Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries

Consolidated Financial Statements
as of and for the Years Ended
December 31, 2010 and 2009, and
Report of Independent Auditors

MERRILL LYNCH BANK AND TRUST COMPANY (CAYMAN) LIMITED AND SUBSIDIARIES

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REPORT OF INDEPENDENT AUDITORS

To the Stockholder and Board of Directors of
Merrill Lynch Bank and Trust Company
(Cayman) Limited:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of comprehensive income, of changes in stockholder's equity, and of cash flows present fairly, in all material respects, the financial position of Merrill Lynch Bank and Trust Company (Cayman) Limited (the "Company") and Subsidiaries as at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Company underwent an ownership change on January 1, 2009 from the purchase of Merrill Lynch & Company by Bank of America Corporation.

As discussed in Notes 4 and 10 to the financial statements, the Company, on a recurring basis, enters into significant related party transactions with Merrill Lynch & Company subsidiaries.

PricewaterhouseCoopers

March 31, 2011

PricewaterhouseCoopers , 5th Floor Strathvale House, P.O. Box 258, Grand Cayman, KY1- 1104, Cayman Islands,
T: +1 (345) 949 7000, F: +1 (345) 949 7352, www.pwc.com/ky

MERRILL LYNCH BANK AND TRUST COMPANY
(CAYMAN) LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009
(In thousands of United States dollars)

	2010	2009
ASSETS		
CASH AND DUE FROM BANKS	$ 4,169	$ 3,199
INVESTMENT SECURITIES AVAILABLE FOR SALE	1,298	696
LOANS (Net of allowance for loan losses of $23 in 2010 and $521 in 2009)	1,699,988	1,784,342
RECEIVABLES FROM AFFILIATES	52,690	48,414
ACCRUED TRUST ADMINISTRATION FEES	19,957	18,874
ACCRUED INTEREST RECEIVABLE	4,275	5,762
OTHER ASSETS	9,566	6,873
TOTAL	$ 1,791,943	$ 1,868,160
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES:		
Deposits:		
Demand	$ 514,137	$ 456,674
Time	636,823	828,933
Total deposits	1,150,960	1,285,607
PAYABLES TO AFFILIATES	135,914	104,050
UNFUNDED PENSION LIABILITY	64,766	61,892
OTHER LIABILITIES	9,229	7,941
Total liabilities	1,360,869	1,459,490
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDER'S EQUITY:		
Capital	386,735	387,229
Accumulated other comprehensive loss	(580)	(2,069)
Retained earnings	44,919	23,510
Total stockholder's equity	431,074	408,670
TOTAL	$ 1,791,943	$ 1,868,160

The accompanying notes are an integral part of these consolidated financial statements.

MERRILL LYNCH BANK AND TRUST COMPANY (CAYMAN) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS AS OF DECEMBER 31, 2010 AND 2009 (In thousands of United States dollars)

	2010	2009
INTEREST INCOME:		
Loans	$ 29,988	$ 39,896
Interest earning deposits with affiliated companies	53	243
Other	-	86
Total Interest Income	30,041	40,225
INTEREST EXPENSE:		
Deposits	5,579	10,716
Interest expense on derivatives - net	5,227	3,022
Other borrowings	1,370	2,993
Total Interest Expense	12,176	16,731
NET INTEREST INCOME	17,865	23,494
(RECOVERY) PROVISION FOR LOAN LOSSES	(498)	554
NET INTEREST INCOME AFTER (RECOVERY) PROVISION FOR LOAN LOSSES	18,363	22,940
NON-INTEREST INCOME:		
Service fee income from affiliated companies	75,677	55,250
Trust administration fees	30,224	29,625
Other	627	2,660
Total Non-interest Income	106,528	87,535
TOTAL REVENUES, NET OF INTEREST EXPENSES	124,891	110,475
NON-INTEREST EXPENSES:		
Compensation and benefits	68,468	51,003
Service fee expense with affiliated companies	5,771	8,851
Occupancy and related depreciation	3,754	3,132
Communication and technology	2,636	2,184
Advertising and market development	1,741	1,247
Professional fees	1,683	2,003
Other	3,239	4,062
Total Non-interest Expenses	87,292	72,482
EARNINGS BEFORE INCOME TAXES	37,599	37,993
INCOME TAX EXPENSE	16,190	14,483
NET EARNINGS	$ 21,409	$ 23,510

The accompanying notes are an integral part of these consolidated financial statements.

MERRILL LYNCH BANK AND TRUST COMPANY
(CAYMAN) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
AS OF DECEMBER 31, 2010 AND 2009
(In thousands of United States dollars)

	2010	2009
NET EARNINGS	$ 21,409	$ 23,510
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:		
Foreign currency translation adjustment (1)	(895)	(3,395)
Net change in unrealized loss on investment securities available for sale (2)	-	(3)
Net actuarial gain (3)	2,384	1,329
Total other comprehensive income (loss)	1,489	(2,069)
COMPREHENSIVE INCOME	$ 22,898	$ 21,441

(1) Net of Tax Expense(Benefit) of $588 and ($2,094) for 2010 and 2009, respectively.
(2) Net of Tax Expense(Benefit) of $0 and ($2) for 2010 and 2009, respectively.
(3) Net of Tax Expense of $1,168 and $819 for 2010 and 2009, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

MERRILL LYNCH BANK AND TRUST COMPANY (CAYMAN) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY AS OF DECEMBER 31, 2010 AND 2009 (In thousands of United States dollars, except shares and per share amounts)

	2010	2009
CAPITAL		
Share Capital (12,000 ordinary shares with par value $1 per share) - Balance - beginning and end of year	$ 12	$ 12
Share Premium:		
Balance - beginning of year	387,217	273,804
Transfer of prior year's cumulative retained earnings due to Purchase Accounting	-	111,866
Investment in subsidiary	(494)	790
Reclass of prior year's accumulated other comprehensive income balance due to Purchase Accounting	-	864
Bank of America Acquisition adjustment	-	(107)
Balance - end of year	386,735	387,229
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment:		
Balance - beginning of year	(3,395)	6,518
Transfer of foreign currency translation, due to Purchase Accounting	-	(6,518)
Translation adjustment, including impact of taxes	(895)	(3,395)
Balance - end of year	(4,290)	(3,395)
Net unrealized loss on investment securities available for sale:		
Balance - beginning of year	(3)	(8)
Transfer of unrealized loss on investment securities available for sale, due to Purchase Accounting	-	8
Net change in unrealized loss on investment securities available for sale	-	(3)
Balance - end of year	(3)	(3)
Defined benefit pension plan:		
Balance - beginning of year	1,329	(5,646)
Transfer of defined benefit pension plan, due to Purchase Accounting	-	5,646
Net actuarial gains - net of tax	2,384	1,329
Balance - end of year	3,713	1,329
Total balance - end of year	(580)	(2,069)
RETAINED EARNINGS:		
Balance - beginning of year	23,510	111,866
Transfer of retained earnings, due to Purchase Accounting	-	(111,866)
Net earnings	21,409	23,510
Balance - end of year	44,919	23,510
TOTAL STOCKHOLDER'S EQUITY	$ 431,074	$ 408,670

The accompanying notes are an integral part of these consolidated financial statements.

MERRILL LYNCH BANK AND TRUST COMPANY (CAYMAN) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2010 AND 2009
(In thousands of United States dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 21,409	$ 23,510
Noncash items excluded from earnings:		
Depreciation and amortization	360	475
Stock compensation expense	274	92
Deferred taxes	(989)	(176)
Provision (recovery) for loan losses	(498)	554
Changes in operating assets and liabilities:		
Receivables from affiliates	(4,276)	(3,522)
Payables to affiliates	31,590	28,204
Unfunded pension liability	2,874	7,289
Other assets	(2,558)	(758)
Accrued Trust Revenues	(1,083)	1,734
Accrued Interest Receivable	1,487	6,396
Other liabilities	1,288	(5,701)
Other, net	2,387	1,232
Net cash provided by operating activities	52,265	59,329
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities available-for-sale	(605)	-
Net decrease in loans	84,852	318,080
Net cash provided by investing activities	84,247	318,080
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term borrowing	-	(165,000)
Net increase (decrease) in demand deposits	57,463	(40,836)
Net decrease in time deposits	(192,110)	(178,703)
Bank of America Acquisition adjustment	-	(107)
Net cash used in financing activities	(134,647)	(384,646)
Effect of exchange rate changes on cash	(895)	(3,395)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	970	(10,632)
CASH AND CASH EQUIVALENTS—Beginning of year	3,199	13,831
CASH AND CASH EQUIVALENTS—End of year	$ 4,169	$ 3,199
SUPPLEMENTAL CASH FLOW INFORMATION - Cash paid for:		
Interest	$ 13,316	$ 19,001
Income Taxes	$ 2,595	$ 618

The accompanying notes are in integral part of these consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Merrill Lynch Bank and Trust Company (Cayman) Limited (the "Company"), a wholly owned subsidiary of Merrill Lynch Cayman Holdings Incorporated, or MLCHI, which in turn is a wholly owned subsidiary of Merrill Lynch International Holdings, Inc., or MLIHI, consists of a banking division (the "Banking Division") and non-banking division (the "Non-banking Division"). The Company's intermediate parent company is Merrill Lynch & Co., Inc. ("ML & Co.") which is a wholly- owned subsidiary of Bank of America Corporation ("Bank of America"). The Company is registered under the laws of the Cayman Islands and holds a Category "A" Banking and Trust License subject to the provisions of the Banks and Trust Companies Law.

The Company's most significant business is the Banking Division, which conducts banking and trust operations for customers of its affiliates. The Banking Division maintains branches in the Isle of Man and Singapore, which perform administration duties associated with the Banking Division's trust business. The branches do not engage in deposit taking, lending, or foreign currency trading activities.

The Company has a subsidiary in Uruguay, whose primary activities consist of intercompany lending and business development for other ML & Co. entities. The Banking Division conducts business with client corporations, high net worth individuals, and other financial institutions. The Banking Division's principal products include secured loans, interbank placements, deposits from private clients, and foreign exchange transactions.

On January 1, 2009, ML & Co. was acquired by Bank of America Corporation ("Bank of America") through the merger of a wholly owned subsidiary of Bank of America with and into ML & Co. with ML & Co. continuing as the surviving corporation and a wholly owned subsidiary of Bank of America. As a result of the merger, all of the direct and indirect subsidiaries of ML & Co. including the Company, have become indirect subsidiaries of Bank of America. Bank of America's cost of acquiring ML & Co. has been pushed down to form a new accounting basis for ML & Co. and the Company. Due to the liquidity and short term nature of the assets and liabilities, the Company's carry-over basis has been maintained and as a result the fair value adjustment to the Company's balance sheet was immaterial. As a result of the acquisition, the components of the Company's shareholder's equity were reclassified to paid-in-capital on January 1, 2009. In addition, it was determined that no goodwill or intangible assets were to be pushed-down from ML & Co. to the Company's consolidated financial statements due to its immateriality to ML & Co.

Effective January 1, 2009, the Company adopted calendar year-end reporting periods to coincide with those of Bank of America. The intervening period between the Company's previous fiscal year end (December 26, 2008) and the beginning of the new calendar reporting period (January 1, 2009) (the stub period) is included in the 2009 consolidated financial statements, as the operations of the stub period were not considered material to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which include industry practices. Intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements are presented in U.S. dollars.

In presenting the consolidated financial statements, management makes estimates regarding the outcome of litigation, the allowance for loan losses, valuations of assets and liabilities requiring fair value estimates, determination of other-than-temporary impairments for investment securities available-for-sale, the realization of deferred taxes, measurement of uncertain tax positions, incentive-based compensation accruals, valuation of share-based payment compensation arrangements, and other matters that affect the reported amounts and disclosure of contingencies in the financial statements. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the consolidated financial statements, and it is possible that such changes could occur in the near term.

Currency Translation — The consolidated financial statements are presented in U.S. dollars. Non-U.S. subsidiaries have a functional currency (i.e., the currency in which activities are primarily conducted) that is other than the U.S. dollar, often the currency of the country in which a subsidiary is domiciled. Subsidiaries' assets and liabilities are translated to U.S. dollars at year-end exchange rates, while revenues and expenses are translated at average exchange rates during the year. Adjustments that result from translating amounts in a subsidiary's functional currency, net of related tax effects, are reported in stockholder's equity as a component of accumulated other comprehensive income (loss). All other translation adjustments are included in earnings. The Banking Division maintains a matched book in its currency position. As such, changes in the foreign exchange rates for money market transactions are covered daily with an affiliate to avoid any significant fluctuations in net earnings.

Foreign Exchange Transactions — The Banking Division enters into foreign exchange contracts to facilitate currency conversions for its customers, as well as to minimize its currency exposure. Foreign exchange contracts are valued daily with realized and unrealized gains and losses reflected in non-interest income or expense, as appropriate.

Fair Value of Financial Instruments — The Company's financial instruments consist of cash and cash equivalents, investment securities available-for-sale, loans, deposits, and certain other assets and liabilities, all of whose fair values approximate their carrying value.

ASC 820, *Fair Value Measurements and Disclosures,* ("Fair Value Accounting") defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

Fair values for derivative financial instruments, principally forwards and swaps, represent amounts that would be received from, or paid to, a third party in settlement of these instruments. These amounts are determined using pricing models based on the net present value of estimated future cash flows and directly observed prices from exchange-traded derivatives, or external pricing services.

Market Risk — Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, credit spreads, and other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded.

The Company uses a combination of cash instruments and derivatives to mitigate its market exposures. The following discussion describes the types of market risk faced by the Company:

Interest Rate Risk — Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Interest rate swap agreements are common interest rate risk management tools. The decision to manage interest rate risk using swap contracts, as opposed to buying or selling short other instruments, depends on current market conditions and funding considerations.

Currency Risk — Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. Currency forwards and options are commonly used to manage currency risk associated with these instruments. Currency swaps may also be used in situations where a long-dated forward contract is not available or where the end user needs a customized instrument to hedge a foreign currency cash flow stream. Typically, parties to a currency swap initially exchange principal amounts in two currencies, agreeing to exchange interest payments and to re-exchange the currencies at a future date and exchange rate.

Credit Risk — The Company is exposed to risk of loss if an issuer or counterparty fails to perform its obligations under contractual terms ("default risk"). Both cash instruments and derivatives expose the Company to default risk.

The notional or contractual value of derivatives does not represent default risk exposure. Default risk is limited to the current cost of replacing derivative contracts in a gain position. Default risk exposure varies by type of derivative.

Concentrations of Credit Risk — The Company's exposure to credit risk, both default and credit spread, associated with lending activities is measured on an individual counterparty basis as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

As of December 31, 2010 and 2009, the Company's most significant concentration of credit risk is with affiliates. This concentration arises in the normal course of business.

Cash and Due from Banks — The Company defines cash and due from banks as short-term, highly liquid securities and interest-earning deposits with maturities, when purchased, of three months or less.

Investment Securities Available-for-Sale (AFS) – The Company accounts for all Investment Securities Available-for-Sale at fair value under ASC 320, *Investments – Debt and Equity Securities* ("Investment Accounting"). Securities to be held for unspecified periods of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold in response to changes in interest rates, changes in prepayment risk, or other similar factors, are classified as available-for-sale and are carried at fair value. The fair value of investment securities is based on quoted market prices or pricing models. Unrealized gains or losses are reported within accumulated other comprehensive income (loss), which is a separate component of stockholder's equity. Realized gains and losses are reclassified into earnings using the specific identification method upon realization.

The Company, at least annually, evaluates each held-to-maturity and available-for-sale security whose fair value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. Factors considered in the review include estimated future cash flows, length of time and extent to which market value has been less than amortized cost, the Company's intent to hold the securities and the lack of a requirement to sell the securities before recovery of their cost basis. A decline in a debt security's fair value is considered to be other-than-temporary if it is probable that all amounts contractually due will not be collected or the Company either plans to sell the security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost for unrealized losses on debt securities that are deemed other-than-temporary, the credit component of other-than-temporary impairment is recognized in earnings and the non-credit component is recognized in OCI when

the Company does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security prior to recovery.

Loans — The Company's loans consist of secured consumer loans and are carried at their principal amount outstanding, net of the allowances for loan losses which represents the Company's estimate of probable losses inherent in its lending activities. All loans are classified as held for investment. Interest income from loans is recognized as earned, based upon the principal amount outstanding over the term of the related instruments.

Allowance for Loan Losses — The allowance for loan losses is based upon management's estimate of the amount necessary to maintain the allowance at a level adequate to absorb probable loan losses. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess overall collectability.

Management's estimate of loan losses is influenced by many factors, including adverse situations that may affect the borrower's ability to repay, current economic conditions, prior loan loss experience, and the estimated value of any underlying collateral. The fair value of collateral is generally determined by quoted market prices for securities and estimates of fair value for other assets. Management's estimates of loan losses include considerable judgment about collectability based on available facts and evidence at the balance sheet date and the uncertainties inherent in those assumptions. While management uses the best information available on which to base its estimates, future adjustments to the allowance may be necessary, based on changes in the economic environment or variances between actual results and the original assumptions used by management.

Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a loan to be impaired when it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. In general, the Company consumer loans that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are classified as non-performing unless well-secured and in the process of collection. Consumer loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties are considered troubled debt restructurings and are classified as non-performing until the loans have performed for an adequate period of time under the restructured agreement. Interest accrued but not collected is reversed when a consumer loan is considered non-performing. Interest collections on consumer loans for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received. Consumer loans may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. When a loan is considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. Alternatively, measurement may also be based on observable market prices or, for loans that are solely dependent on the collateral for repayment, measurement may be based on the fair value of the collateral. Impairment losses are included in the allowance for loan losses through a charge to the provision. As of December 31, 2010 and 2009, there were no troubled debt restructurings or non-performing loans held by the Company.

Other Assets — Other assets include equipment and facilities, deferred tax assets, other prepaid expenses and other deferred charges.

Equipment and facilities primarily consist of technology hardware, facility and nontechnology equipment, and leasehold improvements. Equipment and facilities with a historical cost of $1,924 and $881 as of December 31, 2010 and 2009, respectively, and accumulated depreciation and amortization of $219 and $0 as of December 31, 2010 and 2009, respectively, totaled $1,705 and $881 as of December 31, 2010

and 2009, respectively, and are included in other assets in the accompanying consolidated balance sheets. Depreciation and amortization are computed using the straight-line method. Equipment is depreciated over its estimated useful life (which range from three to five years), while leasehold improvements are amortized over the lesser of the improvement's estimated economic useful life or the term of the lease. Maintenance and repair costs are expensed as incurred.

Included in the occupancy and related depreciation expense category was depreciation and amortization of $234 and $229 in 2010 and 2009, respectively. Depreciation and amortization recognized in the communications and technology expense category was $126 and $246 for 2010 and 2009, respectively.

The 2010 and 2009 Equipment and Accumulated Depreciation balances were restated to reflect the Company's net book value purchased by Bank of America.

Deposits — Demand deposits are interest-bearing accounts that the depositor is entitled to withdraw at any time without prior notice. Time deposits are accounts that have a stipulated maturity and interest rate. Depositors holding time deposits may recover their funds prior to the stated maturity but may pay a penalty to do so.

Derivatives — The Company accounts for all derivatives as receivables from affiliates and payables to affiliates at fair value under ASC 815, *Derivative and Hedging* ("Derivative Accounting"). The changes in fair value of the derivatives are recorded in the consolidated statements of earnings as interest expense on derivatives - net.

Interest Rate Swaps (IRS) — The Banking Division enters into IRSs for the purpose of managing its overall interest rate risk. IRSs are valued daily with realized and unrealized gains and losses recorded as interest expense on derivatives - net.

Pension plan – The Company accounts for its defined benefit pension plans in accordance with ASC 715-20-50, *Compensation-Retirement Benefits, Defined Benefit Plans-General* ("Defined Benefit Plan Accounting"). This guidance requires the recognition of a plan's overfunded or underfunded status as an asset or liability, measured as the difference between the fair value of plan assets and the benefit obligation, with an offsetting adjustment to accumulated other comprehensive income (loss). This guidance also requires the determination of the fair values of a plan's assets at a company's year end and recognition of actuarial gains and losses, prior service costs or credits, and transition assets and obligations as a component of accumulated other comprehensive income (loss). Under the provisions of Defined Benefit Plan Accounting, the Company changed its measurement date to coincide with its fiscal year-end effective December 26, 2008. The Company adopted the measurement date provisions of Defined Benefit Plan Accounting under the alternative transition method.

Trust Accounts — Funds held by the Banking Division in fiduciary or agency capacities in the amount of $22,780,803 and $23,524,502 as of December 31, 2010 and 2009 are not included in the accompanying consolidated financial statements, as such items are not assets of the Company. The Company earned $30,224 and $29,625 in Trust administration fees and is reflected in the Company's consolidated statements of earnings for the years ended December 31, 2010 and 2009 respectively. The Trust administration fees reflected in the financial statements are recognized as earned.

Stock-Based Compensation — The Company accounts for stock-based compensation expense in accordance with ASC 718, *Compensation — Stock Compensation,* ("Stock Compensation Accounting"), under which compensation expense for share-based awards that do not require future service are recorded immediately, while those that do require future service are amortized into expense over the relevant service period. Further, expected forfeitures of share-based compensation awards for nonretirement-eligible employees are included in determining compensation expense.

ML & Co. adopted Stock Compensation Accounting under the modified prospective method whereby the provisions of Stock Compensation Accounting are generally applied only to share-based awards granted or modified subsequent to adoption. The Company is allocated its portion of expenses related to Stock Compensation Accounting awards by Bank of America.

Income Taxes — The Company is a foreign branch of Merrill Lynch Cayman Holdings Incorporated ("MLCHI"). MLCHI is included in the U.S. Federal income tax return and certain state income tax returns of Bank of America. The Company is treated as a disregarded entity for U.S. tax purposes and as such, all items of the Company's income and expense are treated as the income and expense of MLCHI. Therefore, the Company accrues tax at MLCHI tax rate.

During 2007, the Company received approval from the Cayman Islands government exempting it from all local income, profits and capital gains taxes until February 19, 2028. As of December 31, 2010, no such taxes are levied in the Cayman Islands.

The Company provides for income taxes on all transactions that have been recognized in the consolidated financial statements in accordance with ASC 740, *Income Taxes* ("Income Tax Accounting"). Accordingly, deferred taxes are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period during which such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more-likely-than-not to be realized. Pursuant to Income Tax Accounting, the Company may assess various sources of evidence in the conclusion as to the necessity of valuation allowances to reduce deferred tax assets to amounts more-likely-than-not to be realized, including the following: 1) past and projected earnings, including losses, of the Company, the Parent and Bank of America, as certain tax attributes such as U.S. net operating losses ("NOLs"), U.S. capital loss carry forwards and foreign tax credit carry forwards can be utilized by Bank of America in certain income tax returns, 2) tax carry forward periods, and 3) tax planning strategies and other factors of the legal entities, such as the intercompany tax-allocation policy.

The Company recognizes and measures its unrecognized tax benefits in accordance with Income Tax Accounting. The Company estimates the likelihood, based on their technical merits, that tax positions will be sustained upon examination considering the facts and circumstances and information available at the end of each period. The Company adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. In accordance with Bank of America's policy, any new or subsequent change in an unrecognized tax benefit related to a Bank of America state consolidated, combined or unitary return in which the Company is a member will not be reflected in the Company's balance sheet. However, upon Bank of America's resolution of the item, any material impact determined to be attributable to the Company will be reflected in the Company's balance sheet. The Company accrues income-tax-related interest and penalties, if applicable, within income tax expense.

Beginning with the 2009 tax year, the Company's results of operations are included in the U.S. Federal income tax return and certain state income tax returns of Bank of America as described above. The method of allocating income tax expense is determined under the intercompany tax allocation policy of Bank of America. This policy specifies that income tax expense will be computed for all Bank of America subsidiaries generally on a separate company method, taking into account the tax position of the consolidated group and the Company. Under this policy, tax benefits associated with net operating losses (or other tax attributes) of the Company are payable to the Company upon the earlier of the utilization in the filing of Bank of America's returns or the utilization in the Company's pro forma returns. See Note 13 for further discussion of income taxes.

3. NEW ACCOUNTING PRONOUNCEMENTS

In July 2010, the Financial Accounting Standard Board ("FASB") issued new disclosure guidance on financing receivables and the allowance for credit losses. The new guidance requires further disaggregation of existing disclosure of loans and the allowance for credit losses by portfolios segment and class, and also requires new disclosure about credit quality, impaired loans, and past due and non accruals loans. The additional disclosures include more information, by type of receivables, on credit, quality indicators, including aging, and significant purchases and sales. These new disclosures are not effective for private companies for the year ended December 31, 2010, accordingly, the Company will apply these disclosures as of December 31, 2011. These disclosures will not have an impact on the Company's consolidated financial statements.

On January 1, 2010, ML & Co. adopted new amendments to Fair Value Accounting. The amendments require disclosure of significant transfers between Level 1 and Level 2 as well as significant transfers in and out of Level 3 on a gross basis. The amendments also clarify existing disclosure requirements regarding the level of disaggregation of fair value measurements and inputs and valuation techniques. The enhanced disclosures required under these amendments are included in Note 10. Beginning January 1, 2011, separate presentation of purchases, sales, issuance and settlements, in the Level 3 reconciliation will be required under the amendments to Fair Value Accounting. This new accounting guidance does not change the classification hierarchy for fair value accounting. Further, it will have no impact on the Company's consolidated financial or results of operations.

4. RELATED-PARTY TRANSACTIONS

The Company receives service fee income for conducting banking, trust, marketing and promoting of products and services for customers of affiliates. Receivables from affiliates include loans, deposits and derivatives with affiliated companies. Interest is accrued on loans and deposits at prevailing short-term rates. The remaining balances of receivables from affiliates are service fee related and are non-interest bearing.

Payables to affiliates include loans from affiliated companies on which interest is accrued at prevailing short-term rates. The Company also enters into other derivative transactions, such as swaps and forwards, with its affiliates, which are included in payables to affiliates.

In 2008, the Company entered into a deposit facility agreement with Merrill Lynch International Inc. ("MLI") to accept MLI clients' deposits as money-market deposits, which are held and identified in a separate account from MLI. As of December 31, 2010 and 2009, MLI clients' deposits amounted to $0 and $225,000, respectively.

In 2009, Moorgate Funding Limited ("MFL"), an affiliate of the Company, placed funds on deposit with the Company pursuant to Moorgate Funding Limited's obligation to hold separately identifiable cash funds on deposit at a level determined periodically. As of December 31, 2010 and 2009, MFL clients' deposits amounted $0 and $28,202, respectively.

In 2009, Merrill Lynch Bank (Suisse), SA ("MLBS"), an affiliate of the Company, placed deposits with the Company pursuant to a 2006 agreement to accept MLBS deposits on a fiduciary basis, which are held and identified in separate accounts. As of December 31, 2010 and 2009, MLBS demand and time deposits amount to $159,849 and $0, respectively.

The summary of balances and transactions with affiliated companies as of and for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
Receivables from affiliates	$ 52,690	$ 48,414
Total assets	$ 52,690	$ 48,414
MLBS demand deposit	$ 99,770	$ -
MLBS time deposit	60,079	-
MLI demand deposit	-	225,000
Moorgate Funding Limited time deposit	-	28,202
ML & Co. demand deposit	202,872	21,300
Payables to affiliates	135,914	104,050
Total liabilities	$ 498,635	$ 378,552
Service fee income from affiliated companies	$ 75,677	$ 55,250
Interest income on deposits with affiliated companies	53	243
Total income	$ 75,730	$ 55,493
Interest expense related to other borrowings	$ 1,370	$ 572
Interest expense related to MLBS demand deposit	135	-
Interest expense related to MLBS time deposit	109	75
Interest expense related to debt	-	2,526
Interest expense related to MLI demand deposit	31	541
Interest expense related to Moorgate Funding Limited time deposit	79	151
Interest expense on derivatives - net	5,227	3,022
Service fee expense with affiliated companies	5,771	8,851
Total expense	$ 12,722	$ 15,738

See Note 11, for disclosures of foreign exchange forward contracts, currency swaps, and interest rate swaps entered into with affiliates.

5. INVESTMENT SECURITIES AVAILABLE-FOR-SALE

Securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their approximate fair value as of December 31, 2010 and 2009 were as follows:

	2010			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Approximate Fair Values**
Singapore Gov. Treasury Bills - other	$ 1,301	$ -	$ (3)	$ 1,298

	2009			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Approximate Fair Values**
Singapore Gov. Treasury Bills - other	$ 699	$ -	$ (3)	$ 696

All investment securities available-for-sale as of December 31, 2010, are due in one year or less and have been in an unrealized loss position for less than 12 months.

6. LOANS

The Company's secured consumer loan portfolio is comprised of securities-based lending transactions which are re-margined daily. There has been no occurrence of loan charge-off in the Company's consolidated financial statements during the years ending December 31, 2010 and 2009.

Loans as of December 31, 2010 and 2009 consist of the following scheduled maturities:

	2010	**2009**
Three months or less	$ 1,413,343	$ 1,446,609
Less than six months, greater than three months	60,077	61,837
Less than one year, greater than six months	40,744	85,613
Greater than one year	185,847	190,804
Less allowance for loan losses	(23)	(521)
Loans - net	$ 1,699,988	$ 1,784,342

Activity in the allowance for loan losses, which is primarily associated with consumer loans, is presented below:

	2010	2009
Allowance for loan losses, at the beginning of the period	$ 521	$ 3,550
(Recovery) Provision for loan losses (1)	(498)	554
Charge-offs	-	-
Recoveries	-	-
Net Charge-offs	-	-
Other (2)	-	(3,583)
Allowance for loan losses, at end of period	$ 23	$ 521

(1) Recovery for loan losses was recorded in 2010 due to a change in the estimation by the Company.
(2) The allowance for loan losses as of December 26, 2008, in the amount of $3,550, was eliminated as of January 1, 2009 as a result of purchase accounting adjustments.

In the normal course of business, the Banking Division enters into consumer loans with customers. These loans are primarily collateralized by diversified marketable securities (equities and bonds) and other financial assets held by affiliates of the Banking Division. These activities expose the Banking Division to risks arising from the potential that customers may fail to satisfy their obligations and the collateral will be insufficient. In these situations, the Banking Division may be required to sell financial instruments at unfavorable market prices to satisfy obligations of its customers.

7. DEPOSITS

Substantially, all demand and time deposits were in denominations of $100 or more as of December 31, 2010 and 2009, and their scheduled maturities are as follows:

	2010	2009
With agreed maturity dates or period by remaining maturity:		
Three months or less but not repayable on demand	$ 572,833	$ 690,696
One year or less but over three months	63,547	133,386
Over one year	443	4,851
Repayable on demand	514,137	456,674
Total	$ 1,150,960	$ 1,285,607

The effective weighted average interest rates for deposits as of December 31, 2010 and 2009 were 0.53% and 0.69%, respectively.

8. DEBT

During 2007, the Company entered into a Subordinated Debt credit facility with ML & Co., which provides for a maximum available borrowing of up to $200,000. As of December 31, 2010, this facility agreement matured and was not renewed. The Company incurred interest expense of $172 and $2,421

related to this credit facility during the years ended December 31, 2010 and 2009, respectively. The credit facility did not have any financial or nonfinancial covenants.

In addition, during 2007, the Company entered into a credit facility with ML & Co., which provides for maximum available borrowing of up to $1,500,000. As of December 31, 2010 and 2009, there were no amounts outstanding under the credit facility. The credit facility matures on December 19, 2011. The Company did not incur interest expense or fees related to this credit facility during the year ended December 31, 2010. The credit facility does not have any financial or non-financial covenants.

In 2007, the Company also entered into an uncommitted credit facility with ML & Co., which provided for a maximum available borrowing of up to $5,000,000. As of December 31, 2010 and 2009 there were no amounts outstanding under the credit facility. The uncommitted credit facility matures on December 7, 2017. The Company did not incur interest expense or fees related to this credit facility during the year ended December 31, 2010. The credit facility does not have any financial or non-financial covenants.

9. EMPLOYEE BENEFIT PLANS

See Note 1 for a discussion of the Bank of America acquisition of ML & Co., which was completed on January 1, 2009. Effective with the acquisition of ML & Co. by Bank of America, the Bank of America Corporation Corporate Benefits Committee assumed overall responsibility for the administration of all of ML & Co.'s employee benefit plans. ML & Co. continues as the plan sponsor.

The Company participates in an employee compensation plan sponsored by ML & Co., which provides eligible employees with stock and options to purchase shares. Compensation and benefits expense included $274 and $92 related to this plan for the years ended December 31, 2010 and 2009, respectively. Payables to affiliates included $23,818 and $23,545 in accrued liabilities related to this plan as of December 31, 2010 and 2009, respectively.

The Company provides retirement and other post-employment benefits to its employees worldwide through defined contribution and defined benefit pension plans and other post-retirement benefit plans sponsored by ML & Co.

Defined Contribution Plans - The U.S. defined contribution plans consist of the Retirement Accumulation Plan (the "RAP"), the Employee Stock Ownership Plan (the "ESOP"), and the 401(k) Savings & Investment Plan (the "401(k)"). These plans cover substantially all U.S. employees who have met certain service requirements.

Defined Benefit Plans - Employees of ML & Co.'s Non U.S. subsidiaries participate in various local defined benefit plans. These plans provide benefits that are generally based on years of credited service and a percentage of the employee's eligible compensation during the final years of employment. ML & Co.'s funding policy has been to contribute annually the amount necessary to satisfy local funding standards. The Third Country National Defined Benefit Pension Plan (the "TCN Plan") is the responsibility of the Company and serves as the pension plan for various Non U.S. expatriate employees. The costs of the TCN Plan are ultimately allocated back to affiliates of ML & Co.

Contributions - There were no participant contributions made to the TCN Plan for the years ended December 31, 2010 and 2009. The Company is the sole contributor to the Plan. During 2010 and 2009, the Company made contributions in the amounts of $1,792 and $1,602 to pay benefits to participants. The Company expects to make contributions to the TCN Plan in the amount of $2,160 for expected benefit payments to participants in 2011.

The accumulated benefit obligation for the TCN Plan was $103,645 and $97,020 at December 31, 2010 and 2009, respectively.

Total net periodic benefit cost for the years ended December 31, 2010 and 2009 included the following components:

	2010	2009
Service costs	$ 3,749	$ 5,340
Interest costs	5,846	5,609
Expected return on plan assets	(2,193)	(1,818)
Total net periodic benefit cost	$ 7,402	$ 9,131

Pension expense for the Company amounted to $3,869 and $4,536 for the years ended December 31, 2010 and 2009, respectively, and was fully reimbursed as service-fee income from Merrill Lynch International Incorporated. The remainder of the net periodic benefit cost was allocated to other ML & Co. affiliates.

The following table provides the status of the TCN Plan's projected benefit obligations, fair value of the TCN Plan assets, and funded status for the periods ended December 31, 2010 and 2009 and the amounts recognized in the Company's consolidated balance sheets at year-end 2010 and 2009.

	2010	2009
Projected benefit obligation — beginning of year	$ 98,903	$ 90,445
Effect of Purchase Accounting	-	(2,315)
Service cost	3,749	5,340
Interest cost	5,846	5,609
Actuarial (gain) loss	(1,049)	1,426
Benefits paid	(1,792)	(1,602)
Projected benefit obligation — end of year	105,657	98,903
Fair value of plan assets — beginning of year	37,011	35,842
Effect of Purchase Accounting	-	(4,224)
Actual return on plan assets	3,880	5,393
Employer contribution	1,792	1,602
Benefits paid	(1,792)	(1,602)
Fair value of plan assets — end of year	40,891	37,011
Unfunded Pension Liabilities — end of year	$ (64,766)	$ (61,892)

Amounts recognized in accumulated other comprehensive loss, pre-tax, at year-end 2010 and 2009 consisted of $4,881 and $2,149 in net actuarial gains, respectively. In order to comply with the intercompany tax allocation policy of Bank of America and as result of the acquisition, the accumulated other comprehensive gains after-tax was $2,384 and $1,329 as of December 31, 2010 and 2009, respectively. There are no estimated net (gains) losses or prior service costs (credits) that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year.

The weighted average assumptions used in calculating the projected benefit obligation as of December 31, 2010 and 2009 were as follows:

	2010	**2009**
Discount rate	5.8 %	5.8 %
Rate of compensation increase	3.5	3.0

The weighted average assumptions used in calculating the net periodic cost for the years ended December 31, 2010 and 2009 were as follows:

	2010	**2009**
Discount rate	5.8 %	6.0 %
Rate of compensation increase	3.0	3.0
Expected long-term return on plan assets	5.8	5.8

The expected long-term rate of return on the TCN Plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The rate reflects estimates by the TCN Plan investment advisors of the expected returns of different asset classes held by the TCN Plan in light of prevailing economic conditions at the beginning of the fiscal year.

The assets of the TCN Plan are invested prudently so that the benefits promised to members are provided, having regard to the nature and duration of the TCN Plan's liabilities. Generally, the planned investment strategy is set following an asset-liability study and advice from the Trustee's investment advisors. The asset allocation strategy selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meet the TCN Plan's liabilities. The table below sets forth the composition of plan assets by asset category:

	Target allocation	**2010**
Mutual Fund (1)	100.0 %	100.0 %
	100.0 %	100.0 %

(1) Primarily invested in debt securities – Long Duration Bond Fund which is considered Level 1 in the Fair Value Hierarchy.

Expected benefit payments associated with the TCN Plan for the next five years, and in the aggregate for five years thereafter are as follows:

Year	
2011	$ 2,160
2012	2,206
2013	2,253
2014	2,436
2015	2,561
2016 through 2020	17,364

10. FAIR VALUE

Fair Value Hierarchy — In accordance with Fair Value Accounting, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 assets and liabilities recorded on the consolidated balance sheets are categorized based on the inputs to valuation techniques as follows:

Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets.

b. Quoted prices for identical or similar assets or liabilities in non-active markets.

c. Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and,

d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability

Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As required by Fair Value Accounting, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

A review of fair value hierarchy classifications is conducted at least on an annual basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities.

There were no transfers between Level 1 and Level 2 assets and liabilities for the year ended December 31, 2010.
The following outlines the valuation methodologies for the Company's derivatives and investment securities available-for-sale:

Derivatives —The fair value of these instruments is derived using market prices and other market based pricing parameters such as interest rates, currency rates and volatilities that are observed directly in the market or gathered from independent sources such as dealer's consensus pricing services or brokers. Where models are used, they are used consistently and reflect the contractual terms of and specific risks inherent in the contracts. Generally, the models do not require a high level of subjectivity since the valuation techniques used in the model do not require significant judgment and inputs to the models are readily observable in active markets. When appropriate, valuations are adjusted for various factors such as liquidity and credit consideration based on available market evidence. See Note 11, Financial Instruments, for additional disclosures related to foreign exchange forward contracts, currency swaps, and interest rate swaps.

Investment Securities Available-for-Sale — The fair value of AFS debt securities is generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of AFS.

The Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available for sale	$ -	$ 1,298	$ -	$ 1,298
Foreign exchange forward contracts and currency swaps — long	-	1,831	-	1,831
TOTAL ASSETS:	$ -	$ 3,129	$ -	$ 3,129
Liabilities:				
Foreign exchange forward contracts and currency swaps — short	$ -	$ 190	$ -	$ 190
Interest rate swaps	-	9,082	-	9,082
TOTAL LIABILITIES:	$ -	$ 9,272	$ -	$ 9,272

The Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 were as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available for sale	$ -	$ 696	$ -	$ 696
Foreign exchange forward contracts and currency swaps — long	-	416	-	416
TOTAL ASSETS	$ -	$ 1,112	$ -	$ 1,112
Liabilities:				
Foreign exchange forward contracts and currency swaps — short	$ -	$ 141	$ -	$ 141
Interest rate swaps	-	11,416	-	11,416
TOTAL LIABILITIES	$ -	$ 11,557	$ -	$ 11,557

There were no financial or non-financial assets or liabilities measured at fair value on a non-recurring basis at December 31, 2010 and 2009.

11. FINANCIAL INSTRUMENTS

Certain of the Banking Division's financial instruments have off-balance sheet risk of loss, which may consist of market and/or credit risk in excess of amounts recorded on the consolidated balance sheets. Financial instruments with off-balance sheet market risk include derivatives and certain commitments.

A derivative is an instrument whose value is "derived" from an underlying instrument or index such as a future, forward, swap, or option contract or other financial instrument with similar characteristics. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (e.g., interest rate swaps or currency forwards) or to purchase or sell other financial instruments at specified terms on a specified date (e.g., options to buy or sell securities or currencies).

The Banking Division enters into foreign exchange forward contracts and currency swaps with affiliates as economic hedges of foreign currency positions including the U.S. dollar costs of future foreign currency requirements. Delayed delivery and forward contracts are transactions in which one party agrees to deliver securities or a currency to counterparty at a specified price on a specified date. Parties to a currency swap initially exchange principal amounts in two currencies, agreeing to exchange interest payments and to re-exchange the currencies at a future date and exchange rate. The Banking Division is exposed to market risk associated with the possibility of unfavorable changes in currency exchange rates and the market price of the underlying financial instruments.

The Banking Division enters into IRS with affiliates to manage its overall interest rate risk. These agreements generally fix an interest spread between a rate earned and rate paid; any change in actual interest rates results in an amount paid or received under the agreement based on a notional amount. Any amounts paid or received under these rate agreements are recorded as adjustments to interest expense.

Derivative instruments contain numerous market risks. In particular, most derivatives have interest rate risk, as they contain an element of financing risk which is affected by changes in interest rates. Additionally, derivatives expose the Company to counterparty credit risk with affiliates. For disclosure purposes below, the primary risk of derivative is largely determined by the business that is engaging in the derivative activity.

The following table identifies the notional and fair value of outstanding derivative instruments at December 31, 2010 and 2009:

	2010		**2009**	
	Notional	**Fair Value**	**Notional**	**Fair Value**
Assets:				
Foreign exchange forward contracts and currency swaps — long	$ 490,132	$ 1,831	$ 503,159	$ 416
TOTAL ASSETS:	$ 490,132	$ 1,831	$ 503,159	$ 416
Liabilities:				
Foreign exchange forward contracts and currency swaps — short	$ 21,780	$ 190	$ 14,538	$ 141
Interest Rate Swaps	365,991	9,082	618,323	11,416
TOTAL LIABILITIES:	$ 387,771	$ 9,272	$ 632,861	$ 11,557

The fair value of these instruments is recorded in receivable from affiliates and payables to affiliates, as applicable, in the accompanying consolidated balance sheets as of December 31, 2010 and 2009, respectively. The interest income or interest expense impact of these instruments is recorded in the consolidated statement of earnings as interest expense on derivatives - net.

The notional or contractual amounts of these instruments do not represent the Banking Division's exposure to credit risk.

Substantially, all of the above transactions are entered into with the Banking Division's swaps and foreign exchange dealer affiliates, which intermediate the interest rate and currency risk with third parties in the normal course of their trading activities.

The following table, for the years ended December 31, 2010 and 2009, identifies the amount in interest expense related to derivative instruments by primary risk:

	2010	2009
	Interest Expense	Interest Expense
Foreign Exchange Risk	$ (1,159)	$ (6,953)
Interest Rate Risk	6,386	9,975
Total - net	$ 5,227	$ 3,022

12. COMMITMENTS AND CONTINGENCIES

Litigation — From time to time, the Company is named as a defendant in legal actions and arbitrations, arising in connection with its normal course of business. Although the ultimate outcome of these actions cannot always be ascertained and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the consolidated financial statements. As of December 31, 2010, there was no pending or potentially threatening litigation against the Company.

The Company may explore potential settlements before a case is taken through trial because of the uncertainty, risks, and costs inherent in the litigation process. The Company, in accordance with contingency disclosures, will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time.

Leases — The Company has entered into various non-cancelable long-term operating lease agreements for premises and equipment. The Company has also entered into various non-cancelable short-term operating lease agreements that are primarily commitments of less than one year under equipment leases.

As of December 31, 2010, future non cancelable minimum rental commitments under leases with remaining terms exceeding one year are presented below:

2011	$ 2,235
2012	1,666
2013	1,714
2014	1,714
2015 and thereafter	2,806
Total	$ 10,135

The Company recorded rent expense of $2,116 and $2,015 for the years ended December 31, 2010 and 2009, respectively.

13. INCOME TAXES

The income tax provision on earnings for the years ended December 31, 2010 and 2009 consisted of:

	2010	2009
U.S. federal		
Current	$ 12,225	$ 12,296
Deferred	(957)	(154)
U.S. state, local, and other		
Current	4,756	1,867
Deferred	(32)	(22)
Foreign		
Current	198	496
Deferred	-	-
Total	$ 16,190	$ 14,483

The corporate statutory U.S. federal tax rate is 35%. A reconciliation of the statutory U.S. federal income tax to the Company's effective tax expense follows:

	2010	2009
U.S. federal income tax at statutory rate	$ 13,160	$ 13,298
U.S state and local income taxes, net	3,071	1,199
Other	(41)	(14)
Total	$ 16,190	$ 14,483

The Company is included in the consolidated U.S. federal income tax return, and certain combined and unitary state tax returns of Bank of America. Bank of America allocates federal income taxes to its subsidiaries in a manner that approximates the separate company method, and state and local tax expense based on a consolidated composite state tax rate with certain state tax adjustments. At December 31, 2010, the Company had a current tax payable to ML & Co. of $19,537.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amounts in the consolidated balance sheet. These temporary differences result in taxable or deductible amounts in future years.

The Company's deferred tax assets at December 31, 2010 and 2009, which are included in Other Assets, are comprised of:

	2010	2009
Deferred Tax Asset		
Loan Loss Reserve	$ 9	$ 199
Deferred Income	557	-
Pension	712	-
Cumulative Translation Adjustment	1,493	-
State Tax Deduction	2,512	2,095
Total Deferred Tax Asset	$ 5,283	$ 2,294

	2010	2009
Deferred Tax Liability		
Other	$ (19)	$ (296)
Total Deferred Tax Liability	$ (19)	$ (296)
Net Deferred Tax Asset	$ 5,264	$ 1,998

Bank of America and ML & Co. are under examination by the Internal Revenue Service ("IRS") and other tax authorities in countries and states in which it has significant business operations. The Company is included in the income tax returns of Bank of America or ML & Co. which are filed in multiple state jurisdictions each year and are under continuous examination by various state taxing authorities. While many of these examinations are resolved every year, the Company does not anticipate that resolutions occurring within the next twelve months would result in a material change to the Company's financial position.

The table below summarizes the status of significant tax examinations, by jurisdiction as of December 31, 2010:

Jurisdiction	Years under examination[1]	Status at December 31, 2010
U.S. Federal	2004	In appeals process
U.S. Federal	2005-2007	Field examination
New York	2007-2008	Field examination

The Company is subject to examination by local tax authorities in three countries – Spain, Lebanon and Singapore for the 2007 – 2010 tax years.

At December 31, 2010, the Company did not have any liabilities for unrecognized tax benefits.

As described in Note 1, any unrecognized tax benefit related to a state consolidated, combined or unitary return in which the Company is a member, is not reflected in the Company's Balance Sheet until such time as the tax position is resolved.

While it is reasonably possible that a significant change in unrecognized tax benefits related to certain state consolidated, combined or unitary returns will occur within twelve months of December 31, 2010, quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes.

[1] All subsequent tax years in the jurisdictions above remain open to examination.

14. SUBSEQUENT EVENTS

The Company is required to evaluate subsequent events occurring after the balance sheet date but before the date the financial statements are available to be issued. The Company has evaluated subsequent events through March 31, 2011 and there were no material transactions noted to the Company's consolidated financial statements.

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