

MLEIH FUNDING

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2011**

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MLEIH FUNDING

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MLEIH FUNDING

DIRECTORS' REPORT

For the year ended 31 December 2011

The directors present their report and the audited financial statements of MLEIH Funding (the "Company") for the year ended 31 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

BUSINESS REVIEW

The Company acts as an investment holding company in the Merrill Lynch UK Holdings ("MLUKH") group. There have been no changes in the principal activity of the Company during the year and the directors expect the principal activity to continue in 2012.

The ultimate parent of the Company is Bank of America Corporation ("BAC")

The loss for the year amounted to \$2 million (2010: profit of \$53 million)

The directors do not recommend the payment of a dividend for the year ended 31 December 2011 (2010: \$nil)

BAC manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary, appropriate or relevant for an understanding of the development, performance or position of the business.

GOING CONCERN

The Company relies upon its ultimate parent BAC to provide capital and liquidity to support its business operations.

Whilst the Company has received no guarantees, the directors have a reasonable expectation, based on experience to date, of continued and sufficient access to funding and capital facilities from its ultimate parent and the Company will continue in operational existence for the foreseeable future. The financial statements of the Company have, therefore, been prepared on a going concern basis.

DIRECTORS' REPORT
For the year ended 31 December 2011

RISK MANAGEMENT

The principal risks to which the Company is exposed are interest rate risk and currency risk. The Company does not hedge its exposure to interest rate risk but manages its currency risk, as set out in notes 5 and 6.

DIRECTORS

The directors who served during the year and up to the date of signing this report were as follows:

T C Martin
K L Pearson
D F Thomson (resigned 28 March 2011)
R I Jones (appointed 1 April 2011)

DISCLOSURE OF INFORMATION TO AUDITORS

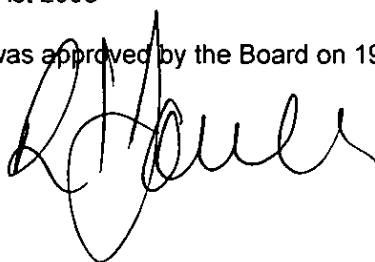
Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

This report was approved by the Board on 19 July 2012 and signed on its behalf by

R I Jones
Director
London



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MLEIH FUNDING

We have audited the financial statements of MLEIH Funding ("the Company") for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 1 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of the Company's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Simon Hunt (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 July 2012

MLEIH FUNDING

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2011

	Note	2011 \$m	2010 \$m
Dividend income received		-	55
Liquidation of subsidiary		-	(1)
Interest payable and similar charges	3	<u>(2)</u>	<u>(1)</u>
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2)	53
TAX ON (LOSS)/ PROFIT ON ORDINARY ACTIVITIES	4	-	-
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(2)</u>	<u>53</u>

(Loss)/ profit on ordinary activities before taxation derives wholly from continuing operations

There are no recognised gains or losses in either year other than the loss (2010 profit) for the year and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 6 to 9 form part of these financial statements

MLEIH FUNDING**BALANCE SHEET**

As at 31 December 2011

Registered number: 6445048

	Notes	\$m	2011 \$m	2010 \$m
FIXED ASSETS				
Investments	5		10,676	10,676
CURRENT LIABILITIES				
Creditors amounts falling due within one year	6	<u>(353)</u>	<u>(351)</u>	
NET CURRENT LIABILITIES			<u>(353)</u>	<u>(351)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,323	10,325
NET ASSETS			<u>10,323</u>	<u>10,325</u>
CAPITAL AND RESERVES				
Called up share capital	7		3,291	3,291
Share premium account	8		42,226	42,226
Profit and loss account	8		<u>(35,194)</u>	<u>(35,192)</u>
TOTAL SHAREHOLDER'S FUNDS	9		<u>10,323</u>	<u>10,325</u>

The financial statements were approved and authorised for issue by the Board on 19 July 2012 and signed on its behalf by



R I Jones

Director

The notes on pages 6 to 9 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The financial statements have been prepared in accordance with United Kingdom Accounting Standards and applicable law (together UK GAAP) and the going concern assumption has been used in the preparation of the financial statements as detailed in the Directors' Report. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

1.2 Accounting convention

The financial statements have been prepared under the historical cost convention.

1.3 Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised 1996) – "Cash Flow Statements", as a consolidated cash flow statement is included in the publicly available consolidated financial statements of the ultimate parent company, BAC.

1.4 Investments

Investments held as fixed assets are stated at cost less provisions for impairment.

1.5 Impairment of fixed asset investments

At each reporting date, the Company assesses whether there is any indication that its fixed asset investments are impaired. Impairment tests are performed annually or more frequently if events or changes in circumstances indicate that an investment might be impaired.

The amount of any impairment is measured as the difference between the asset's carrying amount and recoverable amount. The recoverable amount is the higher of the net realisable value and the value in use. The carrying amount of the asset is reduced accordingly and the amount of the loss is recognised in the profit and loss account.

1.6 Netting

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

1.7 Group accounts

The Company has taken advantage of the exemption in Section 400 of the Companies Act 2006 from the obligation to prepare and deliver group accounts since the Company is a wholly owned subsidiary of MLUKH, which prepares group accounts which include the Company. Accordingly, the Company's financial statements present information about it as an individual undertaking and not about its group.

1.8 Interest receivable and payable

Interest receivable and payable are recognised on an accruals basis using the effective interest rate method.

1.9 Financial assets and liabilities

The Company classifies its financial assets as loans and receivables. Loans and receivables are carried at amortised cost using the effective interest rate method less an allowance for any impairment. Interest calculated using the effective interest rate method is recognised through profit and loss. All financial liabilities are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

1.10 Translation of foreign currencies

Revenues and expenses arising from transactions to be settled in foreign currencies are translated into US Dollars at average monthly market rates of exchange. Monetary assets and liabilities are translated into US Dollars at the market rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of foreign currencies are reflected in the profit and loss account.

The financial statements have been presented in US Dollars as this is the functional currency of the Company.

1.11 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

2. OPERATING (LOSS)/PROFIT

During the year, no director received any emoluments in respect of qualifying services to the Company (2010: \$nil). The emoluments of the directors are paid by an affiliated entity which makes no recharge to the Company. The Company did not have any employees in the current or preceding year.

Statutory audit fees of \$16,000 (2010: \$16,000) were borne by an affiliated company in the current and prior year.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 \$m	2010 \$m
Interest payable due to affiliated companies	<u>2</u>	<u>1</u>

4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2011 \$m	2010 \$m
Tax on (loss)/profit on ordinary activities	<u>-</u>	<u>-</u>

The factors affecting the tax charge are noted below:

The tax assessed for the year is lower (2010: lower) than the standard rate of corporation tax in the UK applicable to the Company of 26.5% (2010: 28%). The differences are explained below:

	2011 \$m	2010 \$m
(Loss)/profit on ordinary activities before tax	<u>(2)</u>	<u>53</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 26.5% (2010: 28%)	-	15

Effects of:

Tax losses surrendered to affiliated companies for no payment	-	1
Income not subject to taxation	-	(16)
Current tax for the year (see note above)	<u>-</u>	<u>-</u>

MLEIH FUNDING

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. INVESTMENTS

	Investment in affiliated undertakings \$m
Cost	
At 31 December 2011 and 31 December 2010	46,467
Impairment	
At 31 December 2011 and 31 December 2010	(35,791)
Net book value	
At 31 December 2011 and 31 December 2010	<u>10,676</u>

Subsidiary and Associate Undertakings

All the directly held affiliated undertakings of the Company are incorporated in Great Britain. The percentage of ordinary shares held and the nature of business as at 31 December 2011 for the subsidiary and associate undertakings were as follows:

	Percentage of ownership	Nature of business
Merrill Lynch Holdings Limited	100	Holding company
Merrill Lynch UK Finance	37	Funding vehicle

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The principal risk to which the Company is exposed is currency risk. Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of fixed asset investments where these investments are held in a currency other than US dollars. The Company does not hedge this exposure. However, the exposure is hedged by the ultimate parent BAC.

6. CREDITORS: amounts falling due within one year

	2011 \$m	2010 \$m
Amounts owed to affiliated companies	<u>353</u>	<u>351</u>

The Company is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the future cash flows. The Company does not hedge this exposure.

7. CALLED UP SHARE CAPITAL

	2011 \$m	2010 \$m
Allotted, called up and fully paid		
3,290,950,431 ordinary shares of \$1.00 each	<u>3,291</u>	<u>3,291</u>

MLEIH FUNDING

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. RESERVES

	Share premium account \$m	Profit and loss account \$m
At 31 December 2010	42,226	(35,192)
Profit for the year	-	(2)
At 31 December 2011	<u>42,226</u>	<u>(35,194)</u>

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 \$m	2010 \$m
(Loss)/profit for the year	(2)	53
Opening shareholder's funds	<u>10,325</u>	<u>10,272</u>
	<u>10,323</u>	<u>10,325</u>

10. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption from related party disclosures available in Paragraph 3(c) of Financial Reporting Standard 8 – "Related Party Disclosures", as it is a wholly owned subsidiary and the consolidated financial statements of the ultimate parent company are publicly available as noted below

There were no related party transactions other than those with affiliated companies covered by the exemption noted above

11. PARENT UNDERTAKINGS

The Company's immediate parent company is Merrill Lynch Europe Intermediate Holdings and the ultimate parent company and controlling party is BAC, a company incorporated in the State of Delaware in the United States of America. The parent company of the largest group that includes the Company and for which group financial statements are prepared is BAC. Copies of BAC's financial statements can be obtained from the Corporate Secretary's office, 101 North Tryon Street, Charlotte, North Carolina, 28255, U S A. The parent undertaking of the smallest group, including the Company, which prepares group financial statements is MLUKH, a company incorporated in Great Britain. Copies of the group financial statements of MLUKH are available from the Company Secretary, 2 King Edward Street, London, EC1A 1HQ.