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

Consolidated Financial Statements
as of and for the Years Ended
December 31, 2011 and 2010, 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 of December 31, 2011 and 2010, 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 Notes 4 and 11 to the financial statements, the Company, on a recurring basis, enters into significant related party transactions with Merrill Lynch & Company subsidiaries.

PricewaterhouseCoopers

March 30, 2012

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, 2011 AND 2010
(In thousands of United States dollars)

	2011	2010
ASSETS		
CASH AND DUE FROM BANKS	$ 16,858	$ 4,169
INVESTMENT SECURITIES AVAILABLE FOR SALE	1,238	1,298
LOANS (Net of allowance for loan losses of $2 in 2011 and $23 in 2010)	1,720,364	1,699,988
RECEIVABLES FROM AFFILIATES	47,028	52,690
ACCRUED TRUST ADMINISTRATION FEES	19,091	19,957
ACCRUED INTEREST RECEIVABLE	4,566	4,275
OTHER ASSETS	15,697	9,566
TOTAL	$ 1,824,842	$ 1,791,943
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES:		
Deposits:		
Demand	$ 679,046	$ 514,137
Time	303,568	636,823
Total deposits	982,614	1,150,960
INTERCOMPANY BORROWINGS	251,389	-
PAYABLES TO AFFILIATES	147,240	135,914
UNFUNDED PENSION LIABILITY	81,069	64,766
OTHER LIABILITIES	11,330	9,229
Total liabilities	1,473,642	1,360,869
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDER'S EQUITY:		
Capital and Share Premium	326,735	386,735
Retained earnings	30,328	44,919
Accumulated other comprehensive loss	(5,863)	(580)
Total stockholder's equity	351,200	431,074
TOTAL	$ 1,824,842	$ 1,791,943

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
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of United States dollars)

	2011	2010
INTEREST INCOME:		
Loans	$ 27,489	$ 29,872
Interest earning deposits with affiliated companies	157	53
Interest expense on derivatives - net	(1,209)	(5,227)
Other	416	676
Total Interest Income	26,853	25,374
INTEREST EXPENSE:		
Deposits	6,539	5,579
Intercompany and other borrowings	618	1,370
Total Interest Expense	7,157	6,949
NET INTEREST INCOME	19,696	18,425
RECOVERY FOR LOAN LOSSES	(21)	(498)
NET INTEREST INCOME AFTER RECOVERY FOR LOAN LOSSES	19,717	18,923
NON-INTEREST INCOME:		
Service fee income from affiliated companies	90,995	75,677
Trust administration fees	30,252	30,224
Other	492	67
Total Non-interest Income	121,739	105,968
TOTAL REVENUES, NET OF INTEREST EXPENSES	141,456	124,891
NON-INTEREST EXPENSES:		
Compensation and benefits	83,701	69,862
Service fee expense with affiliated companies	6,597	5,771
Occupancy and related depreciation	4,395	3,802
Communication and technology	3,888	2,589
Advertising and market development	1,985	1,741
Professional fees	1,808	1,682
Other	1,912	1,845
Total Non-interest Expenses	104,286	87,292
EARNINGS BEFORE INCOME TAXES	37,170	37,599
INCOME TAX EXPENSE	11,724	16,190
NET EARNINGS	$ 25,446	$ 21,409

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
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of United States dollars)

	2011	2010
NET EARNINGS	$ 25,446	$ 21,409
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:		
Foreign currency translation adjustment (1)	1,774	(895)
Net change in unrealized loss on investment securities available for sale (2)	(26)	-
Net actuarial (loss) gain (3)	(7,031)	2,384
Total other comprehensive (loss) income	(5,283)	1,489
COMPREHENSIVE INCOME	$ 20,163	$ 22,898

(1) Net of Tax Expense (Benefit) of $(182) and $588 for 2011 and 2010, respectively.
(2) Net of Tax Expense (Benefit) of $(19) and $0 for 2011 and 2010, respectively.
(3) Net of Tax Expense (Benefit) of $(4,216) and $1,168 for 2011 and 2010, 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
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of United States dollars, except shares and per share amounts)

	2011	2010
CAPITAL AND SHARE PREMIUM		
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	386,723	387,217
Return of capital	(60,000)	-
Investment in subsidiary	-	(494)
Balance - end of year	326,723	386,723
Total balance - end of year	326,735	386,735
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment:		
Balance - beginning of year	(4,290)	(3,395)
Translation adjustment, net of tax	1,774	(895)
Balance - end of year	(2,516)	(4,290)
Net unrealized loss on investment securities available for sale:		
Balance - beginning of year	(3)	(3)
Net change in unrealized loss on investment securities available for sale, net of tax	(26)	-
Balance - end of year	(29)	(3)
Defined benefit pension plan:		
Balance - beginning of year	3,713	1,329
Net actuarial (losses) gains - net of tax	(7,031)	2,384
Balance - end of year	(3,318)	3,713
Total balance - end of year	(5,863)	(580)
RETAINED EARNINGS:		
Balance - beginning of year	44,919	23,510
Dividends paid	(40,037)	-
Net earnings	25,446	21,409
Balance - end of year	30,328	44,919
TOTAL STOCKHOLDER'S EQUITY	$ 351,200	$ 431,074

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
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of United States dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 25,446	$ 21,409
Noncash items excluded from earnings:		
Depreciation and amortization	697	360
Stock compensation expense	165	274
Deferred taxes	(648)	(989)
Recovery for loan losses	(21)	(498)
Changes in operating assets and liabilities:		
Receivables from affiliates	5,662	(4,276)
Payables to affiliates	11,161	31,590
Unfunded pension liability	16,303	2,874
Other assets	(6,180)	(2,558)
Accrued trust administration fees	866	(1,083)
Accrued interest receivable	(291)	1,487
Other liabilities	2,101	1,288
Other, net	(7,006)	2,387
Net cash provided by operating activities	48,255	52,265
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities available-for-sale	(1,131)	(605)
Maturities of securities available-for-sale	1,140	-
Net (increase) decrease in loans	(20,355)	84,852
Net cash (used in) provided by investing activities	(20,346)	84,247
CASH FLOWS FROM FINANCING ACTIVITIES:		
Return of capital	(60,000)	-
Dividend distributed from retained earnings	(40,037)	-
Proceeds from Intercompany borrowing	251,389	-
Net increase in demand deposits	164,909	57,463
Net decrease in time deposits	(333,255)	(192,110)
Net cash used in financing activities	(16,994)	(134,647)
Effect of exchange rate changes on cash	1,774	(895)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,689	970
CASH AND CASH EQUIVALENTS—Beginning of year	4,169	3,199
CASH AND CASH EQUIVALENTS—End of year	$ 16,858	$ 4,169
SUPPLEMENTAL CASH FLOW INFORMATION - Cash paid for:		
Interest	$ 7,152	$ 13,316
Income taxes	$ 12,004	$ 2,595

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The consolidated financial statements are presented in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), which include industry practices. Intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements are presented in U.S. dollars.

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 using an average of 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.

Use of Estimates - In presenting the consolidated financial statements, management makes estimates including the following:

- 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 and valuation of share-based payment compensation arrangements; and
- other matters, including pension liability, 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.

Fair Value Measurement – The Company's financial instruments consist of cash and cash equivalents, deposits, and certain other assets and liabilities, all of whose fair values approximate their carrying values due to the liquidity and short-term nature of the Company's assets and liabilities.

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 over-the-counter ("OTC") derivative financial instruments, principally forwards and swaps, represent the present value of amounts estimated to be received from or paid to a marketplace participant in settlement of these instruments (i.e., the amount the Company would expect to receive in a derivative asset assignment or would expect to pay to have a derivative liability assumed). These derivatives are valued using pricing models based on the net present value of estimated future cash flows and directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services, while taking into account the counterparty's creditworthiness, or the Company's own creditworthiness, as appropriate. When external pricing services are used, the methods and assumptions used are reviewed by the Company. Determining the fair value for OTC derivative contracts can require a significant level of estimation and management judgment.

Balance Sheet

Cash and Due from Banks — The Company defines cash and due from banks as non-interest bearing deposits with banks.

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 ("AFS") 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 AFS 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 an 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 which are classified as held for investment. Such loans are carried at their principal amount outstanding, net of the allowance for loan losses which represents the Company's estimate of probable losses inherent in its lending activities. Interest income and fees from loans are recognized as earned, based upon the principal amount outstanding over the term of the loans.

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.

The Company's estimate of loan losses includes judgment about collectability based on available information at the balance sheet date, and the uncertainties inherent in those underlying assumptions. While management has based its estimates on the best information available, future adjustments to the allowance for loan losses may be necessary as a result of changes in the economic environment or variances between actual results and the original assumptions.

In general, 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 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. As of December 31, 2011 and 2010, there were no troubled debt restructurings or non-performing loans held by the Company.

Accrued Trust Administration Fees – Accrued trust administration fees represent amounts accrued and earned for administration of the Company's customer fiduciary trust accounts.

Accrued Interest Receivable – Accrued interest receivable represents interest earned from customer loan portfolio.

Receivables and Payables from/to Affiliates – The Company's enters into related party transactions, with other affiliates for the benefit of the Company. See Note 4 to the Consolidated Financial Statements for further information.

Intercompany borrowing – The Company's enters into intercompany borrowing transactions with ML & Co. to meet its lending requirements. See Note 8 to the Consolidated Financial Statements for further information.

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 non-technology equipment, and leasehold improvements. The historical cost for equipment and facilities was $2,514 and $1,924 as of December 31, 2011 and 2010, respectively, and the accumulated depreciation and amortization was $877 and $219 for 2011 and 2010 respectively. Depreciation and amortization are computed using the straight-line method. Equipment is depreciated over its estimated useful life (which ranges from three to five years), while leasehold improvements are amortized over the lesser of the improvements 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 $231 and $234 in 2011 and 2010, respectively. Depreciation and amortization recognized in the communications and technology expense category was $466 and $126 for 2011 and 2010, respectively.

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 be required to pay a penalty to do so.

Other Liabilities – The Company's other liabilities primarily consist of current income tax payable, incentive compensation and other miscellaneous payables.

Derivatives — The Company enters into derivative contracts with its affiliates only, and 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. The Banking Division enters into interest rate swaps ("IRS") and currency forwards for the purpose of managing its overall interest rate and currency risk. IRSs and currency forwards are valued daily with realized and unrealized gains and losses recorded as interest expense on derivatives - net.

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.

Defined Benefit 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).

Trust Accounts — Funds held by the Banking Division in fiduciary or agency capacities in the amount of $16,636,830 and $18,367,000 as of December 31, 2011 and 2010 are not included in the accompanying consolidated financial statements, as such items are not assets of the Company. The Company earned $30,252 and $30,224 in Trust administration fees which is reflected in the Company's consolidated statements of earnings for the years ended December 31, 2011 and 2010, 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 non-retirement-eligible employees are included in determining compensation expense.

Income Taxes — The Company is a subsidiary of 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.

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, generally 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.

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 (other tax attributes) of the Company are generally payable to the Company upon utilization in the filing of Bank of America's returns. See Note 13 for further discussion of income taxes.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

3. NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB issued amendments to Fair Value Accounting. The amendments clarify the application of the highest and best use and valuation premise concepts, preclude the application of blockage factors in the valuation of all financial instruments and include criteria for applying the fair value measurement principles to portfolios of financial instruments. The amendments additionally prescribe enhanced financial statement disclosures for Level 3 fair value measurements. The new amendments became effective January 1, 2012. The Company does not carry any Level 3 financial instruments.

In June 2011, the FASB issued new accounting guidance on the presentation of comprehensive income in financial statements. The new guidance requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This new accounting guidance is effective for the Company starting January 1, 2012.

In December 2011, the FASB issued new accounting guidance that requires additional disclosures on financial instruments and derivative instruments that are either offset in accordance with existing accounting guidance or are subject to an enforceable master netting arrangement or similar agreement. The new requirements do not change the accounting guidance on netting, but rather enhance the disclosures to more clearly show the impact of netting arrangements on a company's financial position. The new accounting guidance will be effective, on a retrospective basis for all comparative periods presented, beginning January 1, 2013. The adoption of this guidance, which involves disclosures only, will not impact the Company's consolidated financial position or results of operations.

4. RELATED-PARTY TRANSACTIONS

The Company performs services on behalf of certain affiliate entities including marketing and promoting of products and services for customers of affiliates. The Company receives compensation for performing these activities based on service agreements, recorded as service fee income from affiliated companies. 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. The Company pays service fee expense to affiliates for services provided related to banking, trust, marketing and promoting the Company's products. Taxes payable of $32,945 due to ML & Co. is included in payable to affiliates.

Payables to affiliates includes loans from affiliated companies on which interest is accrued at prevailing short-term rates. Also included are derivative transactions, such as swaps and forwards, with 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, 2011 and 2010, MLI clients' deposits amounted to $0 and $0, respectively. Interest expense related to MLI clients' deposit for the years ended 2011 and 2010 were $0 and $31, 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, 2011 and 2010, the Company held no MFL clients' deposits. Interest expense related to MFL clients' deposit for the years ended 2011 and 2010 were $0 and $79, respectively.

Merrill Lynch Bank (Suisse), SA ("MLBS"), an affiliate of the Company, has 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, 2011 and 2010, MLBS demand and time deposits amounted to $363,295 and $159,849, respectively.

See Note 8 for additional disclosures of intercompany borrowings entered into with ML&Co.

(In thousands of United States dollars)

The summary of balances and transactions with affiliated companies as of and for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Receivables from affiliates *	$ 47,028	$ 52,690
MLBS demand deposit	$ 329,349	$ 99,770
MLBS time deposit	33,946	60,079
ML & Co. demand deposit	-	202,872
Intercompany borrowings	251,389	-
Payables to affiliates *	147,240	135,914
Total liabilities	$ 761,924	$ 498,635
Service fee income from affiliated companies	$ 90,995	$ 75,677
Interest expense on derivatives - net	(1,209)	(5,227)
Interest income on deposits with affiliated companies	157	53
Total income	$ 89,943	$ 70,503
Interest expense related to intercompany and other borrowings	$ 618	$ 1,370
Interest expense related to MLBS demand deposit	1,156	135
Interest expense related to MLBS time deposit	393	109
Interest expense related to MLI demand deposit	-	31
Interest expense related to Moorgate Funding Limited time deposit	-	79
Service fee expense with affiliated companies	6,597	5,771
Total expense	$ 8,764	$ 7,495

* Includes derivative balances; see Note 11 for additional disclosures of foreign exchange forward contracts, currency swaps, and interest rate swaps entered into with affiliates.

5. INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The carrying amount of securities available-for-sale and their fair value as of December 31, 2011 and 2010 are as follows:

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Singapore Gov. Treasury Bills	$ 1,286	$ -	$ (48)	$ 1,238

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

All investment securities available-for-sale as of December 31, 2011, 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, 2011 and 2010. 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.

The Company's loans consist of secured consumer loans which are classified as held for investments. In these transactions, the customer is required to post collateral in excess of the value of the loan and the collateral must meet marketability criteria. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess overall collectability through daily re-margining over the life of the loan. Given that these loans are fully collateralized by marketable securities, credit risk is negligible and reserves for loan losses are only required in rare circumstances.

The Company reported $1,349,317 and $371,049 in loans outstanding for Domestic Loan Management Account ("LMA") and International, respectively, as of December 31, 2011. There were no amounts greater than 90 days old as of December 31, 2011 for either region, and no charge-offs during 2011.

Loans as of December 31, 2011 and 2010 consist of the following scheduled maturities:

	2011	2010
Three months or less	$ 1,455,069	$ 1,413,343
Less than six months, greater than three months	45,732	60,077
Less than one year, greater than six months	54,385	40,744
Greater than one year	165,180	185,847
Less allowance for loan losses	(2)	(23)
Loans - net	$ 1,720,364	$ 1,699,988

Activity in the allowance for loan losses, is presented below:

	Domestic LMA	International	Total
Beginning balance, January 1, 2010	$ 521	$ -	$ 521
Recovery	(498)	-	(498)
Ending balance, December 31, 2010	23	-	23
Recovery	(23)	2	(21)
Ending balance, December 31, 2011	$ -	$ 2	$ 2

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7. DEPOSITS

Substantially all demand and time deposits were in denominations of $100 or more as of December 31, 2011 and 2010, and their scheduled maturities are as follows:

	2011	2010
Three months or less but not repayable on demand	$ 259,061	$ 572,833
One year or less but over three months	44,507	63,547
Over one year	-	443
Repayable on demand	679,046	514,137
Total	$ 982,614	$ 1,150,960

The effective weighted average interest rates for deposits as of December 31, 2011 and 2010 were 0.61% and 0.53%, respectively.

8. DEBT

In 2007, the Company entered into a committed credit facility with ML & Co., which provides for maximum available borrowing of up to $1,500,000. As of December 31, 2011, the Company has an outstanding borrowing of $251,389 under the facility which matures on March 30, 2012. The credit facility with ML & Co. has been extended through February 24, 2013. The weighted average interest rate was 0.22% on the credit facility. The Company incurred $5 in interest expense during the year ended

December 31, 2011 as the Company initially drew down on its available intercompany borrowing on December 29, 2011. 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, 2011 and 2010 there were no amounts outstanding under the credit facility. The uncommitted credit facility matures on December 7, 2017. Interest on the credit facility is based on prevailing short-term market rates. The Company did not incur interest expense or fees related to this credit facility during the years ended December 31, 2011 and 2010. The credit facility does not have any financial or non-financial covenants.

9. EMPLOYEE BENEFIT PLANS

Effective with the acquisition of ML & Co. by Bank of America, which was completed on January 1, 2009, 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 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.

The Company also participates in an employee compensation plan sponsored by ML & Co., which provides eligible employees with stock-based compensation or options to purchase stock. Compensation and benefits expense included $165 and $274 related to this plan for the years ended December 31, 2011 and 2010, respectively. Payables to affiliates included $23,983 and $23,818 in accrued liabilities related to this plan as of December 31, 2011 and 2010, respectively.

In connection with a redesign of its retirement plans, Bank of America announced that after the end of 2011, it will freeze benefits earned in its Qualified Pension Plans effective June 30, 2012. Bank of America will continue to offer retirement benefits through its defined contribution plans and will increase its contributions to certain of these plans.

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, 2011 and 2010. The Company is the sole contributor to the Plan. During 2011 and 2010, the Company made contributions in the amounts of $1,974 and $1,792 to pay benefits to participants. The Company expects to make contributions to the TCN Plan in the amount of $2,371 for expected benefit payments to participants in 2012.

The accumulated benefit obligation for the TCN Plan was $126,062 and $103,645 at December 31, 2011 and 2010, respectively.

Total net periodic benefit cost for the years ended December 31, 2011 and 2010 included the following components:

	2011	2010
Service costs	$ 3,952	$ 3,749
Interest costs	6,296	5,846
Expected return on plan assets	(2,403)	(2,193)
Total net periodic benefit cost	$ 7,845	$ 7,402

The weighted average assumptions used in calculating the net periodic cost for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	5.8%	5.8 %
Rate of compensation increase	3.5	3.0
Expected long-term return on plan assets	5.8	5.8

Pension expense for the Company amounted to $4,129 and $3,869 for the years ended December 31, 2011 and 2010, respectively, and was fully reimbursed as service-fee income from MLI. 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, 2011 and 2010 and the amounts recognized in the Company's consolidated balance sheets at year-end 2011 and 2010.

	2011	2010
Projected benefit obligation — beginning of year	$ 105,657	$ 98,903
Service cost	3,952	3,749
Interest cost	6,296	5,846
Actuarial loss (gain)	16,057	(1,049)
Benefits paid	(1,974)	(1,792)
Projected benefit obligation — end of year	129,988	105,657
Fair value of plan assets — beginning of year	40,891	37,011
Actual return on plan assets	8,028	3,880
Employer contribution	1,974	1,792
Benefits paid	(1,974)	(1,792)
Fair value of plan assets — end of year	48,919	40,891
Unfunded Pension Liabilities — end of year	$ 81,069	$ 64,766

The weighted average assumptions used in calculating the projected benefit obligation as of December 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	5.3%	5.8 %
Rate of compensation increase	3.5	3.5

Amounts recognized in accumulated other comprehensive (loss), pre-tax, at year-end 2011 and 2010 consisted of $(5,548) and $4,881 in net actuarial (losses) gains, respectively. In order to comply with the intercompany tax allocation policy of Bank of America, the accumulated other comprehensive (losses) gains after-tax was $(7,031) and $2,384 as of December 31, 2011 and 2010, 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 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.

Pension plans can be sensitive to changes in discount rates and expected asset return rates. It is expected that a 25 basis points rate reduction in the discount rate would increase defined benefit plan expenses by approximately $291 for 2012. A 25 basis point decline in the expected rate of return would result in an expense increase for 2012 of approximately $104.

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	2011
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	
2012	$ 2,371
2013	2,371
2014	2,391
2015	2,407
2016	2,463
2017 through 2021	16,710

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 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, Level 2 or Level 3 for the year ended December 31, 2011.

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, 2011, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available for sale	$ -	$ 1,238	$ -	$ 1,238
Foreign exchange forward contracts and currency swaps — long	-	951	-	951
TOTAL ASSETS	$ -	$ 2,189	$ -	$ 2,189
Liabilities:				
Foreign exchange forward contracts and currency swaps — short	$ -	$ 517	$ -	$ 517
Interest rate swaps	-	5,652	-	5,652
TOTAL LIABILITIES	$ -	$ 6,169	$ -	$ 6,169

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

There were no financial or non-financial assets or liabilities measured at fair value on a non-recurring basis at December 31, 2011 and 2010.

11. FINANCIAL INSTRUMENTS

Market Risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, 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 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.

Counterparty Credit Risk **-** The Company is exposed to risk of loss if an individual, counterparty or issuer fails to perform its obligations under contractual terms ("default risk"). The Company's consumer loans are collateralized by securities that are re-margined daily. The Company has established policies and procedures for mitigating credit risk on lending transactions, including reviewing and establishing limits

for credit exposure, maintaining qualifying collateral, and continually assessing the creditworthiness of counterparties.

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

Concentrations of Credit Risk — The Company's exposure to credit risk, is limited to default risk, and is associated with lending activities which are 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, 2011 and 2010, the Company's most significant concentration of credit risk is with affiliates. This concentration arises in the normal course of business.

Derivative 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. 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.

The following table identifies the notional and fair value of outstanding derivative instruments at December 31, 2011 and 2010:

	2011		2010	
	Notional	**Fair Value**	**Notional**	**Fair Value**
Assets:				
Foreign exchange forward contracts and currency swaps — long	$ 395,567	$ 951	$ 490,132	$ 1,831
TOTAL ASSETS	$ 395,567	$ 951	$ 490,132	$ 1,831
Liabilities:				
Foreign exchange forward contracts and currency swaps — short	$ 24,082	$ 517	$ 21,780	$ 190
Interest Rate Swaps	284,956	5,652	365,991	9,082
TOTAL LIABILITIES	$ 309,038	$ 6,169	$ 387,771	$ 9,272

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, 2011 and 2010, 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, 2011 and 2010, identifies the amount in interest income related to derivative instruments by primary risk:

	2011 Interest Income	2010 Interest Income
Foreign Exchange Risk	$ 2,641	$ 1,159
Interest Rate Risk	(3,850)	(6,386)
Total - net	$ (1,209)	$ (5,227)

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, 2011, there was no pending or potentially threatening litigation against the Company.

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, 2011, future non-cancelable minimum rental commitments under leases with remaining terms exceeding one year are presented below:

YEAR	
2012	$ 2,417
2013	2,500
2014	2,403
2015	837
2016	649
2017 and thereafter	1,170
Total	$ 9,976

The Company recorded rent expense of $2,582 and $2,116 for the years ended December 31, 2011 and 2010, respectively.

13. INCOME TAXES

The income tax provision on earnings for the years ended December 31, 2011 and 2010 consisted of:

	2011	2010
U.S. federal		
Current	$ 11,076	$ 12,225
Deferred	(611)	(957)
U.S. state, local, and other		
Current	434	4,756
Deferred	(37)	(32)
Foreign		
Current	862	198
Deferred	-	-
Total	$ 11,724	$ 16,190

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:

	2011	2010
U.S. federal income tax at statutory rate	$ 13,153	$ 13,160
U.S state and local income taxes, net	258	3,071
Foreign tax differential	(2,347)	-
Other	660	(41)
Total	$ 11,724	$ 16,190

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, 2011, the Company had a current tax payable to ML & Co. of $32,945 and is reported as a payable to affiliate. See Note 4 Related Party Transactions.

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, 2011 and 2010, which are included in Other Assets, are comprised of:

	2011	2010
Deferred Tax Asset		
Pension	$ 4,997	$ 712
State Tax Deduction	2,665	2,512
Cumulative Translation Adjustment	1,689	1,493
Deferred Income	762	557
Deferred Compensation	208	-
Other	23	9
Total Deferred Tax Asset	$ 10,344	$ 5,283
Deferred Tax Liability		
Other	$ -	$ (19)
Total Deferred Tax Liability	$ -	$ (19)
Net Deferred Tax Asset	$ 10,344	$ 5,264

The table below summarizes the status of significant tax examinations, by jurisdiction as of December 31, 2011:

Jurisdiction	Years under examination[1]	Status at December 31, 2011
U.S. Federal	2004-2009[2]	See below

(1) All subsequent tax years in the jurisdiction above remain open to examination

(2) From the date of its acquisition by Bank of America, the Company has been included in Bank of America's consolidated federal income tax return. Prior to the date of its acquisition by Bank of America, the Company was included in the Parent's consolidated federal income tax return.

During 2011, ML & Co., Bank of America and the Internal Revenue Service made significant progress toward resolving all federal income tax examinations for Bank of America tax years through 2009 and ML & Co. tax years through 2008. While subject to final agreement, including review by the Joint

Committee on Taxation of the U.S. Congress for certain years, the Company believes that it is reasonably possible that all above federal examinations will be concluded during the next twelve months.

The Company is subject to examination by local tax authorities in three countries – Spain, Lebanon and Singapore for the 2007 – 2011 tax years.

At December 31, 2011, 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, 2011, quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes.

14. REGULATORY CAPITAL

The Company is subject to capital requirements of the Basel II framework as defined by the Cayman Islands Monetary Authority ("CIMA"), which came into effect January 1, 2011 in the Cayman Islands. The measure of capital strength established by CIMA for the Company is the risk weighted total capital ratio with a minimum of 12% in 2011 (2010: 12%). At December 31, 2011 the risk weighted capital ratio was 78% (2010: 24% Basel 1 framework).

15. SUBSEQUENT EVENTS

The Company evaluated subsequent events through March 30, 2012, the date the financial statements were available to be issued. On and effective March 1, 2012, the Company amended the $1,500,000 committed credit facility agreement with ML & Co. to $1,000,000 and extended its maturity to February 24, 2013. On March 14, 2012 the Company signed a notice to terminate the $5,000,000 uncommitted credit facility with ML & Co. effective March 20, 2012.

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