaged in ongoing work to advance small businesses through $2 billion invested with Community Development Financial Institutions and a $1.25 billion five-year commitment to advance racial equality and economic opportunity through financing and philanthropy.

Community engagement:

In EMEA, the BAC Foundation is focused on building pathways to economic mobility by supporting initiatives that help people transition from education into sustained employment. In 2022, the BAC Foundation supported 99 charities and social enterprises with financial grants across the EMEA region.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

In 2022, the BAC Group's total philanthropic investment within EMEA was $16 million, including employee-directed giving and four new commitments supporting projects and partners working to address racial inequality as part of the bank's $1.25 billion commitment.

BAC offers its employees an array of opportunities to share their skills and to volunteer with not-for-profit partners. In 2022, 2,021 employees in EMEA (23% volunteer participation) shared their time and skills with community organisations. Of these volunteers, 479 were employees of the Company (24% volunteer participation)[1].

Supplier management:

BAC is dedicated to doing business with suppliers that respect ethics, human rights, diversity and inclusion, and the environment. BAC sets expectations of suppliers through the Supplier Code of Conduct (the "Code"), which has been adopted by the Company. All suppliers are expected to adhere to the Code while conducting business with or on behalf of Bank of America. The Company's environmental, social and governance ("ESG") expectations of suppliers are reiterated in the contract templates as well. BAC monitors 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. Further information on how the Company, as part of BAC, approaches supplier management can be obtained at https://about.bankofamerica.com/en/our-company/supplier-management.

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 and Operational Risk and the Global Financial Crimes 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 Company is committed to acting professionally, fairly, and with integrity in all of its business dealings. The Company takes a zero tolerance approach to bribery and corruption and seeks to comply with all relevant and applicable Anti-Bribery and Anti-Corruption ("ABAC") laws, rules, and regulations. ABAC Policies and the Code of Conduct establish expected standards of behaviour for employees and uses a risk-based approach to address potential risks associated with bribery and corruption. The ABAC Compliance programme considers the risks associated with the Company's business and the markets in which it operates, including but not limited to the provisions of gifts and entertainment, third party advisors/intermediaries, hiring practices, political activities, and sponsorships/contributions. In addition, the ABAC Compliance and Operational Risk Enterprise Area of Coverage considers transactions posing heightened bribery and corruption risks, particularly in markets and economies that are more susceptible to corruption and financial crime.

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

The BAC Group, of which the Company is a part, tracks and reports on all applicable environmental laws and regulations and operates towards overall BAC Group operational goals including maintaining carbon neutrality and purchasing 100% renewable electricity (including purchasing carbon credits where renewable energy is not available). Further information on the Company's energy consumption and greenhouse gas emissions is presented below.

As the Company adopts BAC Group's global approach to ESG issues, additional related non-financial KPIs are typically measured on a global basis. Reporting of the ESG metrics aligned with external frameworks and the ESG Performance Data Summary can be found online at: www.bankofamerica.com/ESGdata2021.

Metrics specific to the Company are presented below.

[1] Data submitted has been self-reported by Bank of America employees and has not been formally audited.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Energy Consumption and Greenhouse Gas Emissions (GHG)

Global environmental objectives are set at BAC Group level and the Company contributes to these targets. Being a part of the BAC Group, the Company recognises its responsibilities and has decided to voluntarily disclose its operational energy consumption and greenhouse gas emissions in the tables below.

Due to the nature of the Company's operations, multiple BAC entities utilise the same office space and therefore, are mutually responsible for environmental impacts. For reporting purposes, the Company has estimated an entity-specific energy consumption and greenhouse gas emissions view based on the proportion of entity's employee headcount within each office space.

2022 energy consumption and associated greenhouse gas emissions for the Company's branches outside of the UK and Ireland were estimated based on verified 2021 data due to the substantial delay in obtaining the information.

Energy Consumption

	2022 kWh	2021 kWh
Energy use impacting Scope 1 GHG emissions*		
Gas, Gas Oil	**4,199,504**	4,623,129
Energy use impacting Scope 2 GHG emissions**		
Electricity***	**12,156,241**	11,799,507
Total energy consumption	**16,355,745**	16,422,636

* Energy use impacting Scope 1 GHG emissions relates to sources (consumption) that are owned or controlled by the Company's activities and which result in direct emission from those activities.

** Energy use impacting Scope 2 GHG emissions relates to purchased electricity consumed by the Company's activities. Scope 2 emissions physically occur at the facility where electricity is generated.

***Electricity refers to indirect GHG emissions from the generation of acquired and consumed electricity, steam, heat, or cooling.

Energy data is based on utility invoices. Where actual data is not available, estimates are made based on actual data collected in the previous year.

*Greenhouse gas emissions**

	2022 Gross Location based**	**2022 Gross Market based*****	2021 Gross Location based	2021 Gross Market based
Scope 1 direct emissions (tCO_2e)				
Gas, Gas Oil	**821**	**821**	900	900
Scope 2 indirect emissions (tCO_2e)				
Electricity	**2,989**	**91**	2,857	98
Total Scope 1 direct and Scope 2 indirect emissions (tCO_2e)	**3,810**	**912**	3,757	998
Intensity ratio tonnes of CO_2e per m^2 floor area (tCO_2e/m^2)****	**0.119**	**0.029**	0.113	0.030

* Gas relates to heating office buildings. Gas oil relates to fuel to run back-up generators. Electricity relates to usage to support operations, Intensity ratio represents how many tonnes of GHG emissions are produced per m^2 of occupied space.

** A location-based method reflects the average emissions intensity of the energy grid.

*** A market-based method reflects emissions from electricity that the Company has purposefully chosen and takes into account the impact of green contracts or other renewable energy products.

**** Prior periods were restated to conform to current period presentation.

The above has been produced in line with the World Resources Institute's "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard".

The Company considers that the most appropriate intensity metric to reflect performance is gross emissions in tonnes of CO_2e per m^2 of floor area as the Company's energy consumption and associated GHG emissions are primarily driven by its real estate portfolio.

The total location-based greenhouse gas emissions remained in line with 2021.

Scope 1 and 2 greenhouse gas emissions were independently assured to a "reasonable" level. The third-party assurance was carried out by an independent consultant, Apex Companies.

Energy efficiency measures

The Company environmental objectives are aligned with BAC Group's operational goals.

In line with these objectives BAC Group actively pursues energy and GHG emission reductions, primarily through energy efficiency initiatives and office consolidation projects. The main activity completed in 2022 includes reduced real estate footprint by decommissioning approx. 67k sq. ft of office space in the London 2 King Edward Street campus.

BAC Group continues to purchase renewable energy in the UK and Ireland through green contracts with utility suppliers. These contracts are covered by relevant schemes - the EU Guarantees of Origin ("GO") in Ireland and Renewable Energy Guarantees of Origin ("REGOs") in the UK, administered by relevant local authorities. These programmes provide transparency to consumers about the proportion of electricity that suppliers source from renewable generation. GO and REGO certify that each MWh of electricity was generated from eligible generation sources.

Otherwise, for facilities not covered by the green contract, BAC purchases unbundled GOs and REGOs. Carbon offsets are purchased for other unavoidable emissions.

Scope 3 financed GHG emissions

The emissions associated with the financing BAC provides clients is the largest portion of its emissions and requires the most effort to measure, report and transform. Reducing emissions associated with BAC's financing activity to Net Zero involves key steps, including:

- analysing data to develop decision-useful metrics to drive progress
- aligning BAC's strategy to scientific decarbonisation pathways by setting appropriate milestone targets to reach Net Zero before 2050
- advocating for consistent industry and global standards to drive comparable commitments and disclosure

The Company has calculated its baseline (2019) and latest available (2020) emissions for its auto manufacturing, energy and power generation portfolios. While the Company is disclosing financed emissions for auto manufacturing, energy and power generation, it intends to disclose the financed emissions for other key sectors in future years.

The Company uses the Partnership for Carbon Accounting Financials ("PCAF") methodology to guide emissions calculation methodology decisions. The methodology aligns with that used in BAC's TCFD report and further details can be found in that report.

2019 and 2020 Absolute Financed Emissions

		Auto Manufacturing	Energy - Oil & Gas Producers and Refiners	Energy - Other*	Power Generation Scope 1 Only	Grand Total
Loans covered						
Utilised (in millions)	2019	307	840	279	1,229	2,655
	2020	303	926	73	321	1,623
Financed Emissions						
Scope 1 + Scope 2 Financed Emissions (thousands tCO_2e)	2019	7	241	254	328	830
	2020	6	237	41	63	347
Scope 3 Financed Emissions (thousands tCO_2e)	2019	341	2,427	569	N/A	3,337
	2020	265	2,492	375	N/A	3,132
Total Financed Emissions (thousands tCO_2e)	**2019**	**348**	**2,668**	**823**	**328**	**4,167**
	2020	**271**	**2,729**	**416**	**63**	**3,479**

** Other includes Scope 1 and 2 for midstream and downstream oil and gas companies and Scope 3 for thermal coal mining companies.*

Financed emissions were independently assured to a "limited" level. The third-party assurance was carried out by an independent consultant, Apex Companies.

It should be noted that calculating energy consumption and emissions is an evolving landscape and the Company expects there to be improvements to data availability, data capture, data sourcing, data quality and estimation methodologies over time. As a result, there may be volatility in year-over-year numbers and potential restatements of historical results.

EU Taxonomy

Following the adoption of the Paris Agreement on climate change, the European Commission took steps towards achieving a climate-neutral EU by 2050. This included publishing its action plan on financing sustainable growth. A key objective of this action plan is to redirect capital flows towards sustainable economic activities.

In order to achieve this objective, Regulation (EU) 2020/852 adopted by the European Parliament along with the commission delegated regulation (EU) 2021/2178, (EU) 2021/2039 and (EU) 2022/1214 (hereinafter together referred to as the "EU Taxonomy") requires companies subject to the Non-Financial Reporting Directive ("NFRD") to disclose how their operations align with the sustainable economic activities identified by the EU Taxonomy. Financial undertakings are required to mandatorily disclose the proportion in their total assets of exposures to Taxonomy-eligible economic activities for 2022.

In order to calculate mandatory EU Taxonomy eligibility ratios, the Company collected KPIs on the Taxonomy-eligible activities and data attributes of its counterparties from publicly available sources. The type of KPI differed depending on the type of organisation. The proportion of Taxonomy-eligible exposures was then calculated by applying the KPIs collected to the exposures as of 31 December 2022.

The eligibility ratio was 3.8% using clients' revenue KPIs and 4.8% using clients' CapEx KPIs. The ratios reflect that a significant proportion of BofA Europe's clients are not required to report under NFRD, due to their size or location, and therefore are not considered eligible.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

In addition, the Company voluntarily estimated the portion of its activities attributable to Nuclear & Gas ("N&G") using internally available data to identify counterparties conducting N&G activities and their public disclosures. The Company's eligibility ratio would have been 4.3% using counterparty revenue KPIs and 5.3% using counterparty Capex KPIs. The Company's non-eligibility ratio was 95.7% using counterparties' revenue KPIs, of which it estimates 1.5% is attributable to N&G. The Company's non-eligibility ratio was 94.7% using counterparties' CapEx KPIs, of which it estimates 1.1% is attributable to N&G.

In order to produce the EU taxonomy disclosure, reliance has been placed on the information provided by the counterparties themselves and consequently the Company experienced data limitations where counterparties did not disclose.

	2022
	$B
Total assets	72.1
Less exposures not included in scope of EU Taxonomy denominator of which:	21.2
Trading assets*	1.3
Assets with central governments	1.0
Assets with central banks	18.9
Assets in scope of EU Taxonomy (Denominator)	50.9
Less exposure not included in scope of EU Taxonomy numerator of which:	40.7
Property, plant and equipment, Tax assets and Other assets	0.4
On Demand Interbank Loans	1.8
Derivatives	2.7
Counterparties not subject to NFRD reporting	35.8
Counterparties subject to NFRD** reporting	10.2
Capex KPI	
EU Taxonomy eligible assets (Numerator)	2.4
Eligible assets as a proportion of assets in scope	4.8 %
Revenue KPI	
EU Taxonomy eligible assets (Numerator)	2.0
Eligible assets as a proportion of assets in scope	3.8 %

** Excludes traded assets of $0.2B related to central governments, which is included in the Assets with central governments line.*
*** Large EEA public-interest entities (such as listed entities, credit institutions and insurance undertaking) with more than 500 employees.*

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.

DIRECTORS' AND SECRETARY'S INTEREST IN SHARES

The directors and the company secretary had no beneficial interest in the shares of the Company that are required by the Companies Act 2014 to be recorded in the register of interests or disclosed in the directors' report.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors have availed of the exemption available under section 260 of the Companies Act 2014 to not disclose interests of less than 1% in BAC.

DIRECTORS

The directors of the Company who were in office during the year and up to the date of approval of this report, except where noted, were:

Executive directors
F. Vicario (Chief Executive Officer)
J.H. Lee

Group non-executive directors
A.M. Finucane (Chair) (resigned 31 December 2022)
C.P. Bessant (appointed 27 May 2022)
P.M. Donofrio (appointed 1 December 2022)
B.A. Mensah (appointed 27 May 2022)

Non-executive directors
J.G. Murphy

Independent non-executive directors
O.T. Bussmann
S.A. James
N.M. Jordan
R. McHugh

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 Independent 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 Independent 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 Independent Auditors does not involve consideration of these matters and accordingly, the Independent 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.

This report was approved by the Board on 24 March 2023 and signed on its behalf.

F. Vicario
Director

J.H. Lee
Director

mazars

Independent auditor's report to the members of Bank of America Europe DAC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank of America Europe DAC ('the Company'), for the year ended 31 December 2022, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, that Statement of Changes in Equity and notes to the Company financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in its preparation is Irish law and the Financial Reporting Standard 100 ('FRS 100') - Application of Financial Reporting Requirements and Financial Reporting Standard 101 ('FRS 101') - Reduced Disclosure Framework.

- give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2022, and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 100 and FRS 101; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs Ireland) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the director's assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding management's going concern assessment process, including the preparation of financial plans and forecasts;
- Performing a risk assessment to identify factors that could impact the going concern basis of accounting;
- Evaluation of the forecast financial performance, liquidity, capital position and the Bank's strategic plan over the going concern period; and
- Consideration of the funding support available to the Company from its parent.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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 auditor, 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 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.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

Key audit matter	How the matter was addressed
Impairment allowance for expected credit losses (IFRS 9) In accordance with IFRS 9, the Company recognises expected credit losses ('ECL') for instruments classified at amortised cost and at FVOCI. These include loans and advances to banks and customers, including related guarantees and commitments. The estimation of expected credit losses is a complex process requiring the use of judgement and estimates. The key risks in the estimation process relate to the methodology applied and the use of inappropriate assumptions including the determination of the Significant Increase in Credit Risk ('SICR') or forward looking information which could potentially lead to the financial statements being materially misstated. Additionally, the risk of using incomplete and inaccurate input data as a basis for the computation is another area of risk that could result in mistaken estimates. Finally, adjustments to the model-driven ECL results can be raised by management to address known impairment model limitations, emerging trends or potential future credit risks identified by management. Such adjustments are inherently uncertain and management judgement is involved in the estimation process. Any over or under estimations of the impairment provision could have a material impact on the reported results. *Refer to Note 1.16 Accounting Policies – Impairment of financial assets held at amortised cost and FVOCI, Note 2 Critical accounting estimates and judgements, Note 16 Provision for loan loss, Note 18 Loans and Advances to*	We have addressed the audit risk attached to the Key Audit Matter by performing the following procedures: • Updated our understanding of the overall impairment process, including key controls, the impairment model used and underlying assumptions; • Agreed and reviewed the scope of group auditors work as applicable to the Company, covering IT controls testing and model validation testing; • Validated the compliance of the impairment estimation process with IFRS 9 requirements, including the review of the Company's IFRS 9 Framework Document and Policy; • Tested the design, implementation and operating effectiveness of the key controls underpinning the estimation and recognition of the impairment provision in the accounting records, including relevant IT application controls; • Reviewed the impairment model significant assumptions and the methodology applied to determine whether the overall impairment adjustment is adequate. This included the assessment of the definition of default adopted by the Company, and the determination of PD, LGD and EAD. It also covered the consideration of economic variable inputs used in the estimation process;

banks, Note 19 Loans and advances to customers and Note 42 Risk Management.	• Assessed the reasonableness of the staging applied to the portfolio and considered the allocation criteria; • Reviewed the model validation and parameters calibration validation performed by the Company, as well as the back testing performed to ensure model viability; • For individually assessed provisions, assessed the measurement of the provision including the methodology and assumptions applied; • Assessed the reasonableness and adequacy of post model adjustments and management overlays, considering specific risks arising from the actual economic environment; • Assessed the completeness and accuracy of the data used in the computation process; and • Assessed the appropriateness of the disclosures and accounting policies in the financial statements. IFRS 9 specialists and Economist experts were engaged to support the audit team with some aspects of these procedures. Based on the evidence obtained from the above listed procedures, we consider the estimation of the impairment of financial instruments under IFRS 9 to be reasonable.

Valuation of level 3 traded loans and loans and advances to customers at Fair Value Through Profit and Loss ('FVTPL')	
The Company's financial position and operating results depend on the valuation of level 3 traded loans and advances to customers measured at FVTPL, which are based on management judgement and estimation. The valuation of instruments with higher risk characteristics involves significant judgement. The judgement in estimating the fair value of these instruments can involve complex valuation models and significant fair value adjustments both which may be reliant on data inputs where there is limited market data observability. Any error in the valuation of a financial instrument can have a significant impact on the financial statements. The Company's financial instruments classified as Level 3 in the fair value hierarchy include distressed debt, traded loans, mortgage loans and leveraged finance loans. *Refer to Note 1.15 Accounting Policies – Financial Assets, Note 2 Critical accounting estimates and judgements, Note 19 Loans and Advances to customers, Note 21 Trading assets, Note 42 Risk Management and Note 44 Fair value measurement.*	We have addressed the audit risk attached to the Key Audit Matter by performing the following procedures: • Updated our understanding of the end-to-end valuation process, including roles and responsibilities of the three-line defence, collaboration between departments and IT systems involved in the Independent Price Verification (IPV) and Fair value adjustment (FVA) computation; • Tested the design, implementation and operating effectiveness of the key controls underpinning the valuation of level 3 traded loans and advances to customers at fair value through profit or loss in the accounting records, including relevant IT application controls. This included the controls around IPV and FVA computation, CVA/DVA, appropriateness of external pricing sources, margin dispute resolution, and collateral IPV; • Assessed the appropriateness of tolerance to price differences (soft and hard variances, tolerable threshold); • Understood and assessed the model governance (internal risk rating, frequency of review, identification and follow-up of model limitations); • Assessed the sensitivity of valuation to key inputs and assumptions and concluded on their appropriateness; • Reviewed the valuation methodology and underlying calculation for a sample of instruments. Challenged key assumptions underpinning the valuation made by management, including observability of parameters, management overrides and levelling applied; and • Reviewed compliance of fair value disclosures with IFRS 13 and IFRS 7, including assets and liabilities levelling, transfers in and out of Level 3, and sensitivities to main unobservable inputs.

	Based on the evidence obtained from the above listed procedures, we consider the estimation of the valuation of level 3 traded loans and loans and advances to customers at FVTPL to be reasonable.

Our application of materiality

We apply the concept of materiality in planning and performing the audit and in evaluating the impact of misstatements, if any. Materiality is an expression of the relative significance or importance of a matter in the context of the financial statements. Misstatements in the financial statements are material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

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 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	$132.39 million
How we determined it	1% of net assets
Rationale for benchmark applied	We consider the net assets to be a key metric that the users of the financial statements focus on.
Performance materiality	$79.43 million Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We determine 60% (2021: 50%) of overall materiality to be appropriate which reflect a number of factors: the fact this is the second year of audit for Mazars, the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls.
Reporting threshold	We agreed with those charged with governance that we would report to them misstatements identified during our audit above $3.97 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of the audit

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items. Where the work was performed by other auditors, we determined the level of involvement we needed to have in their audit work and issued and agreed audit instructions to ensure that appropriate audit evidence was 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 by us. Where work was performed by the other auditors, our involvement in that work included meetings between the other 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the directors' report has been prepared in accordance with applicable legal requirements;
- the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited; and
- the financial statements are in agreement with the accounting records.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Matters on which we are required to report by exception

Based on the 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.

The Companies Act 2014 requires us to report to you if, in our opinion, the requirements of any of Sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for the financial year ended 31 December 2022. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement out on page 1, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as management determines 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2014 and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered other applicable laws and regulations including compliance with European Central Bank and Central Bank of Ireland regulations which may be fundamental to the Company's ability to operate.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- Obtaining an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates;
- Discussing with the directors and management as to whether the Company is in compliance with laws and regulations, and discussing the policies and procedures in place regarding compliance with laws and regulations;
- Inspecting correspondence with the Central Bank of Ireland and the European Central Bank;
- Reviewing minutes of Board meetings, Audit Committee meetings and Risk Committee meetings;
- Assessing how the Company ensures compliance with externally imposed capital and liquidity requirements;
- Discussing amongst the engagement team the identified laws and regulations, and consideration of any indications of non-compliance; and

- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements such as tax legislation and Companies Act 2014.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud such as opportunities for fraudulent manipulation of financial statements, and determined the principal risks;
- Identifying any manual journal entries to manipulate financial performance;
- Assessing any management bias through judgements and assumptions in significant accounting estimates;
- Reviewing any significant one-off or unusual transactions; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

As a result of our procedures, we did not identify any key audit matters relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Company on 11 August 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 2 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISA (Ireland) 260.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Tommy Doherty
for and on behalf of Mazars
Chartered Accountants & Statutory Audit Firm
Harcourt Centre, Block 3
Harcourt Road
Dublin 2
27 March 2023

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 $M	2021 $M
Interest income		1,095	580
Interest expense		(524)	(176)
NET INTEREST INCOME	4	571	404
Fee and commission income		589	522
Fee and commission expense		(130)	(64)
NET FEE AND COMMISSION INCOME	5	459	458
Net trading income		169	265
Net (expense)/income from other financial instruments at FVPL	6	(7)	51
Other operating income	7	836	814
TOTAL OPERATING INCOME		2,028	1,992
Administrative expenses	8	(717)	(808)
Depreciation and amortisation	23,24	(50)	(76)
Other operating expense	9	(441)	(511)
Impairment (charge)/release for credit losses	16	(106)	152
TOTAL OPERATING EXPENSES		(1,314)	(1,243)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		714	749
Taxation on profit on ordinary activities	14	(175)	(138)
PROFIT FOR THE FINANCIAL YEAR		539	611

During the year, there were no discontinued operations. In the prior year, profit post-tax of $2 million from discontinued operations was included in the results above. See note 3 for further details.

The notes on pages 34 to 128 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 $M	2021 $M
Profit for the financial year	539	611
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	(28)	(28)
Movement in fair value of debt instruments at FVOCI	(4)	1
Items that will not be reclassified to profit or loss:		
Actuarial gain on retirement benefit obligations (note 35)	56	31
	24	4
Total comprehensive income for the financial year	563	615

The notes on pages 34 to 128 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 $M	2021 $M
ASSETS			
Cash held at central banks	15	**18,813**	15,490
Market and client receivables	17	**810**	1,025
Loans and advances to banks	18	**7,980**	9,793
Loans and advances to customers	19	**29,843**	27,063
Reverse repurchase agreements	20	**9,318**	9,037
Trading assets	21	**1,561**	1,634
Investment securities	22	**369**	671
Derivative financial instruments		**2,714**	1,525
Property, plant and equipment	23	**47**	94
Right-of-use assets	24	**103**	417
Other assets	25	**574**	604
TOTAL ASSETS		**72,132**	67,353
LIABILITIES			
Deposits by banks	27	**27,031**	20,645
Deposits by customers	28	**21,010**	24,428
Market and client payables	29	**984**	536
Debt securities	30	**1,067**	1,190
Derivative financial instruments		**3,598**	2,269
Financial liabilities designated at fair value		**71**	51
Other liabilities	31	**902**	1,260
Accruals	33	**129**	139
Subordinated liabilities	34	**4,000**	4,000
Retirement benefit obligations	35	**101**	162
TOTAL LIABILITIES		**58,893**	54,680
CAPITAL AND RESERVES			
Issued share capital	36	**32**	32
Share premium account	37	**9,061**	9,061
Other reserves	37	**28**	60
Profit and loss account		**4,118**	3,520
TOTAL EQUITY		**13,239**	12,673
TOTAL LIABILITIES AND EQUITY		**72,132**	67,353

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the Board on 24 March 2023.

F. Vicario	**J.H. Lee**	**P.M. Donofrio**	**S. McGuinness**
Director	Director	Director	for and on behalf of Merrill Lynch Corporate Services Limited Company Secretary

The notes on pages 34 to 128 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	$M	$M	$M	$M	$M
At 1 January 2022	32	9,061	60	3,520	12,673
Comprehensive income for the year					
Profit for the year	—	—	—	539	539
Currency translation differences	—	—	(28)	—	(28)
Movement in fair value of debt securities at FVOCI	—	—	(4)	—	(4)
Actuarial gains relating to retirement schemes	—	—	—	56	56
Total comprehensive income for the year	—	—	(32)	595	563
Group share based payment costs recharged	—	—	—	(57)	(57)
Group share based payment costs	—	—	—	60	60
At 31 December 2022	32	9,061	28	4,118	13,239

The notes on pages 34 to 128 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	$M	$M	$M	$M	$M
At 1 January 2021	32	9,061	87	2,877	12,057
Comprehensive income for the year					
Profit for the year	—	—	—	611	611
Currency translation differences	—	—	(28)	—	(28)
Movement in fair value of debt securities at FVOCI	—	—	1	—	1
Actuarial losses relating to retirement schemes	—	—	—	31	31
Total comprehensive income for the year	—	—	(27)	642	615
Group share based payment costs recharged	—	—	—	(60)	(60)
Group share based payment costs	—	—	—	61	61
At 31 December 2021	32	9,061	60	3,520	12,673

The notes on pages 34 to 128 form part of these financial statements.

1. ACCOUNTING POLICIES

These financial statements are the separate financial statements of the Company.

The principal accounting policies, which have been applied consistently throughout the current and prior year, 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.

1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

The International Accounting Standards Board has issued a number of amendments to IFRSs that are first effective for the current accounting period. None of these developments have significant impact on the Company's financial statements. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 IAS 7 - Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;
- 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; and
- the requirements of IFRS 5 paragraph 33(c) to disclose the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

1. ACCOUNTING POLICIES (CONTINUED)

1.4 GOING CONCERN

The directors have a reasonable expectation, based on current and anticipated future performance, the 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 directors are not aware of any material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern for at least that 12 month period. The financial statements have, therefore, been prepared on a going concern basis. Disclosures in respect of liquidity risk and capital management are set out in note 42.

1.5 FOREIGN CURRENCIES

a. Functional and presentation currency

The financial statements are presented in US dollars which is also the functional currency of the Company.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into the functional currency using the exchange rates prevailing at the reporting date are generally 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 ("FVOCI") 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 the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Exchange gains and losses on financial assets and liabilities held at Fair Value through Profit or Loss ("FVPL") are recognised in the income statement as part of the fair value gain or loss.

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.

c. Branches

The results and financial position of branches that have a functional currency different from US dollars are translated to US dollars as follows:

- assets and liabilities for the statement of financial position are translated at the exchange rate prevailing at the reporting date;
- income and expenses for the income statement are translated at the exchange rate at the date of the transaction; and
- resulting translation differences are recognised in the statement of other comprehensive income.

1. ACCOUNTING POLICIES (CONTINUED)

1.6 SEGMENTAL REPORTING

The Company does not fall within the scope of IFRS 8 – Operating segments, however certain disaggregation of results in relation to its two operational activities, being Global Banking and Global Markets and Support Services businesses are provided in order to meet the requirements of IFRS 15 and the Companies Act 2014. Performance is not analysed geographically as the Company operates primarily within EMEA.

1.7 INTEREST INCOME AND EXPENSE

a. 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.

b. Calculation of interest income and expense

Interest income and expense for all financial instruments measured at amortised cost or FVOCI are recognised on an accruals basis using the effective interest method.

The effective interest rate is applied to the gross carrying amount of the financial asset or to the amortised cost of the liability.

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 net trading income and net income from other financial instruments at FVPL, respectively.

Negative interest on financial assets measured at amortised cost or FVOCI is recognised through interest expense, and negative interest on financial liabilities measured at amortised cost is recognised through interest income.

1. ACCOUNTING POLICIES (CONTINUED)

1.8 FEE AND COMMISSION INCOME

a) Investment banking income

Investment banking income includes underwriting, financial advisory services, and syndication fees income. The Company accounts for revenues from contracts with customers under IFRS 15. Syndication fees 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 restructuring. Revenue varies depending on the size of the transaction and scope of services performed for each contract and is generally contingent on successful execution of the transaction. Revenue is typically recognised 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.

b) Card income

Card income includes annual, late and over-limit fees as well as interchange, cash advances and other miscellaneous items from credit and debit card transactions and from processing card transactions for merchants. Card income is presented net of direct costs. Interchange fees are recognised upon settlement of the credit and debit card payment transactions and are generally determined on a percentage basis for credit cards and fixed rates for debit cards based on the corresponding payment network's rates. Substantially all card fees are recognised at the transaction date.

c) Service charges

Service charges include deposit and lending-related fees. Deposit-related fees consist of fees earned on commercial deposit activities and are generally recognised when the transactions occur or as the service is performed. Commercial deposit-related fees are from the Corporation's Global Transaction Services business and consist of commercial deposit and treasury management services, including account maintenance and other services, such as payroll, sweep account and other cash management services.

Lending-related fees generally represent transactional fees earned from certain loan commitments and financial guarantees. Fees earned from loan commitments are generally deferred and recognised over the life of the facility, where it is not considered probable that there will be a resultant loan by the Company. Fees earned from financial guarantees are generally deferred and recognised over the life of the guarantee period (see note 1.22).

1.9 NET TRADING INCOME

Net trading income includes 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 net trading income. Net trading income includes gains and losses on derivatives used in the trading businesses as well as derivatives held for the purpose of hedging foreign currency exposure and any related exchange differences on the Company's foreign currency instruments.

1. ACCOUNTING POLICIES (CONTINUED)

1.10 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 and dividends.

1.11 SERVICE FEE INCOME

Service fee income consists of charges made to affiliates 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.

1.12 INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge, including Irish corporation tax and foreign taxes, is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, 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 end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise the temporary differences and losses.

Deferred tax assets and liabilities can only be offset if the Company has the legal right to settle current tax assets and liabilities and the deferred tax amounts are levied by the same taxation authority.

Current tax assets and tax liabilities can only be offset if the Company has the legal right to offset and the intention to settle on a net basis.

Current and deferred tax is recognised in profit or loss.

1.13 FINANCIAL ASSETS AND LIABILITIES - INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the assets.

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

For initial recognition of financial assets classified as measured at amortised cost or FVOCI, the Company measure them at fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI,

1. ACCOUNTING POLICIES (CONTINUED)

as described in note 1.16 below, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

For initial recognition of financial assets or financial liabilities classified as measured at fair value through profit or loss, the Company initially measure them at fair value with any transaction costs expensed in profit or loss.

1.14 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, but rather deferred in other assets (liabilities) where an instrument has a day one profit (loss).

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. Day one profit or loss is deferred on level 3 trades and a minimum threshold is applied per trade which on an aggregate basis is immaterial to the Company. See note 44 for further detail on the amount of the Company's deferred day one profit or loss.

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

1.15 FINANCIAL ASSETS - CLASSIFICATION AND SUBSEQUENT MEASUREMENT

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 at 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 "SPPI test").

A debt instrument is classified as measured at FVOCI only if it meets both of the following conditions and is not designated as at 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 above SPPI test is met.

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

1. ACCOUNTING POLICIES (CONTINUED)

of an '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; and
- How managers are compensated.

SPPI Test

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 meet 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 other comprehensive income ("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 trading assets and derivatives, 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 to instead be measured 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.

1.16 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 provides loss allowances on these financial instruments based on internal assessment of the extent of a financial instruments' credit risk:

- At an amount equal to ECLs that result from expected default events within the 12 months after the reporting date for financial instruments on which credit risk has not increased significantly since initial recognition and which were not credit impaired on initial recognition ("Stage 1" or "12 month ECL").

- At an amount equal to ECLs that result from expected default events over the life of the financial instrument:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

- for financial instruments on which credit risk has increased significantly since initial recognition but not considered to be credit impaired ("Stage 2" or "Lifetime ECLs Not credit impaired loans").
- for financial instruments which are credit impaired meaning already in default, or non-performing ("Stage 3" or "Lifetime ECLs Credit impaired loans").

12 month ECL is 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 is the expected credit loss that results from all possible default events over the expected life of the financial instrument.

Definition of default

A Company's obligor is in default if:

- The Company determines that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising collateral (if held); or
- The obligor is past due more than 90 days on any material credit obligation(s) to the Company.

An obligor in default remains in default until the Company has reasonable assurance of repayment and performance for all contractual principal and interest payments on all exposures of the Company to the obligor (other than exposures that have been fully charged off).

Measurement of ECL

The key inputs in the measurement of ECL are 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; and
- 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.

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

- For financial assets that are not credit impaired (Stage 1 and 2) 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 (Stage 3) 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.

1. ACCOUNTING POLICIES (CONTINUED)

Definition of credit impaired

The definition of credit impaired for ECL under IFRS 9 includes defaulted exposures as defined by Article 178 of the CRR and Non-Performing Exposures.

As a result, the Company considers a financial asset to be credit impaired and Stage 3 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.

In assessing whether an exposure is credit impaired, 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.

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 within other liabilities.

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.

Charge off

Loans and debt securities are charged 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 charge off. However, financial assets that are charged off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Any charge off and recoveries are recognised as a reduction (or increase) in the ECL allowance.

1.17 FINANCIAL LIABILITIES - CLASSIFICATION AND SUBSEQUENT MEASUREMENT

The Company classifies its financial liabilities as measured at amortised cost or FVPL. Financial liabilities are classified as measured at amortised cost using the effective interest method, except for:

- Derivative liabilities held for trading or held for risk management purposes are measured at FVPL; and
- Loan commitments that the Company 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.

For fair value measurement techniques for financial assets and liabilities, refer to note 44.

1. ACCOUNTING POLICIES (CONTINUED)

1.18 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 1.20 for further details.

1.19 SECURITIES FINANCING TRANSACTIONS

The Company may enter into secured financing transactions to accommodate customers and earn interest rate spreads (also referred to as "matched-book transactions"), to obtain securities for settlement and to finance trading positions. Such transactions are primarily entered in connection with securities purchased under agreements to resell ("resale agreements") and securities sold under agreement to repurchase ("repurchase agreements").

Resale and repurchase agreements are accounted for as secured financing transactions. Resale agreements are recorded at amortised cost, being their contractual amounts plus accrued interest, or mandatorily at FVPL, as a result of the business model assessment under IFRS 9. Repurchase agreements are recorded at amortised cost or at fair value under the fair value option election to eliminate accounting mismatch. Resale and repurchase agreements recorded at fair value are generally valued based on pricing models that use inputs with observable levels of price transparency.

Contractual interest coupon on resale and repurchase agreements at amortised cost are recorded as interest income or interest expense, as appropriate. Where resale and repurchase agreements are recorded at FVPL, interest is included with changes in the fair value of resale and repurchase agreements and presented in net income or expense from other financial instruments at FVPL.

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.

Substantially all repurchase and 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. The Company offsets certain repurchase and resale agreement balances with the same counterparty on the statement of financial position (see note 1.21 below for Offsetting).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

Securities received under resale agreements and securities delivered under repurchase agreements are generally not recognised on or derecognised from the statement of financial position as the risks and rewards of ownership are not obtained from or relinquished to the counterparty.

1.20 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.

A restructure can be considered substantial on a qualitative or quantitative basis.

1.21 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.

Central clearing counterparties ("CCP") are individually assessed to identify if net settlement criteria are met. Where this is achieved, assets and liabilities facing the CCP are offset.

1.22 FINANCIAL GUARANTEES AND LOAN 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 a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value plus transaction costs 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 line basis over the life of the guarantee, and the amount determined in accordance with the ECL model as detailed in note 1.16. Any loss allowance is recognised as a provision within other liabilities.

Loan commitments that the Company designates as financial liabilities at fair value through profit or loss are recognised as disclosed in note 1.17.

Other loan commitments provided by the Company are measured as the amount of the loss allowance (calculated in accordance with note 1.16) with any loss allowance recognised as a provision within other

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

liabilities. 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.

1.23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within deposits by banks in the balance sheet.

1.24 TRADING ASSETS AND LIABILITIES

Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

1.25 INVESTMENT SECURITIES

Investment Securities includes:

- Equity investment securities mandatorily measured at FVPL or designated as at FVPL. These are at fair value with changes recognised immediately in profit or loss; and
- Debt securities measured at FVOCI. These are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest income, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in Net interest income using the effective interest rate method.

1.26 INVESTMENTS IN SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

1.27 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and any impairment loss (see note 1.27 below).

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:

Leasehold improvements – 1 to 22 years
Office equipment – 1 to 15 years

1. ACCOUNTING POLICIES (CONTINUED)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1.28 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 separately in the statement of financial position, 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 recognised 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.

1.29 IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.30 EMPLOYEE BENEFITS

Short term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Post–employment obligations

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

1. ACCOUNTING POLICIES (CONTINUED)

Defined contribution pensions

The Company operates defined contribution plans to which it pays contributions calculated as a percentage of each employee's plan salary based on their length of service. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Defined benefit pensions

For its 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.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in profit and loss in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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

1.31 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. The share based payment transaction and chargeback agreement creates a total charge to the profit and loss based on the grant date fair value of the awards adjusted for subsequent movements in the fair value of those awards prior to delivery.

1. ACCOUNTING POLICIES (CONTINUED)

The fair value determined at the grant date expensed over the vesting period is recognised under staff cost whereas the subsequent movement in the fair value prior to delivery is recorded in service fee income or service fee expense.

1.32 PROVISION

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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 1.16. 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 client behaviour. An explanation of the inputs, assumptions and estimation techniques used in measuring ECL is provided in note 16, 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 estimates 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 estimates 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. Note 16 provides additional detail on the Company's approach to determining significant increase in credit risk.

(b) Valuation of financial instruments

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. See note 44 for further detail on the Company's approach to valuation of financial instruments.

(c) Pensions

The Company has an obligation to pay pension benefits to certain employees and former employees of the BAC Group. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management utilises the valuation provided by actuaries and estimates these factors in determining the net pension obligation or surplus in the statement of financial position. The assumptions reflect historical experience and current trends. See note 35 Retirement benefit obligations for further information concerning the Retirement benefit obligations.

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 1.15 for further details regarding classification of financial assets.

3. SEGMENTAL ANALYSIS

The Company operates two principal activities comprising the provision of financial services within the Global Banking and Global Markets business and the provision of Support Services to affiliates. The results of these activities are set out below.

	Global Banking and Global Markets Business	Support Services Provision	Total
	$M	**$M**	**$M**
2022			
Net interest income	**571**	**—**	**571**
Net fee and commission income	**459**	**—**	**459**
Net trading income	**169**	**—**	**169**
Net expense from other financial instruments at FVPL	**(7)**	**—**	**(7)**
Other operating income	**658**	**178**	**836**
Total operating income before expenses and impairment	**1,850**	**178**	**2,028**
Total operating expenses	**(1,143)**	**(171)**	**(1,314)**
Profit before taxation	**707**	**7**	**714**

	Global Banking and Global Markets Business	Support Services Provision	Total
	$M	$M	$M
2021			
Net interest income	404	—	404
Net fee and commission income	458	—	458
Net trading income	265	—	265
Net income from other financial instruments at FVPL	51	—	51
Other operating income	594	220	814
Total operating income before expenses and impairment	1,772	220	1,992
Total operating expenses	(1,040)	(203)	(1,243)
Profit before taxation	732	17	749

Support Services activities do not represent a significant proportion of the Company's assets and liabilities, being primarily driven by support costs incurred and recharged to affiliates. As such a breakdown of net assets between the principal activities is not considered necessary.

3. SEGMENTAL ANALYSIS (CONTINUED)

The below table shows a disaggregation of revenues within the scope of IFRS 15 for each of the principal activities. Further details are below.

2022	Global Banking and Global Markets Business $M	Support Services Provision $M	Total $M
Investment banking fees (note 5)	279	—	279
Loan commitment fees (note 5)	70	—	70
Card fees and commissions income (note 5)	154	—	154
Foreign draft fees (note 5)	36	—	36
Other fee and commission income (note 5)	50	—	50
Service fee income (note 7)	610	178	788
	1,199	178	1,377

2021	Global Banking and Global Markets Business $M	Support Services Provision $M	Total $M
Investment banking fees (note 5)	237	—	237
Loan commitment fees (note 5)	84	—	84
Card fees and commissions income (note 5)	75	—	75
Foreign draft fees (note 5)	34	—	34
Other fee and commission income (note 5)	92	—	92
Service fee income (note 7)	508	220	728
	1,030	220	1,250

3. SEGMENTAL ANALYSIS (CONTINUED)

Discontinued operations

Components of the Support Services business which had been transferred to the London branch of BANA during 2021 were disclosed as discontinued operations, with the following amounts recognised in the income statement of 2021.

Income and expenses are recognised in the income statement in prior year in relation to the transferred components and are separately disclosed as discontinued operations here in accordance with requirements of IFRS 5:

	2021 $M
Other operating income	39
Administrative expenses	(36)
Profit before tax	3
Tax on profit	(1)
Profit on discontinued operations	2

There have been no discontinued operations during 2022.

4. NET INTEREST INCOME

	2022 $M	2021 $M
Loans and advances to customers and banks	842	432
Cash held at central banks	57	—
Debt instruments at FVOCI	7	1
Interest income on liabilities	78	142
Reverse repurchase agreements	102	3
Cash collateral	9	2
Interest receivable and similar income	**1,095**	580
Deposits by banks and customers	(351)	(26)
Subordinated debt	(116)	(50)
Interest expense on assets	(54)	(92)
Interest on lease liabilities	(3)	(8)
Interest payable and similar expense	**(524)**	(176)
Net interest income	**571**	404

	2022 $M	2021 $M
Amounts above include:		
Net interest (expense)/ income due to affiliated companies	(175)	13

5. NET FEE AND COMMISSION INCOME

	2022 $M	2021 $M
Financial advisory services	239	176
Loan syndication fees	40	61
Investment banking fees	279	237
Card income	154	75
Loan commitment fees	70	84
Foreign draft fees	36	34
Other	50	92
Total fee and commission income	589	522
Card expenses	(116)	(60)
Other	(14)	(4)
Fee and commission expense	(130)	(64)
Net fee and commission income	459	458

The net fee and commission income above includes income of $549 million (2021: $461 million) and expense of $130 million (2021: $64 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 (EXPENSE)/INCOME FROM OTHER FINANCIAL INSTRUMENTS AT FVPL

The table below shows net (expense)/income from financial instruments measured at FVPL, other than those included in net trading income.

	2022 $M	2021 $M
Derivatives	(23)	(24)
Equity instruments	9	—
Loans and advances	(9)	75
Reverse repurchase agreements	16	—
	(7)	51

7. OTHER OPERATING INCOME

	2022 $M	2021 $M
Service fee income	788	728
Occupancy income	44	83
Other	4	3
	836	814

8. ADMINISTRATIVE EXPENSES

	2022 $M	2021 $M
Staff costs (see note 11)	497	534
Professional fees	49	49
Taxes	38	54
Regulatory fees and levies	49	52
Occupancy related expenses	33	58
Information processing and communications	20	28
Other	31	33
	717	808

9. OTHER OPERATING EXPENSE

	2022 $M	2021 $M
Service fee expense	**441**	511

10. AUDITORS' REMUNERATION

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

	2022 $000	2021 $000
Fees for the audit of the Company	1,334	1,422
Fees for audit related assurance services	41	15
	1,375	1,437

Audit related assurance service fees of $14,000 (2021: $15,000) relate to Country by Country Reporting and $27,000 (2021: nil) relate to fees in respect of reporting on Agreed-Upon procedures on contributions to the Single Resolution Fund submissions

11. STAFF COSTS

	2022 $M	2021 $M
Wages and salaries	424	446
Social security costs	49	61
Defined benefit and defined contribution pension scheme costs (see note 35)	24	27
	497	534

Included within wages and salaries are charges relating to share based compensation plans as determined in note 1.31, see note 13 for further details.

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

	2022 No.	2021 No.
Support, operations and technology	1,783	1,918
Trading, sales and advisory	478	431
	2,261	2,349

12. DIRECTORS' REMUNERATION

Of the directors that served during the year and up to the date of approval of this report, 11 (2021: 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.

	2022 $'000	2021 $'000
Non-executive directors fees	1,138	785
Emoluments	3,870	4,745
Pension contributions	—	14
	5,008	5,544

13. SHARE BASED PAYMENTS

BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Equity Plan ("BACEP") (previously known as the Bank of America Corporation Key Employee Equity Plan ("KEEP"). Under this plan, shares of BAC's common stock are authorised to be used for grants of awards to the Company's employees.

During the current and prior years, BAC granted restricted stock unit ("RSU") awards to certain employees of the Company under the BACEP, which will settle predominantly in shares of common stock of BAC. The four-year awards vest primarily in one-fourth increments on each of the first four anniversaries of the grant date while the three-year awards vest primarily in one-third increments on each of the first three anniversaries of the grant date, provided that the employee remains continuously employed with the Company during that time. The expense recognised is net of estimated forfeitures for non-retirement eligible employees based on the grant-date fair value of the shares. For RSUs granted to employees who are retirement eligible, they are deemed authorised as of the beginning of the year preceding the grant date when the incentive award plans are generally approved. As a result, the estimated value is expensed ratably over the year preceding the grant date.

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

Recipients of RSU awards may receive cash payments equivalent to dividends. For awards that are not dividend-eligible, the fair value measurement of the award is decreased to reflect the expected value of the dividends that similar awards would be eligible to receive.

The total pre-tax compensation cost recognised in profit and loss for share-based compensation plans for the year ended 31 December 2022 was $32m (2021: $61m), including the incremental effects of the chargeback agreement with BAC.

14. TAXATION

	2022 $M	2021 $M
Current tax		
Foreign tax	131	135
Total current tax	131	135
Deferred tax		
Origination and reversal of timing differences (see note 26)	40	8
Impact of tax rate changes (see note 26)	4	(5)
Total deferred tax	44	3
Total tax expense for the year	175	138

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

	2022 $M	2021 $M
Profit before tax	714	749
Tax calculated at Irish tax rate applicable of 12.50%	89	94
Tax effects of:		
Expenses not deductible for tax purposes	(2)	—
Impact of foreign taxes	81	46
Changes in deferred tax recognised on tax losses	3	3
Impact of tax rate changes	4	(5)
Total tax expense for the year	175	138

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Factors that may affect future tax charges are disclosed in note 26 Deferred Tax.

15. CASH HELD AT CENTRAL BANKS

	2022 $M	2021 $M
Balances with central banks other than mandatory reserve deposits	18,207	14,937
Mandatory reserve deposits with central banks	606	553
	18,813	15,490

Mandatory reserve deposits with central banks are not available for use in the Company's day-to-day operations.

16. PROVISION FOR LOAN LOSS

Measurement of ECL

When assessing the probability of default ("PD") for loans classified as Stage 1 the projection looks forward no more than 12 months.

When assessing the PD for loans classified as Stage 2 and 3 the Company considers the risk of default over the maximum contractual period (including any borrower's extension options) over which the Company 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 to 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. This includes various estimates and assumptions, some of which require judgement. One use of judgement in the process is weighting forward-looking macroeconomic scenarios used within statistical models. While the Company generally relies on consensus estimates, any one economic outlook path is inherently uncertain, and as such the Company uses multiple macroeconomic scenarios in its ECL calculation.

16. PROVISION FOR LOAN LOSS (CONTINUED)

As at 31 December 2022 five scenarios were used. These included:

- a baseline scenario in line with consensus estimates;
- two downside scenarios which assume a moderate recession and persistent inflation with interest rate levels above what is factored into the baseline;
- a tail risk scenario; and
- an upside scenario considered to account for the potential improvement in consensus outlooks.

These scenarios include key macroeconomic variables that have historically been drivers of increases and decreases in credit losses. These variables include, but are not limited to, unemployment rate, GDP levels and corporate bond spreads. As at 31 December 2022, the weighted economic outlook assumes that the UK unemployment rate and EU Developed Market High Yield at the end of 2023 would be around 5.3% and 9.3% respectively. The below table summarises the range of some of the macroeconomic inputs utilised within the model across the Company's chosen scenarios:

	Baseline scenario	Range across scenario		
Macroeconomic Variables	**2023**	**2023**	**2024**	**2025**
UK Unemployment %	4.4	4.2 - 7.3	4.1- 7.8	3.8- 6.6
UK Real GDP %	(0.4)	(3.8) - 1.1	1.5 - 3.6	0.8 - 3.0
France Real GDP %	0.7	(3.1) - 1.8	0.7 - 2.8	0.8 - 2.7
Germany Real GDP %	0.5	(3.9) - 2.0	1.1 - 4.1	(0.2) - 2.5
EU Developed Market High Yield Spread %	7.5	6.5 - 18.6	6.1 - 13.4	5.9 - 7.9

Further sensitivity information is provided below to illustrate how changes in the macroeconomic assumptions could impact the modelled ECLs. However, it is not intended to forecast how the allowance for credit losses is expected to change in a different macroeconomic outlook. 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. Considering the variety of factors contemplated when developing and weighting macroeconomic outlooks such as recent economic events, leading economic indicators, views of internal and third-party economists and industry trends, in addition to other qualitative factors, the company believes the allowance for credit losses at 31 December 2022 reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit risk ratings

In addition to the above judgements and estimates around macroeconomic expectations, the allowance for credit losses can also be impacted by changes in asset quality of the portfolio, such as increases or decreases in credit and / or internal risk ratings within the portfolio.

16. PROVISION FOR LOAN LOSS (CONTINUED)

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. As well as by credit risk rating, the Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower. 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

For a loan to qualify to be treated for lifetime losses (as Stage 2 or 3 under IFRS 9) it must be credit impaired (Stage 3) or have experienced 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. The Company has established thresholds based on both absolute and relative change in PD, leveraging internal credit risk officers' definition of significant credit deterioration. In addition to quantitative review of PD and risk rating changes, qualitative factors aligned to internal credit risk officers' view of risk management are considered, including the overall risk rating of the obligor in periods subsequent to origination. Further, the Company applies the presumption based on delinquency, such that instruments which are more than 30 days past due should be considered to have a significant increase in credit risk. Financial instruments that have been determined to have a significant increase in credit risk are subsequently reviewed in line with rating timelines to identify whether there has been an improvement of credit quality in the underlying instrument.

Russia/Ukraine conflict

The Russia/Ukraine conflict has contributed to the heightened volatility in financial and commodities markets, with multiple jurisdictions implementing economic sanctions.

While the Company's direct exposure to Russia is limited, the duration and impact of the conflict are uncertain. As a result, these risks could have an impact on the Company's business, results of operations and financial position.

16. PROVISION FOR LOAN LOSS (CONTINUED)

The Company continues to closely monitor the risks of rising rates, inflation and macroeconomic environment, including geopolitical risks as they evolve and places a high level of focus on the selection of scenarios and the amount of weighting given to each scenario, both of which are reviewed on a quarterly basis. These selections depend on a variety of factors including recent economic events, leading economic indicators and views of internal and third-party economists and industry trends. The Company also includes qualitative reserves to cover losses that are expected but, in the Company's assessment, may not be adequately represented in the economic assumptions described above. For illustration, factors that the Company considers include, but are not limited to: changes in business conditions, asset quality, the nature and size of the portfolio, and portfolio concentrations. Further, the Company considers the inherent uncertainty in statistical models that are built on historical data.

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 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 that may not be fully captured in the modelled ECL computation. These factor into the ECL an estimated impact from higher-risk segments that includes leveraged loans, country of risk and industries. In addition, the Company considers the potential for further losses from large single-name 'fallen angel' exposures. The results of this assessment are then overlaid to the modelled output to result in the overall ECL provision. Total judgemental overlays at 31 December 2022 amounted to $136 million (2021: $123 million). Included in the judgemental overlays are post model adjustments which represent 14% and 15% of the total ECL for risk of failure of significant single name exposures ("fallen angels") and leveraged loans respectively.

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. To provide an illustration of the sensitivity of the macroeconomic scenarios and other assumptions on the estimate of its allowance for credit losses, the Company assessed modelled ECL changes driven by stage and scenarios, shown below:

- In relation to stage determination, calculating ECL for all loans on a 12 month basis (Stage 1) would reduce the allowance by approximately $52 million (2021: $46 million), whereas moving all loans to the lifetime loss horizon (Stage 2 or 3) would increase the ECL allowance by approximately $73 million (2021: $87 million).

- Running staging and ECL calculations using only the upside scenario would reduce the ECL allowance by approximately $47 million (2021: $64 million), whereas using only the persistent inflation scenario would increase the ECL allowance by approximately $108 million (2021: $113 million).

- The ECL allowance would increase by $237 million (2021: $221 million) if the most severe macroeconomic scenario was weighted to 100% probability.

While the sensitivity analysis may be useful to understand how changes in macroeconomic assumptions could impact the Company modelled ECLs, it is not meant to forecast how our allowance for credit losses is expected to change in a different macroeconomic outlook. Importantly, the above sensitivities do not incorporate a variety of factors, including qualitative reserves and the weighting of alternative scenarios, which could have offsetting effects on the estimate. For example, qualitative reserves are determined based on a number of risk factors not reflected in the modelled results and could increase or decrease depending on methodological or scenario weighting inputs.

16. PROVISION FOR LOAN LOSS (CONTINUED)

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 are 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, where 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 agreements, the majority of 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 significant to the Company. Actual amounts charged off during the year on these other financial instruments are also not significant to the Company. In light of this, separate disclosure of ECL allowance or amounts charged off on these instruments is not considered necessary in the financial statements.

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 1.16.

Loans and advances to banks

	12 month ECL	Lifetime ECL Not - credit impaired loans	Total
	$M	$M	$M
As at 1 January 2022	3	3	6
Transfers to lifetime ECLs - not credit impaired loans	(5)	5	—
New financial assets originated or purchased	6	4	10
Net changes in credit risk	—	(5)	(5)
Financial assets derecognised during the year (not charged off)	(1)	(3)	(4)
As at 31 December 2022	3	4	7

	12 month ECL	Lifetime ECL Not - credit impaired loans	Total
	$M	$M	$M
As at 1 January 2021	2	3	5
New financial assets originated or purchased	2	1	3
Financial assets derecognised during the year (not charged off)	(1)	(1)	(2)
Net changes in credit risk	—	—	—
As at 31 December 2021	3	3	6

16. 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 2022	32	44	40	116
Transfers to 12 month ECLs	10	(10)	—	—
Transfers to lifetime ECLs - not credit impaired loans	(18)	19	(1)	—
Transfers to lifetime ECLs - credit impaired loans	—	(52)	52	—
New financial assets originated or purchased	20	5	5	30
Net changes in credit risk	(11)	105	39	133
Changes to model assumptions and methodologies	1	—	5	6
Amounts charged off	—	—	(35)	(35)
Financial assets derecognised during the year (not charged off)	(8)	(47)	(37)	(92)
Foreign exchange and discounting adjustments	1	5	8	14
As at 31 December 2022	27	69	76	172

	12 month ECL	Lifetime ECLs Not credit impaired loans	Lifetime ECLs Credit impaired loans	Total
	$M	$M	$M	$M
As at 1 January 2021	42	122	65	229
Transfers to 12 month ECLs	13	(13)	—	—
Transfers to lifetime ECLs – not credit impaired loans	(4)	7	(3)	—
Transfers to lifetime ECLs – credit impaired loans	—	(23)	23	—
New financial assets originated or purchased	14	12	13	39
Net changes in credit risk	(19)	13	(8)	(14)
Changes to model assumptions and methodologies	(2)	(3)	(2)	(7)
Amounts charged off	—	—	(9)	(9)
Financial assets derecognised during the year (not charged off)	(13)	(72)	(41)	(126)
Foreign exchange and discounting adjustments	1	1	2	4
As at 31 December 2021	32	44	40	116

16. 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 2022	44	54	12	110
Transfers to 12 month ECLs	14	(14)	—	—
Transfers to lifetime ECLs - not credit impaired loans	(13)	13	—	—
Transfers to lifetime ECLs - credit impaired loans	—	(2)	2	—
New guarantees / commitments originated or purchased	37	16	1	54
Net changes in credit risk	(20)	26	(5)	1
Changes to model assumptions and methodologies	1	3	1	5
Financial assets derecognised during the year (not charged off)	(24)	(25)	—	(49)
Foreign exchange and discounting adjustments	1	3	—	4
As at 31 December 2022	40	74	11	125

	12 month ECL	Lifetime ECLs Not credit impaired loans	Lifetime ECLs Credit impaired loans	Total
	$M	$M	$M	$M
As at 1 January 2021	63	95	9	167
Transfers to 12 month ECLs	37	(37)	—	—
Transfers to lifetime ECLs - not credit impaired loans	(12)	14	(2)	—
Transfers to lifetime ECLs - credit impaired loans	(1)	(6)	7	—
New guarantees / commitments originated or purchased	46	32	6	84
Net changes in credit risk	(41)	(2)	(2)	(45)
Changes to model assumptions and methodologies	(2)	(5)	(1)	(8)
Guarantees/commitments derecognised during the year (not charged off)	(46)	(38)	(5)	(89)
Foreign exchange and discounting adjustments	—	1	—	1
As at 31 December 2021	44	54	12	110

Lifetime ECL on Credit Impaired Loans includes any ECL on Purchased or Originated Credit Impaired ("POCI") loans. As at 31 December 2022, total exposure amount on POCI loans is $378 million (2021: $431 million) of which the loss allowance provided is $7 million (2021: $17 million).

16. PROVISION FOR LOAN LOSS (CONTINUED)

The contractual amount outstanding on financial assets that were charged off during the year ended 31 December 2022 and that are still subject to enforcement activity is $38 million (2021: $8 million).

Impact to the loss allowance of significant changes in the total exposure amount

During the year the exposure on 3rd party loans and advances impacting the loss allowance increased by $5 billion reflecting customer net issuance on loan facilities. Loans identified as Stage 2 increased by approximately $7 billion and loans identified as Stage 1 loans decreased by $2 billion reflecting changes in asset quality. However, loan volumes in Stage 3 remained largely consistent during the year.

ECL on the total exposure amount increased by $81 million on Stage 2 and Stage 3 positions, this increase was largely driven by the impact of Russia-Ukraine events, as well as the deteriorating macroeconomic environment. ECL on Stage 1 positions decreased by $9 million.

The overall allowance (including ECL on off-balance sheet guarantees and commitments) increased from an amount of $232 million as at 31 December 2021 to $304 million as at 31 December 2022.

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 1.20. Where the modification does not result in derecognition of the financial asset, the gross carrying value of the asset is recalculated and the difference is recognised as a modification gain or loss. The total impact of loan modifications for the year was $nil in the carrying amount of the loans modified (2021: $1 million). The total amortised cost of loans pre-modification, gross of loan loss provisions, totalled $nil (2021: $43 million).

For further information on the Company's exposure to and management of credit risk, see note 42.

17. MARKET AND CLIENT RECEIVABLES

	2022	2021
	$M	$M
On demand	**810**	1,025
Amounts above include:		
Due from affiliated companies	**532**	948

Market and client receivables relate to cash collateral and trades pending settlement and are considered by the Company to be repayable on demand. Due to the short-term contractual nature of the receivable balances, credit losses are not probable/expected due to minimal credit involved.

18. LOANS AND ADVANCES TO BANKS

	2022 $M	2021 $M
Gross carrying amount of loans and advances to banks at amortised cost	7,565	9,408
Allowance for impairment (see note 16)	(7)	(6)
	7,558	9,402
Loans and advances to banks at FVPL	422	391
Total loans and advances to banks	7,980	9,793

	2022 $M	2021 $M
Analysed by maturity		
On demand	1,823	1,311
Within three months	3,580	7,212
Between three months and one year	612	432
Between one year and five years	1,740	844
After more than five years	232	—
	7,987	9,799
Allowance for impairment	(7)	(6)
Total loans and advances to banks	7,980	9,793
Amounts above include:		
Due from affiliated companies	5,067	7,471

Included within loans and advances to banks at FVPL is an amount of $422 million (2021: $391 million) relating to deposits held as part of certain derivative sinking fund transactions and are not available for use in the Company's day–to–day operations.

19. LOANS AND ADVANCES TO CUSTOMERS

	2022 $M	2021 $M
Gross carrying amount of loans and advances to customers at amortised cost	26,446	23,922
Allowance for impairment (see note 16)	(172)	(116)
	26,274	23,806
Loans and advances to customers at FVPL	3,569	3,257
Total loans and advances to customers	29,843	27,063

	2022 $M	2021 $M
Analysed by maturity		
On demand	200	256
Within three months	3,036	1,608
Between three months and one year	4,544	3,891
Between one year and five years	16,497	14,422
More than five years	5,738	7,002
	30,015	27,179
Allowance for impairment	(172)	(116)
Total loans and advances to customers	29,843	27,063

Loans and advances to customers includes $13 million (2021: $27 million) of finance lease receivables. See note 24 for further details regarding these finance leases.

20. REVERSE REPURCHASE AGREEMENTS

	2022 $M	2021 $M
Reverse repurchase agreements at amortised cost	7,501	8,250
Reverse repurchase agreements at FVPL	1,817	787
	9,318	9,037
Analysed by maturity		
On demand	7,001	8,250
Within three months	634	113
Between three months and one year	852	674
Between one year and five years	831	—
	9,318	9,037
Amounts above include:		
Due from affiliated companies	7,251	8,250

21. TRADING ASSETS

	2022 $M	2021 $M
Government debt securities	210	289
Traded loans	1,330	1,275
Other debt securities	21	70
	1,561	1,634

	2022 $M	2021 $M
Analysed by maturity		
Within three months	118	97
Between three months and one year	218	79
Between one year and five years	781	728
More than five years	444	730
	1,561	1,634

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 within three months amounting to $98 million (2021: $69 million).

22. INVESTMENT SECURITIES

	2022 $M	2021 $M
Debt instruments held at FVOCI	322	623
Equity instruments held at FVPL	47	48
	369	671

	2022 $M	2021 $M
Analysed by maturity		
More than five years	47	48
Debt instruments :		
Within three months	187	459
Between three months and one year	135	164
	369	671

23. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $M	Office equipment $M	Total $M
COST OR VALUATION			
At 1 January 2022	184	42	226
Additions	6	1	7
Reclassification	6	(6)	—
Disposals	—	(1)	(1)
Exchange differences	(3)	1	(2)
Transfers intra group	(114)	(7)	(121)
At 31 December 2022	79	30	109
DEPRECIATION			
At 1 January 2022	111	21	132
Charge for the year	14	4	18
Additions	—	—	—
Reclassification	(1)	1	—
Disposals	—	1	1
Exchange differences	2	(3)	(1)
Transfers intra group	(84)	(4)	(88)
At 31 December 2022	42	20	62
NET BOOK VALUE			
At 31 December 2022	37	10	47
At 31 December 2021	73	21	94

Transfers intra group during 2022 includes the sale of leasehold improvements of $30 million and office equipment of $3 million at net book value to BANA London as part of the transfer of the lease referred to in note 24. Accordingly, the deferred tax assets associated with those fixed assets were also transferred to BANA London (see note 26 Deferred Tax).

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements $M	Office equipment $M	Total $M
COST OR VALUATION			
At 1 January 2021	176	36	212
Additions	13	9	22
Disposals	(2)	(1)	(3)
Exchange differences	(3)	(2)	(5)
At 31 December 2021	184	42	226
DEPRECIATION			
At 1 January 2021	95	18	113
Charge for the year	20	4	24
Disposals	(3)	—	(3)
Exchange differences	(1)	(1)	(2)
At 31 December 2021	111	21	132
NET BOOK VALUE			
At 31 December 2021	73	21	94
At 31 December 2020	81	18	99

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 2022 total lease income is $1 million (2021: $1 million), which relates to finance income on the net investment in finance leases. This is reflected in interest income on loans and advances to customers and banks in note 4.

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

	2022 $M	2021 $M
Less than one year	8	10
One to two years	2	10
Two to three years	2	4
Three to four years	1	2
Four to five years	—	1
More than five years	—	—
	13	27
Discounted unguaranteed residual value	—	—
Unearned finance income	—	—
Net investment in lease	13	27

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 consist of leases for premises. 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 7 years at 31 December 2022 (2021: 7.5 years).

	2022 $M	2021 $M
Carrying amount as at 1 January	417	465
Carrying amount at 31 December	103	417

Additions to the right-of-use assets during the year totalled $6 million (2021: $4 million).

During the year right-of-use assets totalling $283 million has been transferred from BofA Europe London branch to BANA London.

24. LEASES (CONTINUED)

Lease liabilities

	2022 $M	2021 $M
Maturity analysis – contractual undiscounted cash flows		
Less than one year	22	35
One to five years	72	210
More than five years	24	216
	118	461

	2022 $M	2021 $M
Lease liabilities included in the statement of financial position		
Less than one year	21	31
More than one year	92	399
Total lease liability (see note 31)	113	430

	2022 $M	2021 $M
Amounts recognised in profit or loss		
Interest on lease liabilities (see note 4)	3	8
Amortisation charge for the year	32	52
Variable lease payments not included in the measurement of lease liabilities	9	15

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

During the year, lease liability of $267 million has been transferred from BofA Europe London branch to BANA London.

The total cash outflow for leases during the year was $30 million (2021: $65 million).

25. OTHER ASSETS

	2022 $M	2021 $M
Fee and commission receivable	84	57
Amounts owed by group undertakings	257	146
Deferred tax (see note 26)	15	95
Taxation	138	147
Other	80	159
	574	604

Amounts owed by group undertakings are repayable on demand. The other category primarily relates to internal nostro balances.

26. DEFERRED TAXATION

	2022 $M	2021 $M
At 1 January	95	98
Charged to profit or loss (see note 14)	(40)	(8)
Impact of tax rate changes (see note 14)	(4)	5
Transfer deferred tax assets to an affiliated company	(39)	—
At 31 December	12	95

The deferred tax asset is made up as follows:

	2022 $M	2021 $M
Capital allowances - London branch	—	43
Timing differences in relation to share based payments - London branch	17	28
Tax losses carried forward - Ireland	—	32
Goodwill - Frankfurt branch	15	18
Timing differences in relation to capital gains - London branch	(2)	(2)
Timing differences in relation to the provision for loans impairment - London branch	(18)	(24)
	12	95

26. DEFERRED TAXATION (CONTINUED)

The deferred tax assets are recognised to the extent that future taxable profits over the Company's planning horizon will be available to utilise the temporary differences. The deferred tax liabilities are recognised for all taxable temporary differences. Having considered the expected performance of the business, the directors are of the opinion that these projections support the recognition of the deferred tax asset at 31 December 2022 of $15 million which pertains to the Frankfurt branch and the deferred tax liability of $3 million which pertains to the London branch (2021: deferred tax asset $95 million including Frankfurt branch $18 million, London branch $45 million and Ireland head office $32 million).

During the year, total fixed assets of $33 million were transferred from BofA Europe London Branch to BANA London. The total value of deferred tax assets of $39 million recognised on the unclaimed capital allowances for those fixed assets were also transferred to BANA London as part of the sale. As a result, the deferred tax assets in relation to the capital allowances are $nil at 31 December 2022.

The Company has fully utilised the Irish tax losses brought forward against 2022 taxable profits.

The Company has unrecognised deferred tax assets as at 31 December 2022 totalling $259 million (2021: $294 million), primarily in relation to the restricted tax losses pertaining to the London branch.

27. DEPOSITS BY BANKS

	2022 $M	2021 $M
Analysed by maturity		
On demand	**812**	972
Within three months	**60**	464
Between three months and one year	**2**	226
Between one year and five years	**26,157**	18,983
	27,031	20,645
Amounts above include:		
Due to affiliated companies	**26,634**	20,485

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28. DEPOSITS BY CUSTOMERS

	2022 $M	2021 $M
Analysed by maturity		
On demand	**19,672**	23,910
Within three months	**854**	—
Between three months and one year	**65**	66
Between one year and five years	**419**	452
	21,010	24,428
Amounts above include:		
Due to affiliated companies	**1,372**	1,228

29. MARKET AND CLIENT PAYABLES

	2022 $M	2021 $M
Analysed by maturity:		
On demand	**984**	536
Amounts above include:		
Due to affiliated companies	**265**	15

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

30. DEBT SECURITIES

Debt securities consist entirely of certificates of deposit and are analysed by maturity below:

	2022 $M	2021 $M
Within three months	**961**	701
Between three months and one year	**106**	489
	1,067	1,190

31. OTHER LIABILITIES

	2022 $M	2021 $M
Amounts owed to affiliated companies	170	169
Tax liabilities	54	45
Provisions (see note 32)	125	129
Deferred tax (see note 26)	3	—
Lease liabilities (see note 24)	113	430
Trading liabilities	1	7
Merchant clearing	142	111
Other	294	369
	902	1,260

Amounts owed to affiliated companies are payable on demand. The other category primarily relates to amounts payable in the process of settlement.

Trading liabilities of $1 million (2021: $7 million) consist of fair value of unfunded loans managed on a trading basis.

32. PROVISIONS

	2022 $M	2021 $M
Provision for loan loss - credit extension commitments (see note 16)	125	110
Other provisions	—	19
	125	129

During the year the Company released $19 million in provisions it had held at the beginning of the year under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, reflected in other liabilities:

- A $14 million provision to reflect a legal obligation to restore facilities to their original specification in advance of the planned exit from one of the Company's premises has been transferred to an affiliate along with the transfer of the building lease. For lease transfer details refer to note 24.
- A $5 million provision to reflect the expected payment to the UK tax authority, in respect of value added tax ("VAT") on head office expense allocations, has been released after the payment was made in the current year.

33. ACCRUALS

	2022 $M	2021 $M
Employee benefits and defined benefits obligations	73	66
Payroll taxes	30	35
Accrued expenses and deferred income	26	38
	129	139

34. SUBORDINATED LIABILITIES

	2022 $M	2021 $M
US Dollar denominated loan note maturing in 2033 and bearing interest at overnight SOFR Rate with quarterly reset plus 217 basis points	2,000	—
US Dollar denominated loan note maturing in 2027 and bearing interest at overnight SOFR Rate with daily reset plus 202 basis points	—	1,000
US Dollar denominated loan note maturing in 2028 and bearing interest at overnight SOFR Rate with daily reset plus 159 basis points	—	1,000
US Dollar denominated internal MREL loan maturing in 2026 and bearing interest at SOFR Rate with daily reset plus 77 basis points	2,000	2,000
	4,000	4,000

The 2033 loan qualifies as a Tier 2 instrument for regulatory capital purposes and may only be repaid, in full or in part, before the maturity date in the event of a change to the laws and regulations that govern these instruments that would exclude the loan from being a Tier 2 instrument or the tax treatment of the instrument. Early repayment can only occur after giving notice and obtaining permission from the CBI and the ECB. In relation to the subordination rights of this loan in the event of a winding up of the company, this loan ranks behind senior debt, ranks pari passu with other Tier 2 subordinated loans but ranks ahead of any equity issued by the company.

The Minimum requirements for own funds and eligible liabilities ("MREL") loan does not qualify as a tier 2 instrument for regulatory capital purposes. The loan may be repaid before the maturity date subject to certain conditions being met and provided the CBI and SRB have been notified and if necessary, have given their approval for such a repayment. The MREL is subject to automatic bail-in requirements. This loan is subordinate to senior debt but is senior to Tier 2 subordinated loans and equity.

All subordinated liabilities due in the current and prior year are owed to affiliated companies.

35. RETIREMENT BENEFIT OBLIGATIONS

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

a. Defined contribution schemes

The main schemes are:

- The Bank of America UK Retirement Plan (formerly the Bank of America Merrill Lynch UK Pension Plan) ("the UK Plan") which is generally available to the employees of the London branch of the Company. The principal employer of the UK Plan is Merrill Lynch International ("MLI").
- The Bank of America Ireland Pension Scheme (formerly the Bank of America Merrill Lynch Ireland Pension Scheme) ("the Ireland Plan") which is generally available to the employees of the Company based in Ireland.

The costs of defined contribution pension schemes are a percentage of each employee's plan salary for the UK Plan based on the length of service. The employer pays between 8% and 12% of plan salary. The costs are a percentage of each employee's salary for the Ireland Plan and are based on member contributions and length of service. The employer contribution rates are between 6% and 15% of pensionable salary. The costs 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 $19 million (2021: $27 million).

b. 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 French, Dutch and Italian employees.

b.i. Defined benefit scheme - Switzerland

The Zurich Plan is a stand-alone pension foundation (the "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 Foundation consists of the Company and other Swiss subsidiaries of the Bank of America Group and the Company is the principal employer in Switzerland.

The employer contributions are generally made in accordance with the benefit formula (i.e., contribution credits) plus an allowance for death and disability benefit costs and administration costs but under the plan rules and affiliation agreement the employer is contractually obliged to pay additional deficit contributions in the case of underfunding. Total defined benefit employer contributions made in 2022 were $2 million (2021: $1 million).

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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 – 3.4% of total risk insured salaries for risk, administration and other costs: 1.6% 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.

Plan valuations under IAS19 are undertaken annually.

b.ii. Defined benefit schemes – Germany

The plans are as follows:

ML International Bank Defined Pension Plan is sponsored by the London branch of the Company. The plan relates to former German Global Wealth and Investment Management ("GWIM") employees.

ML Capital Markets Bank Defined Benefit Plan and the ML Capital Markets Bank Deferred Compensation Plan ("MLCMB DCP") are sponsored by the Dublin head office of the Company (for non-active members) and the Frankfurt branch of the Company (for active employees).

ML Management GmbH DB Plan is sponsored by the Frankfurt branch of the Company and consists of liabilities in respect of German employees following the dissolution of ML Management GmbH during 2016.

ML IM Defined Benefit Plan and ML IM DCP are sponsored by the Frankfurt branch of the Company. These plans relate to German former GWIM employees.

BofA Europe Pension Plan 1992 and BoA Europe DAC Pension Plan 1992 DCP are sponsored by the Frankfurt branch of the Company. These plans are both unfunded and relate to active members in Germany.

The Company applies a Book-Reserve funding approach to all these Defined Benefit Plans, with the exception of the MLCMB DCP which is partially funded by insurance contracts. The Company is also legally obliged to contribute to the Pension Protection Association (Pensions-Sicherungs-Verein aG – PSVaG), which protects the members benefit promises from employer insolvency. These promises are the direct responsibility of the Company. There are no Trustees or other such plan board members.

The Company is consequently exposed to interest, inflation, disability and mortality risks, and must have the available cashflow to meet the benefits when they fall due in future.

Total defined benefit employer contributions made in 2022 were $3 million (2021: $3 million).

Plan valuations under IAS19 are undertaken annually.

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

b.iii. Defined benefit schemes - Other

The Other plans consist of a funded defined benefit pension arrangement in the Netherlands administered via an insurance contract held by the Company, an unfunded Termination Indemnity ("TFR") benefits arrangement in Italy as well as an unfunded defined benefit pension arrangement and a sabbatical program in France.

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 2022 were nil (2021: $1 million).

The below table shows the net pension liability on the statement of financial position and associated expense in the income statement. For some of the plans (ML International Bank Plan, MLIB Dublin Capital Markets Bank and MLIB Dublin Capital Markets Bank DCP), the currency of the underlying plan benefits does not match the Company's branches reporting currency. For these plans, results were first converted into the branch reporting currency, with currency gains or losses being recognised through profit and loss.

	2022 $M	2021 $M
Fair value of scheme assets	105	123
Present value of defined benefit obligations	(206)	(285)
Net pension liability on statement of financial position	**(101)**	(162)

	2022 $M	2021 $M
Current service cost	4	5
Interest expense	1	1
Branch currency (gains)/losses	(7)	(14)
Net defined benefit pension expense on income statement	**(2)**	(8)

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	Present value of obligation Switzerland	Present value of obligation Germany	Present value of obligation Other	Fair value of plan assets Switzerland	Fair value of plan assets Germany	Fair value of plan assets Other	Present value of obligation Total	Fair value of plan assets Total	Net pension liability
	$M	$M	$M	$M	$M	$M	$M	$M	$M
At 1 January 2022	(126)	(150)	(9)	113	4	6	(285)	123	(162)
Transferred In	—	—	—	—	—	—	—	—	—
	(126)	(150)	(9)	113	4	6	(285)	123	(162)
Amounts recognised in P&L:									
Current service cost	(2)	(1)	(1)	—	—	—	(4)	—	(4)
Interest expense	—	(2)	—	1	—	—	(2)	1	(1)
	(2)	(3)	(1)	1	—	—	(6)	1	(5)
Amounts recognised in OCI:									
Return on plan assets (excluding interest income)	—	—	—	(11)	—	(2)	—	(13)	(13)
(Loss) from change in experience assumptions	(15)	(2)	—	—	—	—	(17)	—	(17)
Gain from change in demographic assumptions	—	—	—	—	—	—	—	—	—
Gain from change in financial assumptions	38	42	3	—	—	—	83	—	83
	23	40	3	(11)	—	(2)	66	(13)	53

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	Present value of obligation Switzerland	Present value of obligation Germany	Present value of obligation Other	Fair value of plan assets Switzerland	Fair value of plan assets Germany	Fair value of plan assets Other	Present value of obligation Total	Fair value of plan assets Total	Net pension liability
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Foreign exchange differences	2	10	1	(2)	—	(1)	13	(3)	10
Profit and Loss	—	7	—	—	—	—	7	—	7
OCI	2	3	1	(2)	—	(1)	6	(3)	3
Other change in defined benefit obligations	—	—	(1)	—	—	—	(1)	—	(1)
Contributions									
Employer	—	—	—	2	3	—	—	5	5
Plan participants	(1)	—	—	1	—	—	(1)	1	—
	1	10	—	1	3	—	11	3	14
Payments from plan									
Benefit payments	6	3	—	(6)	(3)	—	9	(9)	—
At 31 December 2022	(98)	(100)	(7)	97	4	3	(206)	105	(101)

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	Present value of obligation Switzerland	Present value of obligation Germany	Present value of obligation Other	Fair value of plan assets Switzerland	Fair value of plan assets Germany	Fair value of plan assets Other	Present value of obligation Total	Fair value of plan assets Total	Net pension liability
	$M	$M	$M	$M	$M	$M	$M	$M	$M
At 1 January 2021	(136)	(172)	(10)	102	4	6	(318)	112	(206)
Transferred In	—	—	—	—	—	—	—	—	—
	(136)	(172)	(10)	102	4	6	(318)	112	(206)
Amounts recognised In P&L:									
Current service cost	(3)	(1)	(1)	—	—	—	(5)	—	(5)
Interest expense	—	(1)	—	—	—	—	(1)	—	(1)
	(3)	(2)	(1)	—	—	—	(6)	—	(6)
Amounts recognised In OCI:									
Return on plan assets (excluding interest income)	—	—	—	16	—	—	—	16	16
Gain/(loss) from change in experience assumptions	(2)	3	—	—	—	—	1	—	1
Gain from change in demographic assumptions	4	—	—	—	—	—	4	—	4
Gain from change In financial assumptions	4	6	—	—	—	—	10	—	10
	6	9	—	16	—	—	15	16	31
Foreign exchange differences	4	12	1	(3)	—	—	17	(3)	14
Contributions									
Employer	—	—	—	1	3	1	—	5	5
Plan participants	(1)	—	—	1	—	—	(1)	1	—
	3	12	1	(1)	3	1	16	3	19

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	Present value of obligation Switzerland	Present value of obligation Germany	Present value of obligation Other	Fair value of plan assets Switzerland	Fair value of plan assets Germany	Fair value of plan assets Other	Present value of obligation Total	Fair value of plan assets Total	Net pension liability
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Payments from plan									
Benefit payments	4	3	1	(4)	(3)	(1)	8	(8)	—
At 31 December 2021	(126)	(150)	(9)	113	4	6	(285)	123	(162)

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2022	2021
Discount rate	2.93%	0.66%
Pension growth rate	0.99%	1.05%
CPI inflation	1.76%	1.55%

	2022	2021
Life expectancy for males aged 65	21	21
Life expectancy for females aged 65	24	24
Life expectancy at 65 for male currently aged 50	23	23
Life expectancy at 65 for females currently aged 50	25	25

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.

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

	2022 $M	2021 $M
Equities	31	51
Debt	17	24
Real Estate	24	20
Other	33	28
	105	123

The average durations of the year-end obligations were as follows:

	2022 Years	2021 Years
Switzerland	14	18
Germany	13	16
Other plans	15	18

35. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Defined benefit obligation 2022 $M	Defined benefit obligation 2021 $M
Current value as at 31 December	**206**	285
Following a 1.0% increase in the discount rate	**—**	—
Change	**(26)**	(46)
New value	**180**	239
Following a 1.0% increase in the inflation assumption	**—**	—
Change	**10**	18
New value	**216**	303
Following an increase in life expectancy of one year	**—**	—
Change	**5**	10
New value	**211**	295

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 and / or Swiss 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.

Expected contribution for year 2023

Employer contribution to the Defined Benefit schemes for the next annual reporting period is expected to be $2 million.

36. SHARE CAPITAL

	2022 $M	2021 $M
Authorised		
55,051,000 (2021: 55,051,000) Ordinary shares of $1.00 each	55	55
Called up, issued and fully paid		
32,067,011 (2021: 32,067,011) Ordinary shares of $1.00 each	32	32

37. RESERVES

Share premium account
Under the terms of the 2018 merger with Bank of America Merrill Lynch International Limited ("BAMLI Ltd"), 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 the Company's share premium to $9,061 million.

Retained earnings
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 during the year was $3 million credit (2021: $1 million debit) and is included within profit and loss reserves.

Other reserves

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve represents the changes in fair value of fair value through other comprehensive income investments since initial recognition.

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.

Capital contribution reserve
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.

	Fair value through other comprehensive income reserve $M	Foreign exchange reserve $M	Capital contribution reserve $M	Total $M
Other reserves				
As at 1 January 2022	—	1	59	60
Current year movement	(4)	(28)	—	(32)
As at 31 December 2022	(4)	(27)	59	28

38. OTHER FINANCIAL COMMITMENTS

	2022 $M	2021 $M
Undrawn loan commitments	41,450	42,342
Purchase commitments	216	365
Standby letters of credit and financial guarantees	474	478
	42,140	43,185

The table above includes the notional amount of unfunded legally binding lending and purchasing commitments.

The Company enters into commitments to extend credit such as loan commitments, standby letters of credit and guarantees to meet the financing needs of its customers.

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse change clauses that help to protect the Company against deterioration in the borrower's ability to pay.

Purchase commitments are represented by open buy commitments to purchase loans, which have not yet been settled.

39. 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 2022

	Amortised cost	Mandatorily at FVPL	Designated at FVPL	FVOCI - debt instruments	FVPL - equity instruments	Total
	$M	$M	$M	$M	$M	$M
Cash at central banks	18,813	—	—	—	—	18,813
Market and client receivables	810	—	—	—	—	810
Loans and advances to banks	7,558	422	—	—	—	7,980
Loans and advances to customers	26,274	3,569	—	—	—	29,843
Reverse repurchase agreements	7,501	1,817	—	—	—	9,318
Trading assets	—	1,561	—	—	—	1,561
Investment securities	—	—	—	322	47	369
Derivative financial instruments	—	2,714	—	—	—	2,714
Other assets	421	—	—	—	—	421
Financial assets	61,377	10,083	—	322	47	71,829
Deposits by banks	27,031	—	—	—	—	27,031
Deposits by customers	21,010	—	—	—	—	21,010
Market and client payables	984	—	—	—	—	984
Debt securities	1,067	—	—	—	—	1,067
Derivative financial instruments	—	3,598	—	—	—	3,598
Financial liabilities designated FVPL	—	—	71	—	—	71
Other liabilities	720	—	1	—	—	721
Accruals	129	—	—	—	—	129
Subordinated liabilities	4,000	—	—	—	—	4,000
Financial liabilities	54,941	3,598	72	—	—	58,611

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2021

	Amortised cost	Mandatorily at FVPL	Designated at FVPL	FVOCI - debt instruments	FVPL - equity instruments	Total
	$M	$M	$M	$M	$M	$M
Cash at central banks	15,490	—	—	—	—	15,490
Market and client receivables	1,025	—	—	—	—	1,025
Loans and advances to banks	9,402	391	—	—	—	9,793
Loans and advances to customers	23,806	3,257	—	—	—	27,063
Reverse repurchase agreements	8,250	787	—	—	—	9,037
Trading assets	—	1,634	—	—	—	1,634
Investment securities	—	—	—	623	48	671
Derivative financial instruments	—	1,525	—	—	—	1,525
Other assets	146	—	—	—	—	146
Financial assets	58,119	7,594	—	623	48	66,384
Deposits by banks	20,645	—	—	—	—	20,645
Deposits by customers	24,428	—	—	—	—	24,428
Market and client payables	536	—	—	—	—	536
Debt securities	1,190	—	—	—	—	1,190
Derivative financial instruments	—	2,269	—	—	—	2,269
Financial liabilities designated FVPL	—	—	51	—	—	51
Other liabilities	599	7	—	—	—	606
Accruals	139	—	—	—	—	139
Subordinated liabilities	4,000	—	—	—	—	4,000
Financial liabilities	51,537	2,276	51	—	—	53,864

40. TRANSFERRED ASSETS AND UNCONSOLIDATED STRUCTURED ENTITIES

Nature, purpose and extent of the Company's exposure to structured entities

The Company enters into transactions in the normal course of business with various structured entities which have been designed to achieve a specific business objective. A structured entity (sometimes called a Special Purpose Entity ("SPE")) is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Company's exposure to structured entities relates to its provisioning of financing in the form of loans or similar advances to clients, backed by specific pools of assets. Structured entities' legal forms may vary, but generally include limited liability corporations, trusts, funds and partnership.

Sponsored entities

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 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 continued operation of the structured entity and/or provides guarantees regarding the structured entity's performance.

Consolidated structured entities

The Company does not have any consolidated structured entities, because its involvement with structured entities does not result in the Company having control over their investment making decisions.

Unconsolidated structured entities

The Company's interest in an unconsolidated structured entity is considered as the contractual and non-contractual 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.

The Company may provide financing to structured entities in the normal course of business. The Company assesses the risk and exposure of this activity consistently with other financing activities by reviewing the creditworthiness of the counterparties involved, the amount and quality of collateral in the vehicle, and the contractual arrangements in place including for example any guarantees received from other parties. The Company typically does not consider itself to be the sponsor of the arrangements because it does not have a significant level of involvement in the design or operation of the structured entity. In such cases the Company reports this activity within loans and advances to customers consistent with other financing activities.

Commercial real estate securitisation

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. The transferred assets are typically derecognised from the Company's balance sheet, because the Company transfers substantially all of the risks and rewards of ownership of the asset. Refer to note 1.15 and 1.18 for the accounting policy that governs recognition and derecognition of financial assets.

40. TRANSFERRED ASSETS AND UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

The Company also has exposure to sponsored commercial real estate securitisation vehicles within its loans and advances portfolio where the assets were transferred to the structured entity by an affiliated company in the BAC Group.

The Company typically either retains a portion of the original loan, provides a separate issuer loan to the structured entity, or provides liquidity facilities to the structured entity. These are considered to represent the Company's continuing involvement in transferred financial assets that have been derecognised in full.

The following table show the carrying amount of the Company's recorded interest in its statement of financial position as well as the maximum exposure to risk (as defined in the paragraph below) due to these exposures in the unconsolidated structured entities.

The Company's maximum loss exposure is based on the unlikely event that all of the assets in the structured entities become worthless and incorporates not only potential losses associated with assets recorded on the balance sheet but also potential losses associated with off-balance sheet commitments, such as unfunded liquidity commitments and other contractual arrangements. The Company's maximum loss exposure does not include losses previously recognised through write-downs of assets.

	2022		2021	
	Carrying amount	Maximum exposure to loss	Carrying amount	Maximum exposure to loss
	$M	$M	$M	$M
Recorded interest in the statement of financial position				
Loans and advance to customers	7	11	10	21

The total size of these structured entities is $344 million (2021: $754 million). During the current and prior years the Company has not provided any non-contractual financial or other support to these unconsolidated structured entities.

Transferred financial assets that are derecognised in their entirety but where the Company has continuing involvement

The following table summarises the effect on the Company's statement of financial position and maximum exposure to loss as a result of its continuous involvement in transferred assets with structured entities.

	2022		2021	
	Carrying amount	Maximum exposure to loss	Carrying amount	Maximum exposure to loss
	$M	$M	$M	$M
Undrawn loan commitments	173	184	198	212

The amounts in the table above relate primarily to retained interests in SPEs.

The total size of these structured entities is $4,035 million (2021: $4,684 million). During the current and prior years the Company has not provided any non-contractual financial or other support to these SPEs.

There was no material income received by the Company during 2022 and prior years in relation to these transactions.

41. OFFSETTING

Financial assets and liabilities may be offset and the net amount reported in the statement of financial position only where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The following table presents financial instruments that are subject to enforceable master netting arrangements and other similar agreements but not offset. The column 'net amount' shows the impact on the Company's statement of financial position if all set-off rights were exercised.

31 December 2022

	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amounts recognised $M	**Gross amounts offset in the SOFP $M**	**Net amounts presented in the SOFP $M**	**Financial instruments $M**	**Cash collateral $M**	**Net amount $M**
Assets						
Derivative financial instruments	3,714	(1,000)	2,714	(1,683)	(544)	487
Reverse repurchase agreements	9,569	(251)	9,318	—	—	9,318
Liabilities						
Derivative financial instruments	4,407	(809)	3,598	(1,683)	(690)	1,225
Repurchase agreements	251	(251)	—	—	—	—

31 December 2021

	Gross amounts recognised $M	Gross amounts offset in the SOFP $M	Net amounts presented in the SOFP $M	Financial instruments $M	Cash collateral $M	Net amount $M
Assets						
Derivative financial instruments	2,097	(572)	1,525	(587)	(435)	503
Liabilities						
Derivative financial instruments	2,826	(557)	2,269	(587)	(983)	699

41. OFFSETTING (CONTINUED)

Financial instruments

The Company can undertake a number of financial instrument transactions with a single counterparty and may enter into an International Swaps and Derivatives Association, Inc ("ISDA") master netting agreement or 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.

42. RISK MANAGEMENT

Legal entity risk governance

BAC Group has established a risk framework (the "Risk Framework"), which serves as the foundation for consistent and effective management of the risks facing BAC Group (including the Company).

The Risk Framework applies to all employees of the BAC Group. It provides an understanding of the Company'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 the Company'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 businesses within the BAC Group (including the Company) to manage risks across the seven key risk types: market, credit, operational, liquidity, reputational, strategic and compliance risks.

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

a. Market risk

Market risk is the risk that changes in market conditions may adversely impact the value of assets and 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 arising from changes in the value of trading portfolios, investment securities or treasury-related funding activities. These portfolios typically are subject to daily price movements and are accounted for primarily on a mark-to-market basis. This risk occurs most significantly from market making, dealing and capital markets activity in interest rate, foreign exchange and credit markets.

Interest rate risk

Interest rate risk is the risk to current or projected financial condition arising from movements in interest rates. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows (repricing risk), from changing rate relationships among different yield curves affecting bank activities (basis risk), from changing rate relationships across the spectrum of maturities (yield curve risk), and from interest-related options embedded in bank products or investment securities (options risk).

Interest rate risk in the banking book

Interest rate risk in the banking book is the risk to the Company's current or anticipated earnings or capital arising from adverse movements in interest rates. Changes in interest rates affect the Company's earnings and capital by impacting its projection of earnings at risk and the underlying economic value of its assets, liabilities and off-balance sheet items (economic value of equity).

42. RISK MANAGEMENT (CONTINUED)

Gap risk results from the term structure of interest rate sensitive instruments that arises from differences in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel). Basis risk arises from the impact of relative changes in interest rates on interest rate sensitive instruments that have similar tenors but are priced using different interest rate indices. Interest rate risk arises in the Company's banking book from differences in repricing, rate and maturity characteristics between its assets and liabilities.

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. The Company'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% 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.

The table that follows presents the Company's average and year-end VaR for 2022 and 2021. Additionally, high and low VaR is presented independently for each risk category and overall.

	Year end 2022 $000	**High 2022 $000**	**Average 2022 $000**	**Low 2022 $000**
99% Daily VaR				
Credit risk	21,268	35,889	25,773	19,414
Currency risk	2,312	2,333	969	268
Interest rate risk	2,891	3,998	2,047	1,141
Total	**21,495**	**35,648**	**25,719**	**19,769**

	Year end 2021 $000	High 2021 $000	Average 2021 $000	Low 2021 $000
99% Daily VaR				
Credit risk	19,707	19,940	16,604	11,685
Currency risk	1,109	3,107	1,581	599
Interest rate risk	1,056	2,867	1,950	912
Total	**19,930**	**20,063**	**16,340**	**11,950**

In addition to VaR measures, the market risk department utilises a range of other risk measures including sensitivity analysis and stress testing to monitor exposures, and manages them using a robust set of limits.

42. RISK MANAGEMENT (CONTINUED)

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

Credit risk management

The Company 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 borrower or counterparty. Credit exposure is proactively reassessed as a borrower's or counterparty's risk profile changes.

In its commercial FLUs, the Company 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;
- Establishing the allowance for credit losses, which is a reserve for expected credit losses over the life of the Company's lending commitments; and
- Climate risk management.

These processes create a comprehensive and consolidated view of the Company's credit risks, thus providing senior management with the information required to guide or redirect FLUs and certain legal entity strategic plans, if necessary.

42. RISK MANAGEMENT (CONTINUED)

The primary credit risks of the Company relate to its commercial lending activities. The Company also has more limited credit risk from 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, where applicable, the value of any collateral that the Company would expect to realise.

Derivatives trading

The Company enters into ISDA master agreements or their equivalent ("master netting agreements") with derivative counterparties. Master netting agreements provide risk mitigation in bankruptcy in certain circumstances and can, 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.

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.

42. RISK MANAGEMENT (CONTINUED)

Credit quality analysis

The following table analyses the carrying amount and 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
31 December 2022	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Cash held at central banks	13,431	5,381	1	—	**18,813**	—	**18,813**
Market and client receivables	10	761	3	36	**810**	—	**810**
Loans and advances to banks	340	6,955	692	—	**7,987**	(7)	**7,980**
Loans and advances to customers	3,393	16,531	10,053	38	**30,015**	(172)	**29,843**
Reverse repurchase agreements	1,236	8,082	—	—	**9,318**	—	**9,318**
Trading assets	15	197	781	568	**1,561**	—	**1,561**
Investment securities - debt	322	—	—	—	**322**	—	**322**
Derivative financial instruments	—	2,464	250	—	**2,714**	—	**2,714**
	18,747	**40,371**	**11,780**	**642**	**71,540**	**(179)**	**71,361**
Guarantees and commitments	910	32,275	8,734	221	**42,140**	(125)	**42,015**
	19,657	**72,646**	**20,514**	**863**	**113,680**	**(304)**	**113,376**

For financial instruments within the scope of the impairment provisions of IFRS 9 (i.e., financial instruments that are not measured at FVPL), the below table further analyses 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).

42. RISK MANAGEMENT (CONTINUED)

31 December 2022	AAA to AA $M	A to BBB $M	BB and lower $M	Not rated $M	Total gross amount $M	Impairment Allowance $M	Overall exposure $M
Stage 1							
Cash held at central banks	13,431	5,381	1	—	**18,813**	—	**18,813**
Market and client receivables	10	761	3	36	**810**	—	**810**
Loans and advances to banks	340	6,207	449	—	**6,996**	(3)	**6,993**
Loans and advances to customers	3,393	12,067	5,437	37	**20,934**	(27)	**20,907**
Reverse repurchase agreements	—	7,501	—	—	**7,501**	—	**7,501**
Investment securities - debt	322	—	—	—	**322**	—	**322**
Guarantees and commitments	910	27,982	4,378	1	**33,271**	(40)	**33,231**
	18,406	**59,899**	**10,268**	**74**	**88,647**	**(70)**	**88,577**

31 December 2022	AAA to AA $M	A to BBB $M	BB and lower $M	Not rated $M	Total gross amount $M	Impairment Allowance $M	Overall exposure $M
Stage 2							
Loans and advances to banks	—	326	243	—	**569**	(4)	**565**
Loans and advances to customers	—	2,219	2,422	—	**4,641**	(69)	**4,572**
Guarantees and commitments	—	3,963	3,031	—	**6,994**	(74)	**6,920**
	—	**6,508**	**5,696**	**—**	**12,204**	**(147)**	**12,057**

31 December 2022	AAA to AA $M	A to BBB $M	BB and lower $M	Not rated $M	Total gross amount $M	Impairment Allowance $M	Overall exposure $M
Stage 3							
Loans and advances to customers	—	6	865	—	**871**	(76)	**795**
Guarantees and commitments	—	—	110	—	**110**	(11)	**99**
	—	**6**	**975**	**—**	**981**	**(87)**	**894**

42. RISK MANAGEMENT (CONTINUED)

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment Allowance	Overall exposure
31 December 2021	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Cash held at central banks	10,635	4,782	10	63	15,490	—	15,490
Market and client receivables	—	1,025	—	—	1,025	—	1,025
Loans and advances to banks	—	9,264	512	23	9,799	(6)	9,793
Loans and advances to customers	2,654	14,864	9,607	54	27,179	(116)	27,063
Reverse repurchase agreements	787	8,250	—	—	9,037	—	9,037
Trading assets	4	29	703	898	1,634	—	1,634
Investment securities - debt	—	623	—	—	623	—	623
Derivative financial instruments	28	1,067	430	—	1,525	—	1,525
	14,108	39,904	11,262	1,038	66,312	(122)	66,190
Guarantees and commitments	1,218	30,938	10,266	763	43,185	(110)	43,075
	15,326	70,842	21,528	1,801	109,497	(232)	109,265

42. RISK MANAGEMENT (CONTINUED)

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment Allowance	Overall exposure
31 December 2021	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Stage 1							
Cash held at central banks	10,635	4,782	10	63	15,490	—	15,490
Market and client receivables	—	1,025	—	—	1,025	—	1,025
Loans and advances to banks	—	8,872	202	23	9,097	(3)	9,094
Loans and advances to customers	2,654	12,528	5,906	54	21,142	(32)	21,110
Reverse repurchase agreements	—	8,250	—	—	8,250	—	8,250
Investment securities - debt	—	623	—	—	623	—	623
Guarantees and commitments	1,218	29,483	5,142	113	35,956	(44)	35,912
	14,507	65,563	11,260	253	91,583	(79)	91,504

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment Allowance	Overall exposure
31 December 2021	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Stage 2							
Loans and advances to banks	—	—	311	—	311	(3)	308
Loans and advances to customers	—	86	1,838	—	1,924	(44)	1,880
Guarantees and commitments	—	875	1,885	—	2,760	(54)	2,706
	—	961	4,034	—	4,995	(101)	4,894

	AAA to AA	A to BBB	BB and lower	Not rated	Total gross amount	Impairment Allowance	Overall exposure
31 December 2021	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Stage 3							
Loans and advances to customers	—	—	856	—	856	(40)	816
Guarantees and commitments	—	—	135	3	138	(12)	126
	—	—	991	3	994	(52)	942

42. 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.

	2022 Maximum exposure to credit risk	2022 Identifiable mitigation	2021 Maximum exposure to credit risk	2021 Identifiable mitigation
	$M	$M	$M	$M
Cash held at central banks	18,813	—	15,490	—
Market and client receivables	810	742	1,025	993
Loans and advances to banks	7,980	423	9,793	391
Loans and advances to customers	29,843	5,840	27,063	6,963
Reverse repurchase agreements	9,318	9,146	9,037	8,978
Trading assets	1,561	217	1,634	317
Investment securities	322	—	671	—
Derivative financial instruments	2,714	1,921	1,525	938
Other assets	421	—	358	—
	71,782	18,289	66,596	18,580
Guarantees and commitments	42,015	1,213	43,185	112
	113,797	19,502	109,781	18,692

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.

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.

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.

42. 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 2022, these derivative contracts provided notional principal protection of $2,035 million (2021: $456 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 2022			
Loans and advances to customers	**871**	**669**	**—**
31 December 2021			
Loans and advances to customers	856	689	—

The amount of identifiable collateral included above is limited to the total loan exposure to illustrate the Company's credit risk mitigation on these positions at the year end. Actual identifiable collateral values may exceed the total loan exposure that the Company holds.

As at 31 December 2022, 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.

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 are shown below.

42. 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 2022					
Gross amount	7,987	30,015	9,318	322	—
Amount committed / guaranteed	—	—	—	—	42,140
	7,987	**30,015**	**9,318**	**322**	**42,140**
Portfolio concentration by geography					
Austria	—	54	—	—	380
Belgium	22	824	—	—	1,376
Denmark	—	152	—	—	1,210
France	455	3,662	—	104	7,523
Germany	2	1,748	—	—	4,880
Ireland	98	2,662	1,236	—	813
Italy	180	2,194	—	—	1,839
Jersey	—	173	—	—	194
Luxembourg	402	3,902	—	—	1,486
Netherlands	—	1,880	—	26	3,235
Norway	—	82	—	—	634
Saudi Arabia	250	830	—	—	1,315
Spain	2	813	831	—	1,490
Sweden	17	337	—	—	1,357
Switzerland	—	353	—	—	1,864
Turkey	410	428	—	—	—
UAE	125	173	—	—	213
UK	3,519	8,259	—	192	9,934
USA	2,097	287	7,251	—	147
Other	408	1,202	—	—	2,250
	7,987	**30,015**	**9,318**	**322**	**42,140**
Portfolio concentration by sector					
Central banks	1	—	—	—	—
Central governments	—	469	—	322	—
Non-financial corporations	—	17,151	—	—	30,117
Credit institutions	7,986	—	7,501	—	534
Other financial corporations	—	12,395	1,817	—	11,489
	7,987	**30,015**	**9,318**	**322**	**42,140**

42. 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 2021					
Gross amount	9,799	27,179	9,037	623	—
Amount committed / guaranteed	—	—	—	—	43,185
	9,799	27,179	9,037	623	43,185
Portfolio concentration by geography					
Austria	—	43	—	—	404
Belgium	22	783	—	—	1,411
Denmark	—	23	—	—	949
France	402	2,336	—	171	7,976
Germany	2	1,068	—	—	5,749
Ireland	65	1,827	787	—	532
Italy	83	1,575	—	—	1,156
Jersey	—	378	—	—	418
Luxembourg	—	2,944	—	—	2,840
Netherlands	—	1,738	—	—	3,460
Norway	—	408	—	—	532
Saudi Arabia	149	1,234	—	—	950
Spain	2	1,113	—	—	1,395
Sweden	—	259	—	—	1,517
Switzerland	—	654	—	—	2,289
Turkey	464	429	—	—	—
UAE	524	183	—	—	214
UK	6,290	8,336	—	452	9,395
USA	1,150	258	8,250	—	263
Other	646	1,590	—	—	1,735
	9,799	27,179	9,037	623	43,185
Portfolio concentration by sector					
Central banks	—	1	—	—	—
Central governments	—	459	—	623	—
Non-financial corporations	—	15,549	—	—	29,491
Credit institutions	9,799	—	8,250	—	542
Other financial corporations	—	11,170	787	—	13,152
	9,799	27,179	9,037	623	43,185

42. RISK MANAGEMENT (CONTINUED)

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 31 December 2022 there were no customer receivables past due (2021: $nil).

Security and collateral

At 31 December 2022, 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 $10,089 million (2021: $10,135 million). The actual fair value of financial assets accepted as collateral that have been used, sold or repledged was $938 million (2021: $510 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 and security. At 31 December 2022, the Company had delivered cash and security collateral of $786 million (2021: $1,033 million) against contractual commitments under derivative liability positions.

c. Operational risk and Compliance risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, people or external events. The Company strives for operational excellence in everything it does. The Company has designed an operational risk management program that seeks to anticipate and assess operational risks and respond to these risks effectively should they materialise.

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 or its 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 established a compliance risk management program that seeks to anticipate and assess compliance risks and respond to these risks effectively should they materialise.

Operational risk and compliance risk management process

The Company is committed to maintaining strong operational risk and compliance risk management practices across all FLUs and control functions. The Company manage operational risk and compliance risk in an ever changing and complex regulatory environment, and with the evolving products, services and strategies offered by its FLUs. The company have an integrated set of processes and controls to manage external and internal risks, including metrics and extensive monitoring, testing and risk assessment processes.

FLUs and control functions are first and foremost responsible for managing all aspects of their businesses, including their operational risks and compliance risks. FLUs and control functions are required to understand their business processes and related risks and controls, including third party dependencies, 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 and Compliance 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 operational risks and compliance risks across the Company.

42. RISK MANAGEMENT (CONTINUED)

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

Each of the FLUs are accountable for managing liquidity risk within the Company's 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 the Company's liquidity risk management processes.

GRM works with Treasury and the LOBs 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.

The 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 Board provides oversight of the Company's liquidity risk profile and at least annually, approves the Company's Risk Appetite Statement, which sets forth the level of liquidity risk that the Company may assume in connection with the Strategic and Capital Plan through the Company Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP"). The Board periodically reviews the liquidity risk management strategies, policies, and procedures described in the Risk Appetite Statement and the LRP.

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

The MRC provides management oversight of liquidity risk of the Company's activities. The MRC is responsible for holistic risk management, including an integrated evaluation of risk, earnings, capital and liquidity. The monitoring of performance against the Company's Risk Appetite Statement is carried out on an ongoing basis and reported to the MRC and BRC on a regular basis. Performance is also communicated regularly to the Board.

42. RISK MANAGEMENT (CONTINUED)

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
- MRC-owned management level risk appetite
- Non-risk appetite
- Risk indicators

Limits are monitored and reported daily and a clear escalation path to Senior Management, ALCO, MRC, BRC, and the 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 Board, the BRC, and Senior Management.

The tables below represent the undiscounted cash flows of the Company's financial liabilities as at 31 December 2022 and 31 December 2021, with the exception of those held for trading and financial liabilities designated at fair value, for which the fair value has been disclosed as this is consistent with the values used in the liquidity risk management of these instruments:

	On demand	Less than 3 months	Due between 3 months and 1 years	Due between 1 years and 5 years	Due after 5 years	Total
31 December 2022 Non-Trading Financial Liabilities	**\$M**	**\$M**	**\$M**	**\$M**	**\$M**	**\$M**
Deposits by banks	812	60	2	26,157	—	**27,031**
Deposits by customers	19,672	854	65	419	—	**21,010**
Debt securities	—	961	106	—	—	**1,067**
Financial liabilities designated at fair value	71	—	—	—	—	**71**
Market and client payables	984	—	—	—	—	**984**
Lease liabilities	—	—	22	72	24	**118**
Subordinated liabilities	—	—	—	2,000	2,000	**4,000**
	21,539	**1,875**	**195**	**28,648**	**2,024**	**54,281**
Guarantees and commitments	**42,140**	—	—	—	—	**42,140**
	63,679	**1,875**	**195**	**28,648**	**2,024**	**96,421**
Trading liabilities						
Derivative financial instruments	3,598	—	—	—	—	3,598

42. RISK MANAGEMENT (CONTINUED)

	On demand	Less than 3 months	Due between 3 months and 1 years	Due between 1 years and 5 years	Due after 5 years	Total
31 December 2021 Non-Trading Financial Liabilities	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Deposits by banks	972	464	226	18,983	—	20,645
Deposits by customers	23,910	—	66	452	—	24,428
Debt securities	—	701	489	—	—	1,190
Financial liabilities designated at fair value	51	—	—	—	—	51
Market and client payables	536	—	—	—	—	536
Lease liabilities	—	—	35	210	216	461
Subordinated liabilities	—	—	66	2,104	1,745	3,915
	25,469	1,165	882	21,749	1,961	51,226
Guarantees and commitments	43,185	—	—	—	—	43,185
	68,654	1,165	882	21,749	1,961	94,411
Trading liabilities						
Derivative financial instruments	2,269	—	—	—	—	2,269

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 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 shown on the basis of the earliest date they can be called. All other figures show contractual maturities.

For maturity analysis on financial assets, please refer to notes from note 17 to note 22.

e. Reputational risk

Reputational risk is the potential risk that negative perception of BAC or the Company may adversely impact 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, monitoring and oversight 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, the Company aligned with BAC does not set quantitative limits for the level of acceptable risk. Through proactive risk management, the Company seeks to minimise both the frequency and impact of reputational events.

42. RISK MANAGEMENT (CONTINUED)

At the BAC level, reputational risk is reviewed by the Enterprise Risk Committee and the MRC, which provide primary oversight of reputational risk. Additionally, top reputational risks are reviewed by the GRM Leadership team and the BAC Board of directors.

For the EMEA region there is a specialist committee, the EMEA Reputational Risk Committee ("Reputational Risk Committee"), whose mandate includes consideration of reputational risk issues (including matters related to ESG factors) 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 LOBs.

The reporting of the Company reputational risk issues is captured as part of management routines for the Reputational Risk Committee. Tracking of items presented to this Committee is maintained through a reporting protocol, which provides detail such as the description of the reputational risk issue, the geographical jurisdiction, the reason for escalation and the decision reached by the Committee. In addition, the Reputational Risk Committee provides updates to the Company's Board Risk Committee on regular basis.

f. Strategic risk

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

Strategic risk is managed by proactively considering risk throughout the strategic planning process, setting the strategies within the context of the overall risk appetite tracking and analysing the performance of the strategic plan throughout the year. 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 the evaluation of progress in achieving strategic objectives and also with the regular assessment of earnings and risk profile throughout the year. The executive management team provides the 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.

The Company strategy execution and risk management involves a formal planning and approval process. The Company strategic plans are set within the context of overall risk appetite and the strategic planning process includes an evaluation of the internal and external environment and the Group's strengths, weaknesses, opportunities and threats.

The Company strategic plan is reviewed and approved annually by the Board in consideration of the capital plan, financial operating plan, liquidity requirements and risk appetite. Strategic decisions relating to the Company are presented and discussed at the BRC and the Board.

Routines are in place 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. Material risks are considered for capital and liquidity planning. Independent risk management, Corporate Audit and other control functions provide input, challenge and oversight to FLUs and strategic decisions and initiatives relating to the Company.

42. RISK MANAGEMENT (CONTINUED)

Regular updates to the Board on business performance and management of strategic risk take into account analyses of performance relative to the strategic plan, risk appetite, the strength of capital and liquidity positions and stress tests (which address potential macroeconomic events, changing regulatory requirements and various market growth rate assumptions). This also includes an assessment of the level of inherent risk, control effectiveness, as well as the residual risk outlook.

g. 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 set out in Regulation (EU) No 575/2013), Pillar 2 additional own funds requirements set by the ECB, as well as buffer requirements set out in Directive 2013/36/EU and O-SII buffer set by the ECB and the CBI. In addition, an internal capital buffer above those prescribed in regulation is also maintained.
- 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 enable 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.

	2022 $M	2021 $M
Common Equity Tier 1 (equity share capital and reserves)	12,221	11,846
Tier 2 (qualifying long-term subordinated liabilities)	2,000	2,000
Total capital resources	**14,221**	**13,846**

As at the end of the current and prior years the Company exceeded external capital requirements. Capital resources for current and prior years are not inclusive of audited current (prior) year profits.

Company information is included as part of the Pillar 3 disclosures of the Company 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, this can be obtained via http://investor.bankofamerica.com.

42. RISK MANAGEMENT (CONTINUED)

h. Climate risk

Risks may span across multiple key risk types. One example of this is climate risk. Climate risk is the risk that climate change or actions taken to mitigate climate change expose the Company to adverse impacts on its reputation, profitability or operations.

Climate-related risks are divided into two major categories:

- Physical Risks: Risks related to the physical impacts of climate change, driven by extreme weather events such as hurricanes and floods, as well as chronic longer-term shifts such as rising average global temperatures and sea levels; and
- Transition Risks: Risks related to the transition to a low-carbon economy, which may entail extensive policy, legal, technology and market changes.

Physical risks of climate change, such as more frequent and severe extreme weather events, can increase credit risk by diminishing borrowers' repayment capacity or collateral values, or can increase operational risk through the impact on the Company's facilities, employees, customers or vendors. Transition risks of climate change may amplify credit risks through the financial impacts of changes in policy, technology or the market on the Company or its counterparties. Unanticipated market changes can lead to sudden price adjustments and give rise to heightened market risk. Reputational risk can arise if the Company do not meet its climate-related commitments.

43. INTEREST RATE BENCHMARK REFORM

After 31 December 2021, ICE Benchmark Administration ("IBA") ceased publishing GBP, EUR, CHF and JPY LIBOR settings and one-week and two-month USD LIBOR settings. However, certain LIBOR settings that became no longer representative are being published using a modified calculation (i.e., on a "synthetic" basis). The remaining USD LIBOR settings (i.e., overnight, one month, three month, six month and twelve month) will cease or become non-representative immediately after June 30, 2023.

The following table summarises the significant exposures impacted by interest rate benchmark reform as at 31 December 2022:

	USD LIBOR $M	Other LIBOR $M
Non derivative financial assets	4,944	—
Non derivative financial liabilities	—	46
Derivatives	4,218	5
Guarantees and commitments	10,566	—
	19,728	51

Exposures disclosed represent management's assessment of positions with contractual maturities after 31 December 2022, which have yet to transition. Balances are reported using the notional contract amount for all instruments.

For non-derivative instruments such as loan contracts that may be drawn in multiple currencies, the exposure amounts reflect the currency and therefore index the funded amount, if drawn. If undrawn, exposure is categorised to the currency and index which reflects the primary currency for the facility.

For derivative instruments, where contracts have both pay and receive legs with exposure to benchmark reform such as cross currency swaps, the notional contract amount is disclosed for both legs.

The following table relates to comparatives as at 31 December 2021:

	USD LIBOR $M	GBP LIBOR $M	CHF LIBOR $M	EUR EONIA $M	Other LIBOR $M
Non derivative financial assets	9,909	755	—	—	5
Derivatives	6,459	1,410	—	224	—
Guarantees and commitments	8,436	3,146	214	—	27
	24,804	5,311	214	224	32

44. FAIR VALUE MEASUREMENT

a) Valuation models

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.

i) Trading assets and liabilities

The fair values of trading 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. 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. 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.

ii) Derivative assets and liabilities

The fair values of derivative assets and liabilities traded in the OTC 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. When third party pricing services are used, the methods and assumptions are reviewed by the Company. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available, or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate. Derivative assets and liabilities considered Level 3 relate to interest rate swaps and credit default swaps.

In addition, the Company incorporates within its fair value measurements of OTC derivatives a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counterparty, and the fair value for net long exposures is adjusted for counterparty credit risk whilst the fair value for net short exposures is adjusted for the Company's own credit risk. The Company also incorporates a funding valuation adjustment within its fair value measurements to include funding costs on uncollateralised derivatives and derivatives where the Company is not permitted to use the collateral it receives. An estimate of severity of loss is also used in the determination of fair value, primarily based on market data.

iii) Resale agreements

The fair value for certain resale agreements is estimated using a discounted cash flow model which incorporates inputs such as interest rate yield curves. Resale agreements which are measured at fair value, are generally classified as Level 2 in the fair value hierarchy.

44. FAIR VALUE MEASUREMENT (CONTINUED)

iv) Other investments

The fair value of other investments is determined by using quantitative models that require the use of valuation techniques. As these securities are not actively traded or where quoted prices are unavailable, the Company utilises comparable trading multiples in arriving at the valuation for these positions. Management determines comparable public companies and calculates a trading multiple for each comparable company identified using other observable inputs. The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company specific facts and circumstances. Where possible, management corroborates fair value with observations of market transactions of the same underlying instruments between knowledgeable and willing parties in arm's length transactions.

v) Debt securities at FVOCI

The fair value of debt securities at FVOCI are based on both actively traded markets where prices are based on direct market quotes or observed transactions, and markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, including US government treasury bills and certain non-US sovereign obligations. The Company does not adjust the quoted price for these instruments.

b) Financial instruments measured at fair value – Fair value hierarchy

The table below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 31 December 2022 and 31 December 2021.

44. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value measurement as at 31 December 2022

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Loans and advances to banks	422	—	—	422
Loans and advances to customers	—	3,217	352	**3,569**
Reverse repurchase agreements	—	1,817	—	**1,817**
Trading assets	—	752	809	**1,561**
Derivative financial instruments	—	2,493	221	**2,714**
Investment securities	131	191	47	**369**
Total assets	**553**	**8,470**	**1,429**	**10,452**
Trading liabilities	—	1	—	**1**
Derivative financial instruments	—	3,396	202	**3,598**
Financial liabilities designated at fair value	—	64	7	**71**
Total liabilities	**—**	**3,461**	**209**	**3,670**

Fair value measurement as at 31 December 2021

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Loans and advances to banks	391	—	—	391
Loans and advances to customers	—	3,201	56	3,257
Reverse repurchase agreements	—	787	—	787
Trading assets	29	1,054	551	1,634
Derivative financial instruments	—	1,498	27	1,525
Investment securities	57	566	48	671
Total assets	477	7,106	682	8,265
Trading liabilities	—	7	—	7
Derivative financial instruments	—	2,256	13	2,269
Financial liabilities designated at fair value	—	35	16	51
Total liabilities	—	2,298	29	2,327

Transfers between levels of the fair value hierarchy are assessed on a quarterly basis and the policy for determining a transfer amount is consistent for transfers in and transfers out. During 2022, there were transfers of financial instruments of $nil (2021: $116 million) between Level 1 and Level 2 of the fair value hierarchy for certain government securities within investment securities due to a change in direct price observability of these assets. For transfers into and from Level 3, see note (c) below.

44. FAIR VALUE MEASUREMENT (CONTINUED)

c) Level 3 fair value measurement

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

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

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.

i) Reconciliation

The table below presents a reconciliation of all Level 3 financial instruments measured at fair value. Level 3 assets were $1,429 million as of 31 December 2022 (2021: $682 million) and represented 14% (2021: 8%) of assets measured at fair value. Level 3 liabilities were $209 million as of 31 December 2022 and represented 6% (2021: $29 million 1%) of liabilities measured at fair value.

44. FAIR VALUE MEASUREMENT (CONTINUED)

	Loans and advances to customers	Trading assets	Derivative assets	Investment securities	Derivative liabilities	Financial liabilities designated at fair value	Total
	$M	$M	$M	$M	$M	$M	$M
Balance at 1 January 2022	56	551	27	48	(13)	(16)	653
Total gains/(losses) recognised within the income statement	(5)	21	218	(1)	(212)	9	30
Purchases	33	789	—	—	—	—	822
Sales	(11)	(20)	—	—	—	—	(31)
Issuances	45	—	—	—	—	—	45
Settlements	(12)	(504)	(9)	—	8	—	(517)
Transfer into Level 3	246	37	3	—	(3)	—	283
Transfer out Level 3	—		(18)	—	18	—	—
Transfers between businesses	—	(65)	—	—	—	—	(65)
Balance at 31 December 2022	**352**	**809**	**221**	**47**	**(202)**	**(7)**	**1,220**
Unrealised gains/(losses)	(5)	13	218	(1)	(212)	9	22

Unrealised gains/(losses) relate to profit or loss from positions still held at year end and are included within net trading revenues. Total gains/(losses) recognised throughout the year are included within net trading revenues.

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.

44. FAIR VALUE MEASUREMENT (CONTINUED)

	Loans and advances to customers	Trading assets	Derivative assets	Investment securities	Derivative liabilities	Financial liabilities designated at fair value	Total
	$M	$M	$M	$M	$M	$M	$M
Balance at 1 January 2021	1,016	637	39	48	(14)	—	1,726
Total gains/(losses) recognised within the income statement	(4)	(22)	(8)	—	(3)	(16)	(53)
Purchases	—	277	—	—	—	—	277
Sales	(764)	(178)	—	—	—	—	(942)
Issuances	6	—	—	—	—	—	6
Settlements	(202)	(175)	(4)	—	4	—	(377)
Transfer into level 3	4	19	—	—	—	—	23
Transfer out of level 3	—	(7)	—	—	—	—	(7)
Balance at 31 December 2021	56	551	27	48	(13)	(16)	653
Unrealised gains/(losses)	(19)	(85)	(8)	—	(4)	(16)	(132)

44. FAIR VALUE MEASUREMENT (CONTINUED)

ii) Unobservable inputs used in measuring fair value

31 December 2022

Product	Valuation Technique	Significant Unobservable Inputs	Unit	Input Low	Input High	Input Weighted Average	Fair Value Assets	Fair Value Liabilities
							$M	$M
Loans and advances and traded loans – backed by commercial real estate	Discounted cash flow	Yield	%	—	25	10	262	(2)
		Price	$	—	100	75		
Loans and advances and traded loans – commercial loans	Discounted cash flow, Market comparable	Yield	%	5	43	15	899	(5)
		Prepayment speed	%	10	20	15		
		Default rate	%	3	4	4		
		Loss severity	%	35	40	38		
		Price	$	—	157	75		
		Long-dated equity volatilities	%	—	—	n/a		
Equities	Discounted cash flow, Market Comparable	Yield	%	5	43	15	47	
		Prepayment speed	%	10	20	15		
		Default rate	%	3	4	4		
		Loss severity	%	35	40	38		
		Price	$	—	157	75		
		Long-dated equity volatilities	%	—	—	n/a		
Interest Rate Derivatives	Industry standard derivative pricing	Correlation (IR/IR)	%	(35)	89	67	206	(202)
		Correlation (FX/IR)	%	11	58	43		
		Long-dated inflation rates	%	—	39	1		
		Long-dated inflation volatilities	%	—	5	2		
		Interest rate volatilities	%	—	2	1		
Credit derivatives	Discounted cash flow, Stochastic recovery correlation model	Credit spreads	Points	3	63	22	15	
		Upfront points	Points	—	100	83		
		Prepayment speed	%	15	15	n\a		
		Default rate	%	2	2	n\a		
		Credit correlation	%	18	53	44		
		Price	$	—	151	63		

44. FAIR VALUE MEASUREMENT (CONTINUED)

31 December 2021

Product	Valuation Technique	Significant Unobservable Inputs	Unit	Input Low	Input High	Input Weighted Average	Fair Value Assets $M	Fair Value Liabilities $M
Loans and advances and traded loans - backed by commercial real estate	Discounted cash flow	Yield	%	—	25	4	394	(16)
		Price	$	—	100	57		
Loans and advances and traded loans - commercial loans	Discounted cash flow, Market comparables	Yield	%	—	19	10	213	—
		Prepayment speed	%	10	20	16		
		Default rate	%	3	4	4		
		Loss severity	%	35	40	37		
		Price	$	—	189	73		
		Long-dated equity volatilities	%	—	45	—		
Equities	Discounted cash flow, Market comparables	Yield	%	—	20	10	48	—
		Prepayment speed	%	10	20	16		
		Default rates	%	3	4	4		
		Loss severities	%	35	40	37		
		Long-dated equity volatilities	%	—	186	73		
		Price	$	—	45	—		
Interest Rate Derivatives	Industry standard derivative pricing	Correlation (IR/IR)	%	(1)	90	34	17	(13)
		Correlation (FX/IR)	%	(1)	58	3		
		Long-dated inflation rates	%	(10)	11	14		
		Long-dated inflation volatilities	%	—	2	1		
Credit derivatives	Discounted cash flow, Stochastic recovery correlation model	Credit spreads	Points	7	155	62	11	
		Upfront points	Points	16	100	68		
		Prepayment speed	%	15	15	—		
		Default rate	%	2	2	—		
		Credit correlation	%	20	60	55		
		Price	$	—	122	66		

44. FAIR VALUE MEASUREMENT (CONTINUED)

The tables above provide information on the valuation techniques, significant unobservable inputs and their ranges 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. The Company 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.

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. Short positions would be impacted in a directionally opposite way. 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 real estate asset price would result in a significantly higher fair value for long positions, and short positions would be impacted in a directionally opposite way.

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.

iii) Sensitivity analysis of unobservable inputs

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting 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 the year end, it could have increased fair value by as much as $204 million (2021: $90 million) or decreased fair value by as much as $255 million (2021: $114 million) with the potential effect impacting the income statement rather than reserves.

44. FAIR VALUE MEASUREMENT (CONTINUED)

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.

d) 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:

	2022 $M	2021 $M
At 1 January	6	15
Day one profit on new trades not recognised in income statement	—	—
Settlements/disposals	(1)	(9)
At 31 December	5	6

e) 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 the majority 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 $33,524 million (2021: $33,282 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 $4,021 million (2021: $3,915 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. 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.

46. CONTROLLING PARTY

The Company's immediate parent company is BANA, a company incorporated in Delaware. The Company's ultimate parent company and controlling party is BAC, a company 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 into which the Company's 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/.