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

Consolidated Financial Statements
as of and for the Years Ended
December 31, 2012 and 2011, and
Report of Independent Auditors

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

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS	1
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011:	
Consolidated Balance Sheets	3
Consolidated Statements of Earnings	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Stockholder’s Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8–29

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Merrill Lynch Bank and Trust Company (Cayman) Limited (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of earnings, of comprehensive income, of changes in stockholder's equity, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Merrill Lynch Bank and Trust Company (Cayman) Limited and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 4 and 11 to the consolidated financial statements, the Company, on a recurring basis, enters into significant related party transactions with Merrill Lynch & Company subsidiaries. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers

April 2, 2013

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011
(In thousands of United States dollars)

	2012	2011
ASSETS		
CASH AND DUE FROM BANKS	$ 21,729	$ 16,858
INVESTMENT SECURITIES AVAILABLE FOR SALE	1,228	1,238
LOANS (net of allowance for loan losses of $50 in 2012 and $2 in 2011)	1,739,199	1,720,364
RECEIVABLES FROM AFFILIATES	59,749	47,028
ACCRUED TRUST ADMINISTRATION FEES	16,640	19,091
ACCRUED INTEREST RECEIVABLE	4,318	4,566
OTHER ASSETS	12,489	15,697
TOTAL	$ 1,855,352	$ 1,824,842
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES:		
Deposits:		
Demand	$ 837,487	$ 679,046
Time	188,761	303,568
Total deposits	1,026,248	982,614
INTERCOMPANY BORROWINGS	201,030	251,389
PAYABLES TO AFFILIATES	145,594	147,240
UNFUNDED PENSION LIABILITY	105,690	81,069
OTHER LIABILITIES	10,490	11,330
Total liabilities	1,489,052	1,473,642
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDER'S EQUITY:		
Capital and Share Premium	337,141	326,735
Retained earnings	48,666	30,328
Accumulated other comprehensive loss	(19,507)	(5,863)
Total stockholder's equity	366,300	351,200
TOTAL	$ 1,855,352	$ 1,824,842

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, 2012 AND 2011
(In thousands of United States dollars)

	2012	2011
INTEREST INCOME:		
Loans	$ 27,921	$ 27,489
Interest income on advances to affiliates	34	157
Interest expense on derivatives - net	(135)	(1,209)
Other	-	416
Total Interest Income	27,820	26,853
INTEREST EXPENSE:		
Deposits	5,365	6,539
Intercompany borrowings and advances	1,025	618
Total Interest Expense	6,390	7,157
NET INTEREST INCOME	21,430	19,696
PROVISION (RECOVERY) FOR CREDIT LOSSES	48	(21)
NET INTEREST INCOME AFTER PROVISION (RECOVERY) FOR CREDIT LOSSES	21,382	19,717
NON-INTEREST INCOME:		
Service fee income from affiliated companies	78,061	90,995
Trust administration fees	25,979	30,252
Other	(771)	492
Total Non-interest Income	103,269	121,739
TOTAL REVENUES, NET OF INTEREST EXPENSES	124,651	141,456
NON-INTEREST EXPENSES:		
Compensation and benefits	72,078	83,701
Service fee expense with affiliated companies	7,954	6,597
Occupancy and related depreciation	4,683	4,395
Communication and technology	3,568	3,888
Advertising and market development	1,333	1,985
Professional fees	2,066	1,808
Other	1,044	1,912
Total Non-interest Expenses	92,726	104,286
EARNINGS BEFORE INCOME TAXES	31,925	37,170
INCOME TAX EXPENSE	13,587	11,724
NET EARNINGS	$ 18,338	$ 25,446

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, 2012 AND 2011
(In thousands of United States dollars)

	2012	2011
NET EARNINGS	$ 18,338	$ 25,446
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:		
Foreign currency translation adjustment (1)	(2,094)	1,774
Net change in unrealized appreciation on investment securities available for sale (2)	50	(26)
Defined Pension adjustment (3)	(11,600)	(7,031)
Total other comprehensive loss	(13,644)	(5,283)
COMPREHENSIVE INCOME	$ 4,694	$ 20,163

(1) Net of Tax Benefit of $761 and $182 for 2012 and 2011, respectively.
(2) Net of Tax Expense (Benefit) of $32 and $(19) for 2012 and 2011, respectively.
(3) Net of Tax Benefit of $7,905 and $4,216 for 2012 and 2011, 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, 2012 AND 2011
(In thousands of United States dollars, except shares and per share amounts)

	Capital and Share Premium (1)	Accumulated Other Comprehensive Loss	Retained Earnings	Total
As of December 31, 2010	$ 386,735	$ (580)	$ 44,919	$ 431,074
Return of capital	(60,000)	-	-	(60,000)
Dividends paid	-	-	(40,037)	(40,037)
Foreign currency translation adjustment, net of tax	-	1,774	-	1,774
Unrealized adjustment on investment securities available for sale, net of tax	-	(26)	-	(26)
Defined Pension adjustment, net of tax	-	(7,031)	-	(7,031)
Net earnings	-	-	25,446	25,446
As of December 31, 2011	326,735	(5,863)	30,328	351,200
Foreign currency translation adjustment, net of tax	-	(2,094)	-	(2,094)
Unrealized adjustment on investment securities available for sale, net of tax	-	50	-	50
Defined Pension adjustment, net of tax	-	(11,600)	-	(11,600)
Net earnings	-	-	18,338	18,338
Other, net	10,406	-	-	10,406
As of December 31, 2012	$ 337,141	$ (19,507)	$ 48,666	$ 366,300

(1) Includes $12 of Share Capital (12,000 oridnary shares outstanding with par value $1) at December 31, 2012 and 2011.

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, 2012 AND 2011
(In thousands of United States dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 18,338	$ 25,446
Noncash items excluded from earnings:		
Depreciation and amortization	669	697
Stock compensation expense	164	165
Deferred taxes	9,878	(648)
Provision (recovery) for credit losses	48	(21)
Loss on sale of securities	15	-
Changes in operating assets and liabilities:		
Receivables from affiliates	(12,721)	5,662
Payables to affiliates	(1,810)	11,161
Unfunded pension liability	24,621	16,303
Other assets	(7,749)	(6,180)
Accrued trust administration fees	2,451	866
Accrued interest receivable	248	(291)
Other liabilities	(840)	2,101
Other, net	(818)	(7,006)
Net cash provided by operating activities	32,494	48,255
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities available-for-sale	(1,179)	(1,131)
Maturities of securities available-for-sale	1,107	1,140
Sale of securities	151	-
Net increase in loans	(18,883)	(20,355)
Net cash used in investing activities	(18,804)	(20,346)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Return of capital	-	(60,000)
Dividend distributed from retained earnings	-	(40,037)
Proceeds from Intercompany borrowing, net	(50,359)	251,389
Net increase in demand deposits	158,441	164,909
Net decrease in time deposits	(114,807)	(333,255)
Net cash used in financing activities	(6,725)	(16,994)
Effect of exchange rate changes on cash	(2,094)	1,774
NET INCREASE IN CASH AND DUE FROM BANKS	4,871	12,689
CASH AND DUE FROM BANKS—Beginning of year	16,858	4,169
CASH AND DUE FROM BANKS—End of year	$ 21,729	$ 16,858
SUPPLEMENTAL CASH FLOW INFORMATION - Cash paid for:		
Interest	$ 6,510	$ 7,152
Income taxes	$ 29,582	$ 12,004

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 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. 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 subsidiaries located in Uruguay, Spain and Lebanon, whose primary activities consist of business development for other ML & Co. entities. These subsidiaries are part of the International Wealth Management ("IWM") sale of certain businesses located outside of the United States, which is subject to regulatory and other approvals. See Note 15 for additional disclosures.

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.

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

Out-of-Period Adjustment —During the preparation of the financial statements, it was determined that during the periods prior to December 31, 2012, a share-based compensation award related to shares granted to eligible employees in 2006 was incorrectly recorded. The Company has evaluated the effects of this error and concluded that it is not material to any of the Company's previously issued financial statements or to the 2012 financial statements. Accordingly, the Company recorded an out-of-period adjustment as of December 31, 2012, which resulted in the decrease of other assets by $787 and payables to affiliates for $11,603 and an increase to capital and share premium by $10,816.

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 credit losses;
- valuations of assets and liabilities requiring fair value estimates;
- determination of other-than-temporary impairments for investment securities available-for-sale;
- the ability to realize deferred taxes and the recognition and 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 due from banks, investment securities available for sale, loans, deposits, receivables from affiliates, payables to affiliates and intercompany borrowings.

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. The amounts recognized for cash and due from banks approximate fair value. For purposes of the fair value hierarchy, cash and due from banks are classified as Level 1.

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 credit 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. The carrying value of the loans approximates fair value. For purposes of the fair value hierarchy, loans are classified as Level 2.

Nonrefundable loan origination fees, loan commitment fees, and "draw down" fees received in conjunction with the held for investment loans are generally deferred and recognized over the contractual life of the loan as an adjustment to the yield. If, at the outset, or any time during the term of the loan, it becomes probable that the repayment period will be extended, the amortization is recalculated using the extended remaining life of the loans. When the loan contract does not provide for a specific maturity date, management's best estimate of the repayment period is used. At repayment of the loans, any unrecognized deferred fee is immediately recognized in earnings.

Allowance for Credit Losses – The allowance for credit losses is based upon management's estimate of the amount necessary to maintain the allowance at a level adequate to absorb probable credit 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 credit 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 credit 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, whose contractual terms have been restructured in a manner which grants a concession to a borrower

experiencing financial difficulties are considered troubled debt restructurings ("TDRs") 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 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. As of December 31, 2012 and 2011, there were no TDRs 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. The carrying value of the receivables from affiliates and payables to affiliates approximates fair value. For purposes of the fair value hierarchy, receivables from affiliates and payables to affiliates are classified as Level 2. See Note 4 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 $2,565 and $2,514 as of December 31, 2012 and 2011, respectively, and the accumulated depreciation and amortization was $1,469 and $877 for 2012 and 2011 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 $221 and $231 for 2012 and 2011, respectively. Depreciation and amortization recognized in the communications and technology expense category was $448 and $466 for 2012 and 2011, 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. The carrying value of the deposits approximates fair value. For purposes of the fair value hierarchy, deposits are classified as Level 2.

Intercompany Borrowings – The Company's enters into intercompany borrowing transactions with ML & Co. to meet its lending requirements. The carrying value of the intercompany borrowings approximates fair value. For purposes of the fair value hierarchy, intercompany borrowings are classified as Level 2.See Note 8 to the Consolidated Financial Statements for further information.

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 foreign currency risk. IRSs and currency forwards are valued daily with realized and unrealized gains and losses recorded as interest expense on derivatives - net.

Foreign Currency Transactions — The Banking Division enters into foreign currency contracts to facilitate currency conversions for its customers, as well as to minimize its currency exposure. Foreign currency 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 $14,743,111 and $16,636,830 as of December 31, 2012 and 2011 respectively, are not included in the accompanying consolidated financial statements, as such items are not assets of the Company. The Company earned $25,979 and $30,252 in Trust administration fees which is reflected in the Company's consolidated statements of earnings for the years ended December 31, 2012 and 2011, 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 incomes 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.

3. NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2012, the Company adopted amendments from the Financial Accounting Standards Board ("FASB') to Fair Value Accounting guidance. The amendments clarified the application of the highest and best use, and valuation premise concepts, precluded the application of "blockage factors" in the valuation of all financial instruments and included criteria for applying the fair value measurement principles to portfolio of financial instruments. The amendments also prescribed additional disclosures for Level 3 fair value measurements and financial instruments not carried at fair value. The adoption of this guidance did not have any impact on the Company's Consolidated Balance Sheets or Statement of Earnings.

Effective January 1, 2013 the Company will be required to retrospectively adopt new accounting guidance from the FASB requiring additional disclosures on the effect of netting arrangements on the Company's financial position. The disclosures relate to derivatives and securities financing agreements that are either offset on the balances sheet under existing accounting guidance or are subject to a legally enforceable master netting or similar agreement. This new guidance addresses only disclosures, and accordingly will have no impact on the Company's Consolidated Balance Sheets or Statement of Earnings.

4. RELATED-PARTY TRANSACTIONS

The Company performs services on behalf of certain affiliate entities including the marketing and promotion 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 derivatives and due from affiliated companies. 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 $6,891 and $32,945 due to ML & Co. for the years ended December 31, 2012 and 2011, respectively is included in payable to affiliates.

Payables to affiliates include amounts due to affiliated companies on which interest is accrued at prevailing short-term rates. Also included are derivative transactions, such as swaps and forwards, with affiliates. As of December 31, 2012 and 2011, the Company reported $127,488 and $89,126 of interest bearing advances to affiliates which are included in Payables to affiliates. Interest expense related to interest bearing advances to affiliates in the amounts of $433 and $613 as of December 31, 2012 and 2011, respectively, was included in intercompany borrowings and advances.

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, 2012 and 2011, MLBS demand and time deposits amounted to $345,974 and $363,295, respectively.

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

A summary of balances and transactions with affiliated companies as of and for the years ended December 31, 2012 and 2011 follows:

	2012	2011
Receivables from affiliates *	$ 59,749	$ 47,028
MLBS demand deposit	$ 324,974	$ 329,349
MLBS time deposit	21,000	33,946
Intercompany borrowings	201,030	251,389
Payables to affiliates *	145,594	147,240
Total liabilities	$ 692,598	$ 761,924
Service fee income from affiliated companies	$ 78,061	$ 90,995
Interest expense on derivatives - net	(135)	(1,209)
Interest income on advances to affiliates	34	157
Total income	$ 77,960	$ 89,943
Interest expense related to intercompany borrowings and advances	$ 1,025	$ 618
Interest expense related to MLBS demand deposit	1,072	1,156
Interest expense related to MLBS time deposit	392	393
Service fee expense with affiliated companies	7,954	6,597
Total expense	$ 10,443	$ 8,764

* Includes derivative balances; see Note 11 for additional disclosures of foreign currency 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, 2012 and 2011 are as follows:

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Singapore Gov't. Treasury Bills	$ 1,207	$ 21	$ -	$ 1,228

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Singapore Gov't. Treasury Bills	$ 1,286	$ -	$ (48)	$ 1,238

There was no investment securities available-for-sale in an unrealized loss position as of December 31, 2012. Investment securities available-for-sale as of December 31, 2011 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, 2012 and 2011. 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.

These loans are classified as held for investment. 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 credit losses are only required in rare circumstances.

The Company reported $1,300,656 and $438,593 in loans outstanding for Domestic Loan Management Account ("LMA") and International, respectively, as of December 31, 2012. For the period ended December 31, 2011, the Company reported loans of $1,349,317 and $371,049 for LMA and International respectively. There were no charge-offs during 2012 and 2011.

Loans as of December 31, 2012 and 2011 consist of the following scheduled maturities:

	2012	2011
Three months or less	$ 1,484,594	$ 1,455,069
Less than six months, greater than three months	93,515	45,732
Less than one year, greater than six months	53,242	54,385
Greater than one year	107,898	165,180
Less allowance for loan losses	(50)	(2)
Loans - net	$ 1,739,199	$ 1,720,364

Activity in the allowance for credit losses is presented below:

	Domestic LMA	International	Total
Beginning balance, January 1, 2011	$ 23	$ -	$ 23
Provision (Recovery)	(23)	2	(21)
Ending balance, December 31, 2011	-	2	2
Provision (Recovery)	50	(2)	48
Ending balance, December 31, 2012	$ 50	$ -	$ 50

7. DEPOSITS

Substantially all demand and time deposits were in denominations of $100 or more as of December 31, 2012 and 2011, and their scheduled maturities are as follows:

	2012	2011
Three months or less but not repayable on demand	$ 141,394	$ 259,061
One year or less but over three months	47,367	44,507
Repayable on demand	837,487	679,046
Total	$ 1,026,248	$ 982,614

The effective weighted average interest rates for deposits as of December 31, 2012 and 2011 were 0.52% and 0.61%, 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 $1,000,000. The maximum available borrowing of the credit facility was reduced from $1,500,000 in 2012. As of December 31, 2012, the Company has an outstanding borrowing of $201,030 under the facility which matures on February 24, 2013. The weighted average interest rate was 0.24% on the credit facility. The Company incurred $592 and $5 in interest expense during the years ended December 31, 2012 and 2011. This credit facility does not have any financial or non-financial covenants. See Note 15 for additional disclosures.

9. EMPLOYEE BENEFIT PLANS

Bank of America Corporation Corporate Benefits Committee has 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 $164 and $165 related to this plan for the years ended December 31, 2012 and 2011, respectively. Payables to affiliates included $12,544 and $23,983 in accrued liabilities related to this plan as of December 31, 2012 and 2011, respectively. Included in the payables to affiliates was an out-of-period adjustment of $11,603, which the Company recorded in 2012. See Note 2 for additional disclosures.

In connection with a redesign of its retirement plans, Bank of America amended its qualified defined benefit plans to freeze benefits earned effective June 30, 2012. Bank of America continues 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 ("RAP"), the Employee Stock Ownership Plan ("ESOP"), and the 401(k) Savings & Investment Plan ("SIP"). These plans cover substantially all U.S. employees who have met certain service requirements. During 2012, these plans were merged, with the SIP being the successor plan. The SIP is closed to new participants with certain exceptions. Beginning July 1, 2012, an additional annual company contribution was made to the SIP.

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, 2012 and 2011. The Company is the sole contributor to the Plan. During 2012 and 2011, the Company made contributions in the amounts of $1,992 and $1,974 to pay benefits to participants. The Company expects to make contributions to the TCN Plan in the amount of $2,258 for expected benefit payments to participants in 2013.

The accumulated benefit obligation for the TCN Plan was $155,252 and $126,062 at December 31, 2012 and 2011, respectively.

Total net periodic benefit cost for the years ended December 31, 2012 and 2011 included the following components:

	2012	2011
Service costs	$ 3,343	$ 3,952
Interest costs	6,938	6,296
Expected return on plan assets	(2,720)	(2,403)
Total net periodic benefit cost	$ 7,561	$ 7,845

The weighted average assumptions used in calculating the net periodic cost for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	5.3%	5.8 %
Rate of compensation increase	3.5	3.5
Expected long-term return on plan assets	5.8	5.8

Pension expense for the Company amounted to $4,680 and $4,129 for the years ended December 31, 2012 and 2011, 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, 2012 and 2011 and the amounts recognized in the Company's consolidated balance sheets at year-end 2012 and 2011.

	2012	2011
Projected benefit obligation — beginning of year	$ 129,988	$ 105,657
Service cost	3,343	3,952
Interest cost	6,938	6,296
Actuarial loss (gain)	19,179	16,057
Benefits paid	(1,992)	(1,974)
Projected benefit obligation — end of year	157,456	129,988
Fair value of plan assets — beginning of year	48,919	40,891
Actual return on plan assets	2,847	8,028
Employer contribution	1,992	1,974
Benefits paid	(1,992)	(1,974)
Fair value of plan assets — end of year	51,766	48,919
Unfunded Pension Liability — end of year	$ 105,690	$ 81,069

The weighted average assumptions used in calculating the projected benefit obligation as of December 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	4.8%	5.3 %
Rate of compensation increase	3.5	3.5

Amounts recognized in accumulated other comprehensive loss, pre-tax, at year-end 2012 and 2011 consisted of $25,053 and $5,548 in net actuarial losses, respectively. In order to comply with the intercompany tax allocation policy of Bank of America, the accumulated other comprehensive losses after-tax was $14,918 and $3,318 as of December 31, 2012 and 2011, 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 the asset 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 $801 for 2013. A 25 basis point decline in the expected rate of return would result in an expense increase for 2013 of approximately $130.

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	2012
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		
2013	$	2,258
2014		2,272
2015		2,408
2016		2,486
2017		3,049
2018 through 2022		17,699

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 levels for the year ended December 31, 2012.

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 currency 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, 2012, is as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available for sale	$ -	$ 1,228	$ -	$ 1,228
Foreign currency forward contracts and currency swaps — long	-	1,447	-	1,447
Interest rate swaps — long	-	720	-	720
TOTAL ASSETS	$ -	$ 3,395	$ -	$ 3,395
Liabilities:				
Foreign currency forward contracts and currency swaps — short	$ -	$ 134	$ -	$ 134
Interest rate swaps — short	-	3,882	-	3,882
TOTAL LIABILITIES	$ -	$ 4,016	$ -	$ 4,016

The Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 were as follows:

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

There were no financial or non-financial assets or liabilities measured at fair value on a non-recurring basis at December 31, 2012 and 2011.

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.

Foreign Currency Risk — Foreign 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 foreign 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, 2012 and 2011, 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 interest rates, equity security prices, currencies, commodity prices or credit spreads. Derivatives include futures, forwards, swaps, option contracts and other financial instruments 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). All derivatives are accounted for at fair value. 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, 2012 and 2011:

	2012		**2011**	
	Notional	**Fair Value**	**Notional**	**Fair Value**
Assets:				
Foreign currency forward contracts and currency swaps — long	$ 385,131	$ 1,447	$ 395,567	$ 951
Interest rate swaps — long	37,543	720	-	-
TOTAL ASSETS	$ 422,674	$ 2,167	$ 395,567	$ 951
Liabilities:				
Foreign currency forward contracts and currency swaps — short	$ 20,725	$ 134	$ 24,082	$ 517
Interest rate swaps — short	187,413	3,882	284,956	5,652
TOTAL LIABILITIES	$ 208,138	$ 4,016	$ 309,038	$ 6,169

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, 2012 and 2011, 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 foreign currency risk with third parties in the normal course of their trading activities.

The following table, for the years ended December 31, 2012 and 2011, identifies the amount in interest income related to derivative instruments by primary risk:

	2012	2011
	Interest Income	Interest Income
Foreign Currency Risk	$ 1,155	$ 2,641
Interest Rate Risk	(1,290)	(3,850)
Total - net	$ (135)	$ (1,209)

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, 2012, 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, 2012, future non-cancelable minimum rental commitments under leases with remaining terms exceeding one year are presented below:

YEAR	
2013	$ 2,446
2014	2,358
2015	1,658
2016	837
2017	605
2018 and thereafter	484
Total	$ 8,388

The Company recorded rent expense of $2,596 and $2,582 for the years ended December 31, 2012 and 2011, respectively.

13. INCOME TAXES

The income tax provision on earnings for the years ended December 31, 2012 and 2011 consisted of:

	2012	2011
U.S. federal		
Current	$ 1,867	$ 11,076
Deferred	9,726	(611)
U.S. state, local, and other		
Current	908	434
Deferred	152	(37)
Foreign		
Current	934	862
Deferred	-	-
Total	$ 13,587	$ 11,724

The income tax expense for the year ended December 31, 2012 varied by the amount computed by applying the statutory income tax rate to income before income taxes. A reconciliation between the expected U.S. federal income tax expense using the U. S. federal statutory rate of 35% to the Company's actual income tax expense and resulting tax rate for 2012 is presented in the table below.

	2012	2011
U.S. federal income tax at statutory rate	$ 11,030	$ 13,153
U.S state and local income taxes, net	689	258
Foreign tax differential	1,903	(2,347)
Other	(35)	660
Total	$ 13,587	$ 11,724

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, 2012 and 2011, the Company had a current tax payable to ML & Co. of $6,891 and $32,945 respectively 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, 2012 and 2011, which are included in Other Assets, are comprised of:

	2012	2011
Deferred Tax Asset		
Pension	$ 12,568	$ 4,997
Cumulative Translation Adjustment	2,894	1,689
State Tax Deduction	1,694	2,665
Other	587	23
Deferred Income	-	762
Deferred Compensation	-	208
Total Deferred Tax Asset	$ 17,743	$ 10,344
Deferred Tax Liability		
Deferred Income	$ (8,467)	$ -
Deferred Compensation	(182)	-
Total Deferred Tax Liability	$ (8,649)	$ -
Net Deferred Tax Asset	$ 9,094	$ 10,344

The Company files income tax returns in numerous state, local and non-U.S. jurisdictions each year. The Internal Revenue Service and other tax authorities in states, cities and countries in which the Company has significant business operations, examine tax returns periodically (continuously in some jurisdictions). The table below summarizes the status of significant tax examinations, by jurisdiction, for the Company as of December 31, 2012.

Jurisdiction	Years under examination[1]	Status at December 31, 2012
U.S. Federal	2004-2009[2]	See below
U.S. Federal	2010-2011[2]	Field Examination

(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 2012, 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 2008 – 2012 tax years.

At December 31, 2012 and 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, 2012, quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes.

In 2012, Bank of America entered into an agreement to sell ML&Co's IWM businesses based outside of the U.S., subject to regulatory and other approvals. These businesses include the following foreign subsidiaries:

- Merrill Lynch Espanola Agencia de Valores, S.A.
- Merrill Lynch, Pierce, Fenner & Smith (Middle East) S.A.L.
- Institucion Financiera Externa Merrill Lynch Bank Uruguay S. A.

The earnings from these foreign subsidiaries had previously been deemed to be permanently reinvested in the respective foreign jurisdictions. Due to this potential sale the earnings of these subsidiaries are no longer considered indefinitely reinvested. As a result of the change in its permanently reinvested position, the Company recorded a deferred tax liability of $8,467.

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 2012 and 2011. At December 31, 2012 and 2011, the risk weighted capital ratios were 148% and 78% respectively. In 2012, CIMA provided new guidance for the calculation of the operational risk-weighted assets that is used for the calculation of the risk-weighted capital ratio. The calculation of the operational risk-weighted assets under the new guidance is based on pre-tax income. Prior to the adoption of the new guidance, the calculation of the operational risk-weighted assets was based on gross income. The risk-weighted capital ratio at December 31, 2012 reflects the impact of the adoption of the new guidance.

15. SUBSEQUENT EVENTS

The Company evaluated subsequent events through April 2, 2013, the date the financial statements were available to be issued. On and effective January 7, 2013, the Company amended the $1,000,000 committed credit facility agreement with ML & Co. to $2,000,000 and extended its maturity to January 2, 2014.

In 2012, Bank of America entered into an agreement to sell ML&Co's IWM businesses based outside of the U.S. The IWM sale is subject to regulatory and other approvals in multiple jurisdictions and the first of a series of closing occurred in February 2013. The transaction involves the sale of operations that are integrated within various legal entities, including the Company, the sale of the Company's subsidiaries in Uruguay, Spain and Lebanon, and the sale of other business assets. The impact of the sale on the Company has not been fully assessed but it is not expected to have a significant impact on the Company's financial position. For the years ended December 31, 2012 and 2011, the Company reported Non-interest income from the three subsidiaries of $72,436 and 85,967, respectively. Pre-tax income for the three subsidiaries were $4,454 and $4,655, respectively, for the years ended December 31, 2012 and 2011.

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