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REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
FOR THE YEAR ENDED 30 DECEMBER 2005



**MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005**

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MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
DIRECTORS AND OTHER INFORMATION

DIRECTORS

Robert Wigley – Chairman
Michael G Ryan - Managing Director
Nasser Azam
Allen G Braithwaite III
Andrew Briski
Gavin Caldwell
Michael J D'Souza
Chris Hayward
Robert G Murphy
Paddy Teahon

REGISTERED OFFICE

Treasury Building
Lower Grand Canal Street
Dublin 2

SECRETARY

Merrill Lynch Corporate Services Limited
33 King William Street
London
EC4R 9AS
United Kingdom

AUDITORS

Deloitte & Touche
Chartered Accountants
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report along with the audited financial statements of Merrill Lynch Capital Markets Bank Limited (the "Bank" and together with its subsidiary, the "Group") for the year ended 30 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of Merrill Lynch Capital Markets Bank Limited and its subsidiary is to carry on general capital markets banking business. The Bank has its head office in Ireland, its subsidiary in Italy and branches in Germany, Italy and United Kingdom. The United Kingdom branch and the subsidiary were established during the year under review.

Through its head office in Ireland, the Bank trades debt derivatives and other financial instruments, provides loan facilities on a selective basis to corporate and sovereign clients and sells global debt products to institutional clients. Through its branch in London, the Bank trades debt derivatives and other financial instruments. Through its German branch, the Bank sells global debt and equity products to institutional and corporate clients and provides investment banking and advisory services to corporate clients. Through its Italian branch, the Bank sells global debt and equity products to institutional and corporate clients and provides loan facilities to corporate clients.

The Bank is regulated by the Irish Financial Services Regulatory Authority and by the State of New York Banking Department.

DIRECTORS AND SECRETARY

On 12 May 2005, Robert Wigley was appointed a director and Chairman. On 12 May 2005, Chris Vogelgesang resigned from the Board. Andrew Briski and Chris Hayward were appointed directors on 8 September 2005 and 10 November 2005 respectively. Debra Searle resigned as company secretary on the 12 May 2005. Merrill Lynch Corporate Services Limited was appointed company secretary on the 12 May 2005.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and the secretarial company had no beneficial interest in the shares of the Bank at any time during the year. The following shares, options and other rights to shares in group companies were held by the directors who held office at 30 December 2005:

	Merrill Lynch & Co., Inc. \$1.33 Common Stock			
	30 December 2005		31 December 2004 *	
	Shares	Options & Other rights	Shares	Options & Other rights
Nasser Azam	-	43,065	570	39,208
Allen G Braithwaite III	27,749	34,035	31,070	38,715
Andrew Briski	8,631	28,792	7,036	35,572
Michael J D'Souza	7,488	43,370	6,026	39,703
Chris Hayward	24,003	42,590	17,813	42,590
Robert G Murphy	7,792	-	7,792	-
Michael G Ryan	6,628	4,658	5,786	4,658
Robert Wigley	80,156	211,507	55,322	220,300

*Holding as at 31 December 2004 or date of appointment if later.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
REPORT OF THE DIRECTORS (CONTINUED)

FINANCIAL INSTRUMENTS

The major risks associated with the Bank's businesses are market risk, liquidity risk and credit risk. The Bank has established a comprehensive framework for managing these risks, which is continually evolving as the Bank's business activities change in response to market, credit, product and other developments. The Bank's policies for managing each of these risks and its exposure thereto are detailed in Note 24 to the Financial Statements.

CORPORATE GOVERNANCE

The Board of Directors meet on a quarterly basis to review the Bank and the Group's activities. The Board is responsible for setting the corporate strategy of the Bank, monitoring and reviewing performance and providing oversight of major initiatives. The Board includes directors with significant banking and capital markets experience gained in a broad range of international financial institutions.

The Board has delegated day-to-day control and management of the Bank's activities to Management and various Board approved Management Committees to oversee and review various aspects of the Bank's business. The Managing Director and other appropriate members of management report quarterly to the Board or sub-committees of the Board on all significant matters affecting the Bank and on all relevant issues arising from the work of the various Committees. The charters and composition of the various Committees are reviewed annually by the Board.

The Board approved Management Committees include the Risk Policy and Oversight Committee, the Audit Committee, the Management Committee, the Credit Committee, the Asset and Liability Committee, the New Product Committee and the Operational Risk Committee.

PERFORMANCE

The Directors consider the Group to be in a strong financial position and confirm that the Group has adequate resources to continue in business for the foreseeable future. The major risks associated with the Group businesses are set out in Notes 24 to 26. The Group continues to expand its operations and expects significant growth in activities at its United Kingdom branch in 2006.

RESULTS AND DIVIDENDS

The Group and the Bank's profit after taxation for the year amounted to US\$462,570,000 (2004: US\$342,849,000) as set out in the profit and loss account. The directors have recommended that no dividends be declared.

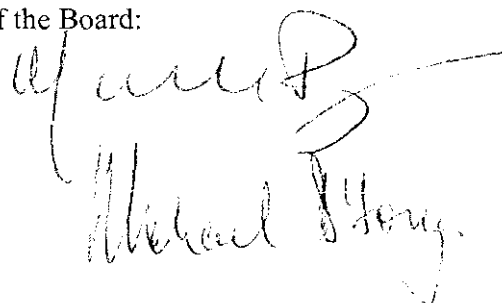
BOOKS OF ACCOUNT

To comply with the requirement that proper books and accounting records are kept in accordance with Section 202 of the Companies Act, 1990 the directors have ensured that appropriately qualified accounting personnel have been employed and that appropriate computerised accounting systems are maintained. The books of account are located at the Bank's registered office.

AUDITORS

The auditors, Deloitte & Touche, Chartered Accountants, continue in office in accordance with Section 160(2) of the Companies Act 1963.

Signed on behalf of the Board:



} DIRECTORS

9 March 2006

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and the Group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Group and the Bank Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Bank and the Group and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MERRILL LYNCH CAPITAL MARKETS BANK LIMITED**

We have audited the financial statements of Merrill Lynch Capital Markets Bank Limited for the year ended 30 December 2005 which comprise the Statement of Accounting Policies, the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Bank Balance Sheet, the Consolidated Cash Flow Statement and the Bank Cash Flow Statement, and the related Notes 1 to 29. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Bank's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements, as set out in the Statement of Directors' Responsibilities, in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005, and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the Bank; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Bank; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the Bank's balance sheet and profit and loss account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to other information.

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF MERRILL LYNCH CAPITAL MARKETS BANK LIMITED**

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the Bank and the Group as at 30 December 2005 and of the profit of the Group for the year then ended;
- have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Bank. The Bank's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the Bank, as stated in the company balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 December 2005 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Bank.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin
9 March 2006

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the Bank and the Group are set out below.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, as modified by the revaluation of trading instruments, and are denominated in US Dollars (US\$).

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the Group. All intra-group balances, transactions, income and expenses are eliminated on consolidation. The consolidated accounts are presented using uniform accounting policies.

INCOME AND EXPENSE RECOGNITION

Dealing profits include net realised and unrealised gains and losses from marking to market all trading instruments on a trade date basis.

Other income and expenses are recognised on an accruals basis.

TRADING INSTRUMENTS

Long and short inventory positions held for trading purposes are recorded on a trade date basis and are valued at market price at the close of business on the balance sheet date. The net changes in fair values are reflected in the profit and loss account for the current year.

These can be classified into cash instruments and derivative financial instruments. Cash instruments include loans, debt and equity securities or instruments held for resale or to hedge inventory positions. A derivative financial instrument is typically defined as 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 financial instruments are often referred to as off-balance-sheet instruments since their notional amounts or underlying instruments are not reflected on the balance sheet; however, the market values of trading derivatives are recorded on the balance sheet.

Fair values for cash instruments and certain exchange-traded derivative financial instruments, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter (OTC) derivative financial instruments, principally forwards, options and swaps represent amounts that would be received from or paid to a third party in settlement of the instruments. These amounts are determined using pricing models based on the present value of future cash flows using mid-market valuations with appropriate adjustments. These adjustments are integral components of the mark-to-market process and relate to credit quality, market liquidity and exposure close-out costs associated with unmatched positions.

NETTING

Derivative financial instruments are reported separately as assets and liabilities regardless of whether a legal right of set-off exists under a master netting agreement enforceable in law. This change, due to the introduction of Financial Reporting Standard 25 (FRS 25), became effective for accounting periods beginning on or after 1 January 2005. Prior periods have not been restated, in accordance with FRS 25.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

LOANS AND ADVANCES

Loans and advances are stated net of specific and general provisions. Specific provisions are made for advances whose recoveries are recognised as doubtful as a result of continuous appraisal of the loans and advances portfolio. General provisions are made against risks, which although not specifically identified, may be present in the loan and advances portfolio.

SECURISITISED ASSETS

Securitisised assets are included in the Bank balance sheet at their gross amount less non-recourse financing received on securitisation, where the Bank has retained significant rights to benefits and exposure to risks. The net amount reported is the Bank's potential maximum loss.

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 of branches and the subsidiary whose functional currency is not the US Dollar are translated into US Dollars at the closing rate for the balance sheet and at the average rate of exchange for the year for the profit and loss account. Translation differences arising on the profit and loss for the current year and on opening net assets of the branches are taken directly as a movement in reserves.

TAXATION

Provision is made for taxation at current enacted rates on the taxable profits taking into account overseas taxation where appropriate. Timing differences arise where gains and losses are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is accounted for in full for all such timing differences. Deferred tax assets are only recognised to the extent that it is regarded that it is more likely than not that they will be recovered. Deferred tax amounts are not discounted.

PENSIONS

The Bank operates a defined benefit scheme. The liabilities of the scheme are calculated with the advice of qualified actuaries on an annual basis. The Bank has recognised, through the profit and loss account, all liabilities identified.

The costs of the Bank's defined contribution schemes are charged to the profit and loss account for the year in which they are incurred.

DEPRECIATION

All tangible fixed assets are stated at historical cost, net of accumulated depreciation.

Depreciation is provided in equal annual instalments over the estimated useful lives of the assets as follows:

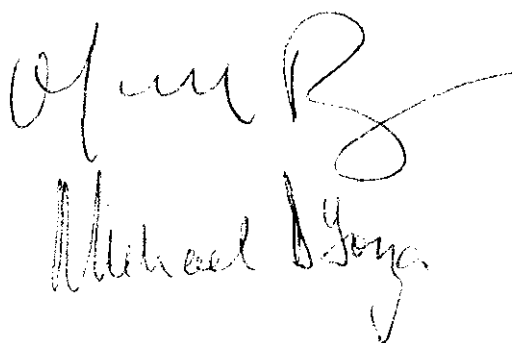
Leasehold improvements	4 to 9 years
Communications equipment	3 to 5 years
Furniture and fittings	4 to 8 years
Computer equipment	3 years

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 DECEMBER 2005

	Notes	2005 US\$'000	2004 US\$'000
Interest receivable:			
- Other interest receivable and similar income		179,038	175,443
- Interest payable and similar charges		(120,722)	(154,411)
Fees and commissions:			
- receivable		169,240	107,139
- payable		(52,815)	(69,861)
Dealing profits		519,609	428,739
Other operating income		2,093	67
TOTAL OPERATING INCOME		696,443	487,116
Administrative expenses	1	111,860	77,894
Depreciation		1,092	1,692
Other operating charges		3,328	2,246
Provisions for bad and doubtful debts		54,447	2,657
TOTAL OPERATING EXPENSES		170,727	84,489
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	525,716	402,627
Tax on profit on ordinary activities	3	63,146	59,778
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	4	462,570	342,849

All gains and losses arise from continuing activities. Notes 1 to 29 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 9 March 2006 and signed on its behalf by:



} DIRECTORS

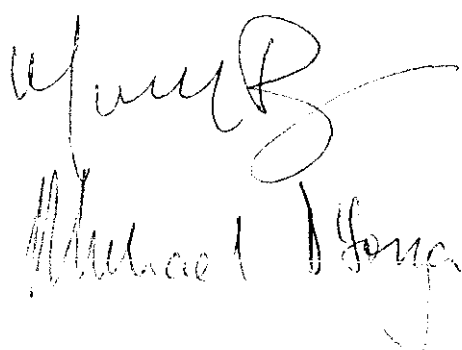
MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
OTHER CONSOLIDATED PRIMARY STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005

	2005 US\$'000	2004 US\$'000
- Group and Bank		
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit attributable to ordinary shareholders	462,570	342,849
Exchange differences on translation of foreign branch assets and liabilities	(3,286)	1,196
	<hr/>	<hr/>
Total recognised gains relating to the year	<u>459,284</u>	<u>344,045</u>

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 DECEMBER 2005

	Notes	2005 US\$'000	2004 US\$'000
ASSETS			
Cash and balances at Central Banks		8,578	2,950
Loans and advances to banks	5	786,279	146,814
Loans and advances to customers	6	2,606,682	1,913,828
Market and client receivables	8	172,324	120,498
Debt securities	9	665,150	374,589
Debt derivatives	18	135,232,574	6,787,468
Equity derivatives	18	5,046	42
Tangible fixed assets		3,018	4,393
Other assets	10	1,920,920	1,007,856
TOTAL ASSETS		141,400,571	10,358,438
LIABILITIES			
Deposits by banks	11	91,549	61,804
Non-recourse financing	7	460,867	-
Market and client payables	12	673,119	-
Debt derivatives	18	132,987,051	3,279,029
Equity derivatives	18	760,628	127,061
Other liabilities	13	3,091,902	4,029,873
Accruals		101,388	92,106
Provisions for liabilities and charges	14	147,640	141,422
Subordinated debt	15	580,000	580,000
<u>Equity Shareholder's funds</u>			
Called up share capital	16	9,125	9,125
Reserves	17	2,497,302	2,038,018
		2,506,427	2,047,143
TOTAL LIABILITIES		141,400,571	10,358,438
MEMORANDUM ITEMS			
Guarantees and assets pledged as collateral security		5,181,746	4,843,565

The financial statements were approved by the Board of Directors on 9 March 2006 and signed on its behalf by:

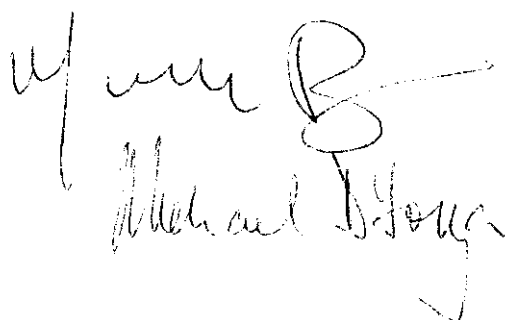


} DIRECTORS

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
BANK BALANCE SHEET AS AT 30 DECEMBER 2005

	Notes	2005 US\$'000	2004 US\$'000
ASSETS			
Cash and balances at Central Banks		8,578	2,950
Loans and advances to banks	5	786,279	146,814
Loans and advances to customers	6	2,144,622	1,913,828
Securitised assets		462,060	-
Less: non-recourse financing		(460,867)	-
	7	1,193	-
Market and client receivables	8	172,324	120,498
Debt securities	9	665,150	374,589
Debt derivatives	18	135,232,574	6,787,468
Equity derivatives	18	5,046	42
Tangible fixed assets		3,018	4,393
Other assets	10	1,920,920	1,007,856
TOTAL ASSETS		140,939,704	10,358,438
LIABILITIES			
Deposits by banks	11	91,549	61,804
Market and client payables	12	673,119	-
Debt derivatives	18	132,987,051	3,279,029
Equity derivatives	18	760,628	127,061
Other liabilities	13	3,091,902	4,029,873
Accruals		101,388	92,106
Provisions for liabilities and charges	14	147,640	141,422
Subordinated debt	15	580,000	580,000
<u>Equity Shareholder's funds</u>			
Called up share capital	16	9,125	9,125
Reserves	17	2,497,302	2,038,018
		2,506,427	2,047,143
TOTAL LIABILITIES		140,939,704	10,358,438
MEMORANDUM ITEMS			
Guarantees and assets pledged as collateral security		5,165,972	4,843,565

The financial statements were approved by the Board of Directors on 9 March 2006 and signed on its behalf by:



} DIRECTORS

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 DECEMBER 2005

	Notes	2005 US\$'000	2004 US\$'000
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	19	219,450	(384,731)
TAXATION PAID		(65,252)	(22,034)
CAPITAL EXPENDITURE			
Disposal / (Acquisition) of tangible fixed assets		283	(354)
FINANCING			
Repayment of subordinated debt		-	(100,000)
Drawdown of subordinated debt		-	520,000
Issue of non-recourse financing		460,867	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		460,867	420,000
INCREASE IN CASH	21	615,348	12,881

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 DECEMBER 2005

	Notes	2005 US\$'000	2004 US\$'000
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	20	680,317	(384,731)
TAXATION PAID		(65,252)	(22,034)
CAPITAL EXPENDITURE			
Disposal / (Acquisition) of tangible fixed assets		283	(354)
FINANCING			
Repayment of subordinated debt		-	(100,000)
Drawdown of subordinated debt		-	520,000
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES		-	420,000
INCREASE IN CASH	21	615,348	12,881

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005

1. ADMINISTRATIVE EXPENSES	2005 US\$'000	2004 US\$'000
- Group and Bank		
Wages and salaries	64,114	51,495
Social welfare	7,823	6,829
Pension (Note 22)	15,919	1,657
Other administrative expenses	24,004	17,913
	<u>111,860</u>	<u>77,894</u>
 2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	 2005 US\$'000	 2004 US\$'000
- Group and Bank		
Profit on ordinary activities before taxation is stated after charging:		
Directors' remuneration:		
Fees paid by the bank	164	131
Other emoluments, paid by other group companies (Included in 2005: US\$9,917 (2004: US\$10,000) in respect of pension contributions)	210	214
Operating lease rentals	3,417	1,799
Auditors' remuneration	314	249
	<u> </u>	<u> </u>
 3. TAX ON PROFIT ON ORDINARY ACTIVITIES	 2005 US\$'000	 2004 US\$'000
- Group and Bank		
Taxation on profit on ordinary activities:		
Corporation tax charge	65,020	41,411
Deferred tax (credit) / charge	(6,144)	5,144
	<u>58,876</u>	<u>46,555</u>
Adjustments in respect of prior years	4,270	13,223
	<u>63,146</u>	<u>59,778</u>
 Split as follows:		
Ireland	48,230	39,691
Overseas	14,916	20,087
	<u>63,146</u>	<u>59,778</u>

The effective tax rate for 2005 is 12.01% (2004: 14.85%).

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005

3. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting tax charge for the period:

The tax assessed for the period is higher than the standard rate of corporation tax in Ireland for International Financial Services Companies (10%). The differences are explained below:

	2005 US\$'000	2004 US\$'000
Profit on ordinary activities before tax	<u>525,716</u>	<u>402,627</u>
Tax charge at the standard rate of corporation tax	52,572	40,263
Effects of:		
Foreign taxes payable	10,954	1,838
Timing differences regarding the valuation of employee shares and share options	-	1
Other	<u>1,494</u>	<u>(691)</u>
Corporation tax charge	<u>65,020</u>	<u>41,411</u>

4. PROFIT DEALT WITH IN THE FINANCIAL STATEMENTS OF THE BANK

Of the consolidated profit after tax for the financial year, US\$ 462,570,000 is attributable to the operations of the Bank. The profit and loss account of the Bank is not presented by virtue of the exemption contained within Section 3(2) of the Companies (Amendment) Act 1986.

5. LOANS AND ADVANCES TO BANKS

	2005 US\$'000	2004 US\$'000
- Group and Bank		
Analysed by remaining maturity:		
3 months or less but not on demand	<u>786,279</u>	<u>146,814</u>

There were no loan provisions at the end of either year.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005

6. LOANS AND ADVANCES TO CUSTOMERS	2005 US\$'000	2004 US\$'000
- Group		
Analysed by remaining maturity:		
3 months or less but not on demand	654,593	15,044
3 months to 1 year	591,850	22,190
1 to 5 years	286,422	1,195,594
Greater than 5 years	<u>1,073,817</u>	<u>681,000</u>
	<u>2,606,682</u>	<u>1,913,828</u>
- Bank		
Analysed by remaining maturity:		
3 months or less but not on demand	654,593	15,044
3 months to 1 year	591,850	22,190
1 to 5 years	286,422	1,195,594
Greater than 5 years	<u>611,757</u>	<u>681,000</u>
	<u>2,144,622</u>	<u>1,913,828</u>

There were loan provisions of US\$60,933,000 as at 30 December 2005 (2004: US\$6,486,000). These provisions are held against assets in the Bank's portfolio.

7. SECURITISED ASSETS	2005 US\$'000	2004 US\$'000
- Bank		
Securitised assets	462,060	-
Less: non-returnable proceeds	<u>(460,867)</u>	<u>-</u>
	<u>1,193</u>	<u>-</u>

In December 2005 the Bank entered into an agreement whereby it securitised and sold part of its Loans and Advances portfolio to a special purpose vehicle (Taurus CMBS No. 2 Srl). This vehicle issued loan notes to third party investors. The Bank is not obliged, nor does it intend, to support any losses in this portfolio in excess of the net amount recognised as an asset on the Bank's balance sheet.

8. MARKET AND CLIENT RECEIVABLES	2005 US\$'000	2004 US\$'000
- Group and Bank		
Amounts awaiting settlement		
Analysed by remaining maturity:		
3 months or less	<u>172,324</u>	<u>120,498</u>

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9.	DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES	2005 US\$'000	2004 US\$'000
	- Group and Bank		
	Listed securities	665,150	374,589
	Listed securities analysed by remaining maturity:		
	1 to 5 years	147,529	17,763
	Greater than 5 years	517,621	356,826
		665,150	374,589
10.	OTHER ASSETS	2005 US\$'000	2004 US\$'000
	- Group and Bank		
	Amounts due from affiliate companies	1,605,109	941,103
	Deferred taxation	10,234	5,254
	Prepaid taxation	767	10,590
	Prepayments and accrued income	304,810	50,909
		1,920,920	1,007,856
	Deferred taxation relates to short term timing differences.		
11.	DEPOSITS BY BANKS	2005 US\$'000	2004 US\$'000
	- Group and Bank		
	Analysed by remaining maturity:		
	3 months or less but not on demand	91,549	61,804
12.	MARKET AND CLIENT PAYABLES	2005 US\$'000	2004 US\$'000
	- Group and Bank		
	Amounts awaiting settlement analysed by remaining maturity:		
	3 months or less	673,119	-

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13. OTHER LIABILITIES	2005	2004
	US\$'000	US\$'000
- Group and Bank		
Amounts owed to affiliate companies	3,067,922	3,912,207
Loans and advances from customers	23,980	117,666
	<u>3,091,902</u>	<u>4,029,873</u>

Amounts owed to affiliate companies at 30 December 2005 includes an amount of US\$20,061,029 (2004: US\$1,824,000) due to the Bank's holding company, Merrill Lynch Group Holdings Limited.

14. PROVISIONS FOR LIABILITIES AND CHARGES	2005	2004
	US\$'000	US\$'000
- Group and Bank		
Provision for pension	24,043	10,876
Corporation taxation payable	113,453	118,477
Provision for deferred taxation	10,144	12,069
	<u>147,640</u>	<u>141,422</u>

Deferred taxation relates to short term timing differences.

15. SUBORDINATED DEBT	2005	2004
	US\$'000	US\$'000
- Group and Bank		
US\$ 200m Subordinated Debt repayable 30 September 2012, Libor + 100bps ("Tier 2")	160,000	160,000
US\$ 500m Revolving Subordinated Debt Facility repayable 7 October 2006, Libor + 100bps ("Tier 3")	420,000	420,000
	<u>580,000</u>	<u>580,000</u>

16. SHARE CAPITAL	2005	2004
	Ordinary shares	Ordinary shares
- Group and Bank	US\$1 each	US\$1 each
<u>Authorised:</u>		
Value	10,000,000	10,000,000
Number of shares	10,000,000	10,000,000
<u>Allotted, called up and fully paid:</u>		
Value	9,125,000	9,125,000
Number of shares	9,125,000	9,125,000

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NOTES TO THE FINANCIAL STATEMENTS
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17. RESERVES	Profit and Loss Account US\$'000	Capital Contribution US\$'000	Total US\$'000
- Group and Bank			
At 31 December 2004	1,847,143	190,875	2,038,018
Profit for the year	462,570	-	462,570
Exchange translation	(3,286)	-	(3,286)
At 30 December 2005	<u>2,306,427</u>	<u>190,875</u>	<u>2,497,302</u>

**RECONCILIATION OF MOVEMENT IN
SHAREHOLDER'S FUNDS**

	2005 US\$'000	2004 US\$'000
- Group and Bank		
Profit attributable to ordinary shareholder's	462,570	342,849
Exchange differences on translation of foreign branch assets and liabilities	(3,286)	1,196
Net addition to shareholder's funds	<u>459,284</u>	<u>344,045</u>
Opening shareholder's funds	<u>2,047,143</u>	<u>1,703,098</u>
Closing shareholder's funds	<u>2,506,427</u>	<u>2,047,143</u>

18. DERIVATIVES

The Bank has adopted Financial Reporting Standard 25 (FRS 25) as required for accounting periods commencing on or after 1 January 2005. This standard introduces new netting rules. The standard did not require a restatement of 2004 comparatives. The 2005 over-the-counter derivative exposures under the pre FRS 25 methodology are as follows:

	2005 Post FRS 25 US\$'000	2005 Pre FRS 25 US\$'000	2004 Pre FRS 25 US\$'000
- Group and Bank			
Assets:			
Debt derivatives	135,232,574	6,147,574	6,787,468
Equity derivatives	5,046	46	42
Liabilities:			
Debt derivatives	132,987,051	4,257,051	3,279,029
Equity derivatives	760,628	400,628	127,061

Further information about over-the-counter derivatives is included in Note 25.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
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19. NET CASH OUTFLOW FROM OPERATING ACTIVITIES - GROUP	2005 US\$'000	2004 US\$'000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	525,716	402,627
Depreciation	1,092	1,692
NET CASH INFLOW FROM TRADING ACTIVITIES	526,808	404,319
(Increase) / Decrease in loans and advances to customers and market and client receivables and payables	(71,561)	392,838
(Increase) in debt securities	(290,561)	(345,397)
Decrease / (Increase) in debt derivatives	1,262,916	(1,507,587)
Decrease / (Increase) in equity derivatives	628,563	(75,499)
Increase in provision for liabilities and charges	13,167	1,869
(Increase) / Decrease in other assets	(253,901)	9,335
(Decrease) / Increase in amounts owed to affiliate companies	(844,285)	1,073,528
(Increase) / Decrease in amounts owing from affiliate companies	(664,006)	44,158
Increase / (Decrease) in accruals and other liabilities	(84,404)	(383,491)
Effect of exchange translation	(3,286)	1,196
	<u>(307,358)</u>	<u>(789,050)</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - GROUP	<u>219,450</u>	<u>(384,731)</u>
20. NET CASH INFLOW FROM TRADING ACTIVITIES - BANK	526,808	404,319
Decrease in loans and advances to customers and market and client receivables and payables	389,306	392,838
(Increase) in debt securities	(290,561)	(345,397)
Decrease / (Increase) in debt derivatives	1,262,916	(1,507,587)
Decrease / (Increase) in equity derivatives	628,563	(75,499)
Increase in provision for liabilities and charges	13,167	1,869
(Increase) / Decrease in other assets	(253,901)	9,335
(Decrease) / Increase in amounts owed to affiliate companies	(844,285)	1,073,528
(Increase) / Decrease in amounts owing from affiliate companies	(664,006)	44,158
Increase / (Decrease) in accruals and other liabilities	(84,404)	(383,491)
Effect of exchange translation	(3,286)	1,196
	<u>153,509</u>	<u>(789,050)</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - BANK	<u>680,317</u>	<u>(384,731)</u>

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005

21. CHANGES IN CASH	2005 US\$'000	2004 US\$'000	Change in Year US\$'000
- Group and Bank			
Cash and balances at Central Banks	8,578	2,950	5,628
Loans and advances to banks	786,279	146,814	639,465
Deposits by banks	(91,549)	(61,804)	(29,745)
	<u>703,308</u>	<u>87,960</u>	<u>615,348</u>

22. PENSION COMMITMENTS

The Bank operates pension plans in Ireland, Italy and Germany. The pension charge for the year is as follows:

	2005 US\$'000	2004 US\$'000
Defined contribution scheme	631	282
Defined benefit scheme	<u>15,288</u>	<u>1,375</u>
	<u>15,919</u>	<u>1,657</u>

The assets of the defined contribution schemes are held separately in independently administered funds. The charge in respect of the schemes is calculated on the basis of contributions due in the financial year.

The defined benefit scheme is operated in Germany and the main economic assumptions employed for determining the costs are as follows:

Date of latest valuation	1 October 2005
Salary growth	5.00%
Pension increases	2.00%
Discount rate	4.25%

The scheme liabilities as at 30 December 2005 were US\$24,134,383 and are provided in the accounts.

In line with German business practices, the defined benefit pension scheme is not funded. The scheme liabilities represent the net present value of future pension obligations to eligible past and current employees. These pension obligations are partially covered by an independent insurance provider.

During 2005, the bank recognised additional liabilities on its German Pension Scheme. The bank had previously treated the scheme as a multi employer scheme.

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23. GROUP SEGMENTAL ANALYSIS

Geographical segmental reporting is disclosed on the basis of the location of the office at which the transaction is recorded.

Geographical segments:	2005 US\$'000	2004 US\$'000
Interest receivable:		
Ireland	141,182	134,449
Rest of Europe	89,377	100,539
	<u>230,559</u>	<u>234,988</u>
Fees and commission receivable:		
Ireland	60,197	10,448
Rest of Europe	109,165	96,763
	<u>169,362</u>	<u>107,211</u>
Dealing profits:		
Ireland	504,861	428,739
Rest of Europe	14,748	-
	<u>519,609</u>	<u>428,739</u>
Other operating income:		
Ireland	1,020	-
Rest of Europe	1,073	67
	<u>2,093</u>	<u>67</u>
Profit before taxation:		
Ireland	497,709	386,168
Rest of Europe	28,007	16,459
	<u>525,716</u>	<u>402,627</u>
Net assets:		
Ireland	2,320,810	1,846,939
Rest of Europe	184,490	200,204
	<u>2,505,300</u>	<u>2,047,143</u>
Total assets:		
Ireland	6,849,636	8,347,415
Rest of Europe	134,550,935	2,011,023
	<u>141,400,571</u>	<u>10,358,438</u>

Business class:

The Bank engages in only one class of business comprising capital markets banking and derivatives dealing.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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24. FINANCIAL INSTRUMENTS EXPOSURE

Financial instruments are dealt with in both the trading book and non-trading book of the Bank. Trading book activities are described in Note 25 and non-trading book activities are described in Note 26. Both trading book and non-trading book activities may expose the Bank to various categories of risk. These risks are continually monitored through a comprehensive risk management process. The proper execution of this process leads to effective management of these risks, helping to reduce the likelihood of earnings volatility over time.

The Bank approves and monitors risk tolerance levels (i.e. credit, market and operational risks) through the Risk Policy and Oversight Committee, chaired by a non-executive director. This Committee reviews reports from the Bank's existing Credit, Asset & Liability, New Product and Operational Risk Committees. These Committees identify and monitor risk limits based on recommendations and analysis provided by independent risk management groups who work with the business units in establishing suitable risk profiles for each of the business units.

The initial responsibility in the risk management process rests with the individual business units in managing the risks that arise on individual transactions or portfolios of similar transactions. Business units manage these risks by adhering to established risk policies and procedures.

In addition to risk management at the business unit level, the Bank has developed corporate governance policies and procedures that require corporate personnel, who are independent of business units, to participate in the risk management process. The primary independent groups responsible for the maintenance of risk policies and procedures and for establishing, controlling and monitoring risk are Market Risk Management and Credit Risk Management. To ensure a proper system of checks and balances, these units are independent of business units and report to senior management in the Bank.

Market Risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity prices, credit spreads or other risks. The level of market risk is influenced by the volatility and liquidity in the markets in which financial instruments are traded. The Bank seeks to mitigate market risk by employing hedging strategies that correlate rate, price and spread movements of trading inventories and related financing and hedging activities using a combination of cash instruments and derivatives. The components of market risk include:

- **Interest Rate Risk**

Interest rate risk is the potential for loss due to adverse changes in interest rates. Interest rate swap agreements, futures and securities are common interest rate risk management tools.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005

24. FINANCIAL INSTRUMENTS EXPOSURE (CONTINUED)

- **Currency Risk**

Currency risk is the potential for loss due to fluctuations in foreign exchange rates. Trading assets and liabilities include both cash instruments in and derivatives linked to over 30 currencies, including Japanese Yen, the Euro, Swiss Franc and British Pound. Currency forwards, swaps and options are commonly used to manage currency risk associated with these instruments.

- **Equity Risk**

Equity risk is the potential for loss due to adverse changes in equity security prices. Instruments typically used by the Bank to manage equity price risk include equity options, warrants and equity securities.

- **Credit Spread Risk**

Credit spread risk is the potential for loss due to changes in credit spreads. Credit spreads represent the credit risk premiums required by market participants for a given credit quality. The Bank's trading book activities and related hedging strategies do not expose the Bank to significant credit spread risk.

Credit Risk

Credit risk is the potential loss that may be incurred if a counterparty fails to perform its obligations under contractual terms. The Bank has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral and continually assessing the creditworthiness of counterparties. In respect of derivative transactions, the Bank enters into Master Netting Agreements with counterparties which permit the netting of all transactional exposures on a multi-currency, multi-location basis and, in certain circumstances, across product types.

Liquidity Risk

Liquidity risk is the risk that an entity may encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.

The Bank has established liquidity procedures for measuring funding requirements and identifying liquidity mismatches. The Bank's funds are sourced from its own business activities and from Merrill Lynch affiliate companies.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
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25. TRADING BOOK ACTIVITIES

The trading book comprises all assets and liabilities held or issued as part of the Bank's trading in financial assets or financial liabilities. The assets or liabilities that are not held in the trading book are non-trading book assets and liabilities.

The trading book activities of the Bank include:

- Providing financial instruments to clients through brokerage, facilitation and intermediation activities;
- Providing financing and underwriting services; and
- Taking proprietary positions in financial instruments.

Trading Book Risk

The Bank maintains trading positions in a variety of financial instruments, including derivatives and cash instruments. The financial instruments include bonds, corporate debt, futures, forwards, options and swaps including swap options, caps, collars and floors. These positions result from business activity with sovereign, corporate and institutional clients.

For its trading book activity, the Bank hedges its exposure to market risk with third parties and Merrill Lynch affiliate companies. The Bank seeks to limit market risk exposure associated with potentially unfavourable changes in underlying interest rates, currency exchange rates and other market rates. The Bank manages its market risk exposures on other derivative transactions by use of a combination of securities and derivative financial instruments including forwards, futures, swaps and options.

The Bank is exposed to the credit risk associated with the above transactions, which is managed through the use of master swap agreements incorporating appropriate collateral provisions.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2005

25. TRADING BOOK ACTIVITIES (CONTINUED)

Risk Models

The Bank uses mathematical risk models, including value-at-risk and sensitivity analysis, to help estimate its exposure to market risk. The Bank is satisfied that the various analytical tools utilised to manage market risk are an effective means of monitoring and thus controlling that risk. The information based on risk models is supplemented with the judgement and experience of the Bank's risk management professionals.

Value at risk is a statistical measure of the potential loss in the fair value of a portfolio due to adverse movements in underlying risk factors. For these disclosures, the Bank uses a historical simulation approach to estimate value at risk using a 99% confidence level and a two-week holding period. The value-at-risk is calculated on a daily basis and sensitivities to market risk factors are aggregated and combined with a database of fortnightly changes in market factors to simulate a series of profits and losses. The level of loss that is exceeded in that series 1% of the time is used as the estimate for the 99% confidence level value-at-risk.

Assuming a 99% confidence level and a two-week holding period, the value-at-risk for the Bank's trading book at 30 December 2005 was US\$12.5 million (2004: US\$5.5 million). The average, highest and lowest value-at-risk for the trading book during 2005 were US\$10.2 million (2004: US\$5.2 million), US\$17.9 million (2004: US\$21.6 million) and US\$5.0 million (2004: US\$1.4 million) respectively.

Trading Profit and Loss

The net trading book results include debt derivative trading profits of US\$486 million (2004: US\$373 million).

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
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25. TRADING BOOK ACTIVITIES (CONTINUED)

Fair Value of Trading Book Assets and Liabilities

All trading book financial instruments are reported in the balance sheet and in the notes to the financial statements at fair value. Fair value disclosures in respect of trading book activities are set out below. Fair value disclosures in respect of non-trading book activities are reported in Note 26.

The Bank maintains trading positions in a variety of financial instruments including derivatives and cash instruments. The financial instruments include bonds, corporate debt, futures, forwards, options and swaps, swap options, caps, collars and floors. These positions are a result of business activity with sovereign, corporate and institutional clients.

The Bank enters into a large number of derivative contracts with third parties through its intermediation business. The market risk on these third party contracts is hedged with affiliated companies. The disclosures below do not include details of these affiliate hedge transactions. Derivative contracts from other businesses are included in the disclosure below whether contracted with affiliated companies or not.

	2005		2004	
	Notional Amount US\$ M	Fair Value US\$ M	Notional Amount US\$ M	Fair Value US\$ M
Interest Rate Contracts				
Swaps and Swap Options:				
In a favourable position	4,045,204	114,486	2,361,206	77,893
In an unfavourable position	4,016,075	112,452	2,382,231	75,342
OTC & Exchange Traded Options & Warrants:				
In a favourable position	369,523	9,450	88,492	1,094
In an unfavourable position	259,721	8,606	88,771	1,336

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25. TRADING BOOK ACTIVITIES (CONTINUED)

	2005		2004	
	Notional Amount US\$ M	Fair Value US\$ M	Notional Amount US\$ M	Fair Value US\$ M
Foreign Exchange Contracts				
Swaps and Swap Options:				
In a favourable position	135,808	5,017	119,594	10,242
In an unfavourable position	131,870	5,259	110,683	9,561
Forwards:				
In a favourable position	18,146	419	8,005	485
In an unfavourable position	42,623	497	7,808	739
OTC & Exchange Traded Options & Warrants:				
In a favourable position	81,500	2,503	41,231	1,197
In an unfavourable position	79,674	2,248	62,049	2,267
Equities				
OTC & Exchange Traded Options & Warrants:				
In a favourable position	21	5	216	17
In an unfavourable position	174	760	685	420

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25. TRADING BOOK ACTIVITIES (CONTINUED)

The positive replacement cost of derivative asset transactions is as follows:

	2005		2004	
	Financial Institutions	Non Financial Institutions	Financial Institutions	Non Financial Institutions
	US\$ M	US\$ M	US\$ M	US\$ M
Interest Rate Contracts				
Swaps and Swap Options	109,400	5,085	76,657	1,237
OTC & Exchange Traded Options & Warrants	8,403	1,047	989	105
Foreign Exchange Contracts				
Swaps and Swap Options	2,793	2,225	7,215	3,027
Forwards	402	16	452	33
OTC & Exchange Traded Options & Warrants	2,089	414	1,165	32
Equities				
OTC & Exchange Traded Options & Warrants	5	-	17	-

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25. TRADING BOOK ACTIVITIES (CONTINUED)

The residual maturities of derivative asset transactions are as follows:

	2005		2004	
	Notional Amount US\$ M	Net Replacement Cost US\$ M	Notional Amount US\$ M	Net Replacement Cost US\$ M
Interest Rate Contracts				
0 to 1 year	1,346,706	8,598	719,899	4,566
1 to 5 years	1,770,265	53,245	990,826	26,419
Over 5 years	1,297,756	62,094	738,973	48,003
Foreign Exchange Contracts				
0 to 1 year	91,331	2,426	53,961	2,191
1 to 5 years	87,035	3,630	58,556	4,781
Over 5 years	57,088	1,884	56,313	4,952
Equities				
0 to 1 year	-	-	140	7
1 to 5 years	11	5	42	2
Over 5 years	10	-	34	8

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
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26. NON TRADING BOOK ACTIVITIES

The non-trading book activities of the Bank include lending and investment activity.

Interest rate sensitivity gap analysis - Group

Part of the Bank's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The table below summarises these repricing mismatches on the Bank's non-trading book as at 30 December 2005. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non- interest bearing	Total
	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
<u>Assets</u>							
Loans and advances to banks	728	-	-	-	-	-	728
Loans and advances to customers	1,892	104	38	20	553	-	2,607
Other assets	31	-	-	-	-	67	98
Total assets	2,651	104	38	20	553	67	3,433
<u>Liabilities</u>							
Loans and advances from customers	24	-	-	-	-	-	24
Other liabilities	3	-	-	-	461	72	536
Shareholder's funds	-	-	-	-	-	2,497	2,497
Total liabilities	27	-	-	-	461	2,569	3,057
Off balance sheet items	-	-	-	-	-	-	-
Interest rate sensitivity gap	2,624	104	38	20	92	(2,502)	376
Cumulative gap	2,624	2,728	2,776	2,796	2,878	376	-

The above amounts represent the fair value of non-trading book financial instruments as at 30 December 2005.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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26. NON TRADING BOOK ACTIVITIES (CONTINUED)

Currency risk disclosures

The Bank's overseas operations are in the European Union, although many of its transactions are executed in US Dollars. The head office's operating (or "functional") currency is the US Dollar and the branch's functional currencies are determined by the jurisdiction in which they operate, or the nature of their activity. As the currency in which the Bank prepares its financial statements is US Dollars, it follows that the Bank's balance sheet is affected by movements in the exchange rates between branch functional currencies and the US Dollar. These currency exposures are referred to as structural currency exposures. Translation gains and losses arising from these exposures are recognised in reserves.

Currency swaps are used to mitigate these exposures, however the full exposure is not hedged. As at 30 December 2005 the exposure amounted to US\$31 million (2004: US\$8 million).

Branches which have functional currencies other than US Dollars have no significant net exposure in currencies other than their functional currencies.

MERRILL LYNCH CAPITAL MARKETS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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27.	EMPLOYEE INFORMATION	2005	2004
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Average number of persons employed:

Sales and trading	96	111
Finance, operations, risk, research and systems	168	65
Management and administration	8	6
	272	182

The above averages include Bank staff in both Ireland and its overseas branches. There are additional Merrill Lynch companies resident in Ireland. The total number of staff employed in these companies in Ireland totalled 560 as at the end of December 2005 (December 2004: 506).

28. SUBSIDIARY COMPANY

The Bank holds an interest in Taurus CMBS No. 2 Srl, a company incorporated in Italy. Taurus CMBS No.2 Srl is a securitisation vehicle, and the vehicle's first financial year end is 31 December 2005.

29. PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The immediate parent company is Merrill Lynch Group Holdings Limited, a company incorporated in Ireland. The financial statements of Merrill Lynch Group Holdings Limited are available at the Companies Registration Office, Parnell House, 14 Parnell Square, Dublin 1.

The ultimate parent company is Merrill Lynch & Co., Inc., a company incorporated in the State of Delaware, USA. Copies of the group financial statements of Merrill Lynch & Co., Inc. are available from the Investor Relations website at www.ir.ml.com or by contacting the Corporate Secretary by mail at 222 Broadway, 17th Floor, New York, NY 10038, USA or by email at corporate_secretary@ml.com.

The Bank has availed of an exemption, contained in Financial Reporting Standard No. 8 on related party transactions, from detailing transactions and balances with group companies.

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