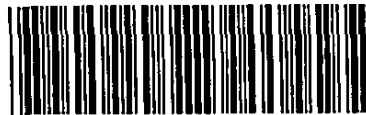


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REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
MERRILL LYNCH INTERNATIONAL BANK LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2011

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**MERRILL LYNCH INTERNATIONAL BANK LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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MERRILL LYNCH INTERNATIONAL BANK LIMITED
DIRECTORS AND OTHER INFORMATION

DIRECTORS

Jonathan Moulds – Chairman (UK national)
Peter Keegan - Chief Executive
Andrew Briskin (UK national)
Gavin Caldwell
Kevin Cox (US national)
Michael J D'Souza (UK national)
Robert Everett (UK national)
David Guest
David Jervis (UK national)
Robert G Murphy (US national)
David Oman (US national)
Gordon Sangster (UK national)
Paddy Teahon

REGISTERED OFFICE

Central Park
Leopardstown
Dublin 18

SECRETARY

Merrill Lynch Corporate Services Limited
2 King Edward Street
London
EC1A 1HQ

AUDITORS

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1

MERRILL LYNCH INTERNATIONAL BANK LIMITED
EXTRACT FROM 'REPORT OF THE DIRECTORS'

The directors are pleased to submit their report along with the audited financial statements of Merrill Lynch International Bank Limited ("MLIB"), the 'Company', and together with its subsidiaries, the 'Group', for the year ended 31 December 2011. As of 1 January 2009, MLIB's ultimate parent company and controlling party is Bank of America Corporation ("BAC")

PRINCIPAL ACTIVITIES

The Group is a banking entity and has its head office in Ireland with branch offices in Amsterdam, Bahrain, Frankfurt, London, Madrid, Milan, Rome, Singapore, Toronto and Paris

The Group acts as a principal for debt derivative and foreign exchange transactions and engages in advisory, lending, loan trading and institutional sales activity. The Group also provides collateralised lending, letters of credit, guarantees and foreign exchange services to, and accepts deposits from, its clients. The Group provides mortgage lending, administration and servicing in the UK non-conforming residential mortgage market. The Group's activities are regulated by the Central Bank of Ireland.

Merrill Lynch Bank (Suisse) S A, a subsidiary of MLIB, is a Swiss licensed bank and securities trader that provides a full array of banking, asset management and brokerage products and services to international clients, including securities trading and custody, secured loans and overdrafts, deposits, foreign exchange trading and portfolio management services.

RESULTS AND DIVIDENDS

The Group's loss for the year on ordinary activities after taxation was US\$549 million (2010: Loss of US\$648 million) as set out in the consolidated profit and loss account. This loss is due to three main factors:

Firstly, dealing profits remained at a historically low level of US\$372 million (2010: US\$360 million). Revenue remained at this level due to a combination of low client activity, reduced risk appetite, and a trading environment that continued to be challenging.

Secondly, in line with the Group's objective to reduce its exposure to impaired assets, a number of loan sales were executed during the year. This resulted in incurred realised losses (net of impairments) of US\$107 million (2010: US\$724 million). Disposal of these loans also impacted the amount of interest income received from customers which fell in 2011 to US\$312 million (2010: US\$375 million). In addition the Group increased its provisions for bad and doubtful debts by US\$155 million (2010: reduction in provision of US\$44 million) principally due to ongoing concerns relating to the credit worthiness of certain loan assets.

Finally, fees and commissions payable increased to US\$604 million (2010: US\$490 million) during the year mainly due to the adoption by the Group of BAC's methodology for allocating shared services expense to BAC subsidiaries.

The Group's balance sheet increased to US\$593 billion (2010: US\$483 billion) due principally to an increase in trading assets to US\$538 billion (2010: US\$427 billion). The increase in trading assets is largely offset by an increase in trading liabilities to US\$539 billion (2010: US\$428 billion). Trading assets and liabilities are comprised of derivative financial instruments in the trading portfolio and are in accordance with FRS 25 Financial Instruments - Presentation ("FRS 25"), reported separately as assets and liabilities, regardless of whether a legal right of setoff exists under a master netting agreement. The increase in trading assets and liabilities does not represent a significant change to the market risk in the Group as disclosed in Note 29, Financial Risk Management.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
EXTRACT FROM 'REPORT OF THE DIRECTORS'

RESULTS AND DIVIDENDS (CONTINUED)

There were no events subsequent to 31 December 2011 which would require adjustment to or disclosure in the financial statements

The Group's key financial and other performance indicators during the year were as follows

	2011 US\$'000	2010 US\$'000	Movement %
Loss on ordinary activities before taxation	(453,235)	(651,593)	30%
Loss on ordinary activities after taxation	(548,749)	(647,562)	15%
Consolidated Shareholders' funds	9,404,757	9,958,192	6%

The directors have recommended that no dividends be declared (2010 US\$Nil)

The Group's capital ratio at 31 December 2011, as reported to the Central Bank of Ireland, was 14.55% (2010 11.95%) and was above the minimum requirement. Its financial resources were US\$13,662 million (2010 US\$13,938 million), comfortably exceeding the minimum requirement.

Tier One capital is the Group's core capital and includes its equity capital, share premium and retained earnings. Tier Two capital consists of the Group's subordinated debt with a maturity profile of no less than five years. Tier Three capital has a maturity profile of no less than two years. The Tier Two and Tier Three subordinated debt has been received from Merrill Lynch & Co. Inc. ("ML&Co")

GOING CONCERN

The Group relies upon its ultimate parent BAC to provide capital to support its business operations. Consequently, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

BUSINESS ENVIRONMENT

During 2011 trading conditions continued to be affected by ongoing uncertainty over global economic conditions. Concerns about the Euro zone and the US along with the maintenance of a low interest rate environment by the main central banks caused client activity, particularly in structured derivatives, to remain at low levels throughout 2011. These challenging trading conditions coupled with a lower risk appetite were the main causes of the reduction in dealing profits.

Credit conditions were not as favourable in 2011 compared to 2010 resulting in an increased provision for bad and doubtful debts. Despite this, the Group continued to be successful in its aim of reducing its exposure to impaired assets by executing a number of loan sales during the year. The net impact on the Group's impairment charge as a result of these two factors was to reduce it to US\$629 million (2010 US\$741 million).

MERRILL LYNCH INTERNATIONAL BANK LIMITED
EXTRACT FROM 'REPORT OF THE DIRECTORS'

OUTLOOK

Business and economic conditions are expected to remain uncertain through 2012. Key macro-economic and political issues such as ongoing efforts to resolve the Euro zone crisis, the sustainability of the US recovery, interest rate and inflation levels, the introduction of Basel III capital requirements, and the continued evolution of geo-political issues in the Middle East (in particular Iran) will impact trading and market conditions. The Group continues to monitor these issues and the range of possible operational and financial impacts they may have.

Following ongoing evaluation of the lines of business within the Group as part of a wider review of BAC's international legal entity structure, the directors have approved a proposal to transfer most of the Group's Global Markets business to an affiliate. This is being done to facilitate simplification of BAC's international legal entity structure. The transfer will take place over several stages between the second half of 2012 and the first half of 2014 but is not likely to have a significant impact on the Group's financial performance or balance sheet in 2012. The Group has been and continues to be in active dialogue with impacted regulatory agencies.

The directors and shareholder are evaluating the strategic options for the remaining businesses in the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business is exposed to a variety of risks that are inherent to the financial services industry. The most significant risks that the Group faces relate to market risk, credit risk, liquidity risk and operational risk. A more detailed description of these risks and how the Group manages them is provided in Note 29 to the financial statements.

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 Group's registered office.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
EXTRACT FROM 'REPORT OF THE DIRECTORS'

DIRECTORS AND SECRETARY

The directors at the date of this report and those who served during the year were as follows

Jonathan Moulds – Chairman		
Peter Keegan – Chief Executive		
Andrew Briski		
Gavin Caldwell	Independent Non Executive Director	
Kevin Cox	Independent Non Executive Director	
Michael J D'Souza		
Robert Everett		
David Gu		Resigned 20 June 2011
David Jervis		
Robert G Murphy	Independent Non Executive Director	
Liam O'Reilly	Independent Non Executive Director	Resigned 8 March 2011
David Oman		
Gordon Sangster		
David Guest	Independent Non Executive Director	Appointed 15 September 2011
Paddy Teahon	Independent Non Executive Director	

Merrill Lynch Corporate Services Limited continues to be the company secretary having been appointed on 12 May 2005

MERRILL LYNCH INTERNATIONAL BANK LIMITED
EXTRACT FROM 'REPORT OF THE DIRECTORS'

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and the company secretary had no beneficial interest in the shares of the Company or its subsidiaries at any time during the year

MERRILL LYNCH INTERNATIONAL BANK LIMITED
EXTRACT FROM 'REPORT OF THE DIRECTORS'

CORPORATE GOVERNANCE

The Group's Board of Directors ("the Board") is responsible for effective, prudent and ethical oversight of the Group's business and affairs, setting appropriate business strategies in the best interests of the Group, monitoring and reviewing the performance of the Group and ensuring that risk and compliance are properly monitored and managed within the Group

The Company is subject to the Central Bank of Ireland Code on Corporate Governance for Credit Institutions and Insurance Undertakings ("the Code") and is classified as a Major Credit Institution under the Code. As such the Board is required to meet at least eleven times per calendar year. The Board formally reviews the corporate governance structure of the Company, including its branches and subsidiaries, on an annual basis to ensure that it meets regulatory and legal requirements and industry best practice

The Board has the authority to discharge its responsibilities through Sub-Committees and Management Committees. The Board may establish such committees, or eliminate any existing committees as it deems appropriate in accordance with applicable laws and regulation. Each committee of the Board shall have the authority and responsibilities set forth in the resolutions creating them and the applicable committee charter. These committees perform an important oversight function for the Group and membership includes representatives from the Board, the Chief Executive and other members of the senior management team and risk and control partners, as necessary. The charters and composition of the various committees are reviewed at least annually and approved by the Board

In the course of conducting its business operations, the Company and wider Group is exposed to a variety of risks including market, credit, liquidity and operational risks that are material and require comprehensive controls and ongoing oversight. In order to properly identify, measure, monitor and manage these risks, the Board has approved a Risk Appetite which discusses the risk framework and key risk controls and sets a risk appetite defined in terms of risk limits, thresholds and metrics to ensure that its risk-taking is consistent with its business strategy, capital structure and current and anticipated market conditions

The Risk Oversight Committee (the "Risk Committee") is chaired by Mr Robert G Murphy and its membership includes six additional directors. The Risk Committee is responsible for reviewing the Group's risk-taking activities and ensuring that such activities are prudently managed and within the risk appetite agreed for the Group. The Risk Committee is supported in its work by four management committees - the Credit Committee, the Asset and Liability Committee, the New Transactions Committee and the Operational Risk Committee, who report to the Risk Committee on a routine basis. The management committees are responsible for ensuring that the Group's market, credit, liquidity and operational risks (among others) are properly identified, monitored and controlled

The Audit Committee is chaired by Mr Robert G Murphy (David Guest appointed February 2012) and its membership comprises four other non-executive directors who are external appointees to the Board. The Audit Committee monitors and reports to the Board on all audit and compliance matters affecting the Group as well as reviewing and recommending the approval of the annual Financial Statements to the Board

The Board relies on the BAC Compensation and Benefits Committee for, amongst other things, establishing remuneration policies and procedures for the Group. However in 2011, the Board established a Remuneration Compliance Committee which is responsible for exercising oversight with respect to the Company's compliance with regulatory requirements associated with remuneration and its membership comprises of three directors who are internal appointees to the Board

**MERRILL LYNCH INTERNATIONAL BANK LIMITED
REPORT OF THE DIRECTORS**

REGULATORY DISCLOSURES

Under the guidance of the Central Bank of Ireland, MLIB is required to provide certain regulatory disclosures. Copies of these disclosures can be obtained via email directly from: CompaniesSecretariesOfficeLondon@baml.com

CHARITABLE AND POLITICAL CONTRIBUTIONS

The total sum donated during the year by the Group to charitable organisations was US\$70,220 (2010 US\$103,617). The Group provides matched funding of certain contributions made by employees under a Give As You Earn scheme and for donations made by employees to certain specified charities. There were no political donations made during the year (2010 US\$ Nil).

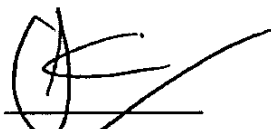
ENVIRONMENT

The facilitation of a clean environment and effective environmental protection is a fundamental aspect of good business operations. The Group recognises that its business activities have an impact on the environment, both globally and locally. Therefore, it is the Group's policy to minimise any adverse impact of its operations on the environment.

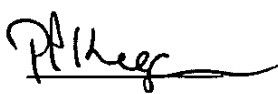
AUDITORS

The auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, have indicated their willingness to continue in office in accordance with Section 160(2) of the Companies Act 1963.


Signed on behalf of the Board




Jonathan Moulds
Chairman



Peter Keegan
Chief Executive



Company Secretary
*Merrill Lynch Corporate
Services Limited*



Robert Everett
Director

Date
22 March 2012

MERRILL LYNCH INTERNATIONAL BANK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standard Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland)

Irish company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company 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 parent financial statements and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business, and
- state that the financial statements comply with the generally accepted accounting practice

The directors confirm that they have complied with the above requirements

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and 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 2009 and the European Communities (Credit Institutions Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Company 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 International Bank Limited

We have audited the financial statements on pages 20 to 82. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 12-19.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the bank's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, 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.

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 2009 and the European Communities (Credit Institutions: Accounts) Regulations 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the bank has kept proper books of account and whether proper returns adequate for the purpose of our audit have been received from branches of the Bank not visited by us;
- whether the directors' report is consistent with the financial statements, and
- whether at the balance sheet date there existed a financial situation which may require the bank to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the bank, as stated in the balance sheet, are not more than half of its called-up share capital.

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 misstatements within it.

.....
PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I D E Box No 137
T +353 (0) 1 792 6000, F +353 (0) 1 792 6200, www.pwc.com/ie

Chartered Accountants



Independent auditors' report to the members of Merrill Lynch International Bank Limited - continued

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the bank'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 also 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 bank's affairs as at 31 December 2011 and of its loss for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations 1992

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the bank and proper returns adequate for the purpose of our audit have been received from branches of the Bank not visited by us. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 2 to 8 is consistent with the financial statements.

The net assets of the bank, as stated in the balance sheet on page 23 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 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.

Ronan Doyle

Ronan Doyle
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

22 March 2012

MERRILL LYNCH INTERNATIONAL BANK LIMITED

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by 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 2009 and the European Communities (Credit Institutions Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland are those issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland. Certain comparatives have been reclassified in order to ensure consistency with presentation in the current year.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value and are denominated in US Dollars (US\$).

FINANCIAL REPORTING STANDARDS

The Group adopted the amendment to FRS 29 - Financial Instruments Disclosures ("FRS 29") in preparing these financial statements. The amendment requires a description of collateral held as security and of other credit enhancements and their financial effect in respect of the amount that best represents the maximum exposure to credit risk.

GROUP ACCOUNTS

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company where the Company has the power directly or indirectly to govern the financial and operating policies of that entity. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the consideration at the date of acquisition, plus costs directly attributable to the acquisition. Goodwill arising on consolidation of subsidiary undertakings, being the excess of the cost of the investment over the fair value of the Group's share of separable net assets at the date of acquisition, is capitalised and amortised on a straight line basis over a 20 year period reflecting its estimated useful life.

Due to the nature of the Company's business and the type of transactions the Company is engaged in, the directors adapted the profit and loss account format to suit the circumstances of the business in accordance with Section 4(13) Companies (Amendment) Act, 1986. The format and certain wording of the financial statements have been adapted to those contained in the Companies (Amendment) Act 1986 so that, in the opinion of the directors, they more appropriately reflect the nature of the Company's business. In the opinion of the directors, the financial statements, with the above changes, provide the information required by the Companies Acts, 1963 to 2009.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
STATEMENT OF ACCOUNTING POLICIES

GROUP ACCOUNTS (CONTINUED)

Certain Group companies have entered into securitisation transactions in order to finance specific loans and receivables. All financial assets subject to securitisation continue to be held on the Group's balance sheet and a liability is recognised for the proceeds of the funding received, unless

- substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full, or
- a significant portion, but not all, of the risks and rewards have been transferred outside the Group, in which case the asset will continue to be recognised to the extent of the Group's continuing involvement

INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the profit and loss account for all interest bearing financial instruments measured at amortised cost using the effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or liabilities) and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest on impaired assets is recognised using the original effective interest rate on the impaired value of the loan

FEES AND COMMISSIONS

The Group earns fee income from a diverse range of services. Underwriting revenues and fees for merger and acquisition advisory services are accrued when services for the transactions are substantially completed

Loan commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Loan syndication revenue is recognised to the extent that the fee received exceeds the relative effective interest rate earned by other participants

Fees and commissions also include charges made to affiliated undertakings to remunerate services provided or reimburse expenditures incurred by the Group. These are recognised on an accruals basis

DEALING PROFITS

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

MERRILL LYNCH INTERNATIONAL BANK LIMITED
STATEMENT OF ACCOUNTING POLICIES

FINANCIAL ASSETS

On initial recognition, financial assets are classified into financial assets held for trading, loans and receivables or available-for-sale financial assets

(a) Financial assets held for trading

Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading asset and trading liability positions, including debt securities and loans held for trading purposes are recorded on a trade date basis and are measured at fair value 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 period. Further details about the Group's financial instruments are included in the risk management section in Note 29 to the financial statements.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, (b) those that the Group upon initial recognition designates as available-for-sale, or (c) those for which the Group may not recover substantially all of its initial investment, for reasons other than credit deterioration.

Loans and receivables are initially recognised at fair value plus direct and incremental transaction costs and are then carried at amortised cost using the effective interest rate method less an allowance for impairment. Interest calculated using the effective interest rate method is recognised in the profit and loss account on an accruals basis.

The Group's lending activities include commercial lending, residential mortgage lending, securities based lending and inter-bank placements.

(c) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an undefined period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are initially recognised at fair value including direct and incremental transaction costs and interest calculated using the effective interest rate method is recognised in the profit and loss account on an accruals basis. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the profit and loss account.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
STATEMENT OF ACCOUNTING POLICIES

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets where available. Where financial assets are not quoted in an active market, appropriate valuation techniques are used including recent market transactions, discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial assets.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments ("fair value hedge"), or hedges of a net investment in a foreign operation ("net investment hedge").

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in interest income. Any ineffectiveness is recorded in dealing profits.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the profit and loss account over the period to maturity using the effective interest rate method.

(b) Net investment hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in dealing profits. Gains and losses accumulated in equity are included in the profit and loss account on disposal or on substantial disposal of the foreign operation.

FINANCIAL LIABILITIES

On initial recognition, a financial liability is classified as held for trading if it forms part of a portfolio of trading instruments that are managed together and for which there is evidence of short term profit taking. Held for trading financial liabilities are initially and subsequently recognised at fair value with transaction costs being recognised in the profit and loss account. Gains and losses are recognised through the profit and loss account as they arise.

All other financial liabilities are measured at amortised cost using the effective interest rate method.

MERRILL LYNCH INTERNATIONAL BANK LIMITED

STATEMENT OF ACCOUNTING POLICIES

FAIR VALUE

The fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Group recognises a trading gain or loss on inception of the financial instrument.

The Group has entered into transactions where fair value is determined using valuation models for which not all significant inputs are market observable prices or rates. Such trading instruments are initially recognised at the transaction price although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value is not recognised immediately in the profit and loss account, but is deferred until the instrument's fair value can be determined using market observable inputs, or is realised. Subsequent changes in fair value are recognised immediately in the profit and loss account.

The fair values of quoted investments in active markets are based on current prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. More detailed information in relation to the fair value of financial instruments is included in Note 27.

MARKET AND CLIENT RECEIVABLES AND PAYABLES

Receivables from and payables to customers include amounts related to cash collateral and amounts due on cash and margin transactions. Due to their short term nature, such amounts approximate fair value.

SALE AND REPURCHASE AGREEMENTS

Securities sold under agreements to repurchase and securities purchased under agreements to resell are recorded as financing transactions at the amount received or paid and are measured at amortised cost using the effective interest rate method. Securities borrowed and loaned transactions are recorded at the amount of cash collateral advanced or received and are measured at amortised cost using the effective interest rate method. The difference between the sale and repurchase price for the above transactions is treated as interest and is amortised over the life of the agreement using the effective interest rate method.

DERECOGNITION

Financial assets and liabilities are derecognised when the Group transfers substantially all the risks and rewards of the asset or legally extinguishes the liability. Where the risks and rewards are substantially retained, the Group continues to recognise the financial assets on its balance sheet and records an associated liability for the consideration received. In the event the Group neither transfers nor retains substantially all the risks and rewards of the transferred asset, but retains control over the asset, it recognises the transferred asset to the extent of its continuing involvement and an associated liability measured on a basis that reflects the rights and obligations retained by the Group.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
STATEMENT OF ACCOUNTING POLICIES

NETTING

In general, 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 as there is no intention to settle net under such an agreement in the ordinary course of business. However, where the Group 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 Group has the legal right to do so, the balance included within the financial statements is the net balance due to or due from the counterparty.

IMPAIRMENT OF LOANS AND RECEIVABLES

Impairment losses on loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on loans assessed collectively.

(a) Individually assessed loans

At each balance sheet date, the Group assesses on a case-by-case basis whether there is any objective evidence that a loan is impaired. This procedure is applied to all loans that are considered individually significant.

Objective evidence of impairment may exist if one or more of the following events has occurred:

- significant financial difficulty of the issuer or obligor,
- a breach of contract, such as a default or delinquency in interest or principal payments,
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties, or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including
 - (i) adverse changes in the payment status of borrowers in the group (eg an increased number of delayed payments, or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group (eg an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group)

Impairment losses are calculated by discounting the expected future cash flows of a loan using its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. To the extent that the carrying amount is greater than the discounted expected future cash flows, the excess is charged to the profit and loss account. The carrying amount of impaired loans on the balance sheet is reduced through the use of an allowance account.

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The reversal is recognised in the profit and loss account. Loans (and the related impairment allowance account) are normally written off, either partially or in full, when there is no realistic expectation of recovery of these amounts.

MERRILL LYNCH INTERNATIONAL BANK LIMITED STATEMENT OF ACCOUNTING POLICIES

IMPAIRMENT OF LOANS AND RECEIVABLES (CONTINUED)

(b) Collectively assessed loans

Collectively assessed loans are split into two groups provisions for loans in arrears that are below individual assessment thresholds (collective impaired provisions) and loan losses that have been incurred but that had not been separately identified at the balance sheet date (latent provisions) Individually assessed loans for which no evidence of loss has been specifically identified and which are not in arrears are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss This reflects impairment losses incurred at the balance sheet date which will only be individually identified in the future

The collective impairment allowance is determined after taking into account

- historical loss experience in portfolios of similar credit risk characteristics,
- the estimated period between impairment occurring and the loss being identified, and
- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Depreciation is provided to amortise the cost less the estimated residual value of the assets in equal annual instalments over the estimated useful lives of the assets as follows

Leasehold improvements	10 years or remaining lease term if shorter
Furniture and fittings	3 to 10 years
Communication equipment	5 years
Motor vehicles	5 years
Computer equipment	2 to 4 years

TAXATION

Income tax on the profit or loss for the year comprises current tax and deferred tax

Current tax is the tax expected to be payable on the result for the year, calculated using tax rates enacted or substantively enacted at the balance sheet date, taking into account overseas taxation where appropriate and any adjustments to tax payable in respect of previous periods

Deferred tax is recognised as a liability or an asset if, prior to the balance sheet date, the Group or Company has entered into transactions or events that have occurred and that give rise to timing differences giving the Group or Company an obligation to pay more tax in the future or a right to pay less tax in the future Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent they are considered recoverable by management and are reviewed at each balance sheet date

INVESTMENTS

Investments in subsidiaries are stated at cost less provisions for impairment At each reporting date, the Company assesses whether there is any indication that its investments are impaired Impairment tests are done 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 the fair value of the underlying asset The carrying amount of the asset is reduced accordingly and the amount of the loss is recognised in the profit and loss account

MERRILL LYNCH INTERNATIONAL BANK LIMITED
STATEMENT OF ACCOUNTING POLICIES

SHARE BASED PAYMENTS

BAC, the ultimate parent company and controlling party of the Group, grants equity settled share based payment awards to employees of the Group under various incentive schemes. Equity settled share based payment plans are measured based on the fair value of those awards at grant date and are passed down via a recharge from the parent company and as such are accounted for under the equity method. The fair value determined at the grant date is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest. Expenses related to Share Based Payments are included within administrative expenses.

PENSIONS

The Group participates in a number of defined benefit and defined contribution pension schemes.

The Group is one of a number of BAC employers that participate in the Merrill Lynch (UK) Pension Plan, (the 'Plan', formerly the Merrill Lynch (UK) Final Salary Plan), which was closed to new entrants with effect from 30 June 1997 and to contributions from existing members with effect from 30 June 2004. The funding cost relating to the Plan is assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The Group has been unable to identify its share of the underlying assets and liabilities of the Plan due to contributions being set for the scheme as a whole rather than reflecting the actuarial characteristics of the employees of the individual employer and accordingly accounts for the Plan as if it were a defined contribution scheme.

The Group also operates a defined benefit scheme in Germany where the plan is unfunded. The liabilities of this scheme are measured on an actuarial basis using the projected unit method.

In addition, the Group participates in a defined benefit scheme in Switzerland. The Group is unable to identify its share of the underlying assets and liabilities due to contributions being set for the scheme as a whole rather than reflecting the actuarial characteristics of the employees of the individual employer and accordingly accounts for the scheme as if it were a defined contribution scheme.

All other schemes operated by the Group are defined contribution schemes. The major defined contribution schemes are the Merrill Lynch Employee Benefit Plans in the UK and Ireland. The costs of defined contribution schemes are calculated as a percentage of each employee's annual salary based on their age and length of service with the Group and are charged to the profit and loss account in the period in which they fall due.

LEASES

All leases are operating leases and the annual rentals are charged to the profit and loss account on an accruals basis in the accounting period to which they relate.

FOREIGN CURRENCIES

The functional and presentational currency of the Group is US Dollars (US\$).

Revenues and expenses arising from transactions to be settled in foreign currencies are translated into US\$ at average monthly market rates of exchange. Monetary assets and liabilities are translated into US\$ 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.

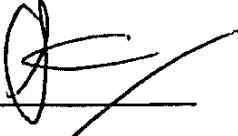
The financial statements of branches and subsidiaries whose functional currency is not the US\$ are translated into US\$ at the closing rate for the balance sheet and at the average rate of exchange for the period for the profit and loss account. Translation differences arising on the profit and loss generated for the current period and on opening net assets are taken directly as a movement in reserves.

**MERRILL LYNCH INTERNATIONAL BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**


	Notes	2011 US\$'000	2010 US\$'000
Interest income	2		
- Other interest receivable and similar income		499,556	534,814
- Interest payable and similar charges		(320,575)	(309,278)
Fees and commissions	3		
- Receivable		546,727	520,307
- Payable		(604,166)	(490,099)
Dealing profits	4	372,031	360,044
Other operating income	5	21,097	35,739
TOTAL OPERATING INCOME		514,670	651,527
Administrative expenses	6	691,323	606,235
Depreciation		14,674	16,504
Other operating charges	7	107,250	723,929
Provisions for bad and doubtful debts	29	154,658	(43,548)
TOTAL OPERATING EXPENSES		967,905	1,303,120
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			
	8	(453,235)	(651,593)
Tax on loss on ordinary activities	10	(95,514)	4,031
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(548,749)	(647,562)

All gains and losses arise from continuing activities. Notes 1 to 38 and the statement of accounting policies form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 22 March 2012 and signed on its behalf by:


Jonathan Moulds
Chairman


Peter Keegan
Chief Executive


Company Secretary
Merrill Lynch Corporate
Services Limited


Robert Everett
Director

MERRILL LYNCH INTERNATIONAL BANK LIMITED
CONSOLIDATED STATEMENT OF TOTAL
RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 US\$'000	2010 US\$'000
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Loss on ordinary activities after taxation		(548,749)	(647,562)
Gain on revaluation of available-for-sale investments taken to equity	25	17	860
Tax effect on revaluation of available-for-sale investments taken to equity	25	(2)	(155)
Exchange differences on translation of foreign operations	25	2,606	13,019
Exchange differences on translation of net investment hedge	25	(7,307)	19,161
Total recognised losses for the period		<u>(553,435)</u>	<u>(614,677)</u>

Notes 1 to 38 and the statement of accounting policies form an integral part of the financial statements

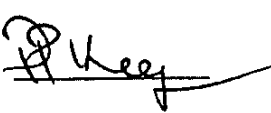
MERRILL LYNCH INTERNATIONAL BANK LIMITED
GROUP BALANCE SHEET AS AT 31 DECEMBER 2011

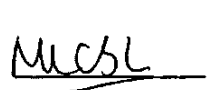
	Notes	2011 US\$'000	2010 US\$'000
ASSETS			
Cash and balances at Central Banks	11	1,032,590	1,215,799
Loans and advances to banks	12	3,535,496	10,537,626
Loans and advances to customers	13	20,280,181	18,320,146
Market and client receivables	14	24,744,079	22,896,287
Debt securities and other fixed income securities	15	5,434,638	3,207,637
Trading assets	29	537,817,434	426,766,327
Deferred taxation	16	-	111,914
Tangible fixed assets		40,546	31,067
Other assets	17	356,463	351,915
TOTAL ASSETS		593,241,427	483,438,718
LIABILITIES			
Deposits by banks	18	108,027	246,698
Customer accounts	19	15,097,050	13,794,892
Market and client payables	20	24,267,672	26,045,788
Trading liabilities	29	539,372,997	428,371,526
Other liabilities	22	193,477	215,928
Accruals and deferred income		150,447	158,694
Subordinated debt	23	4,647,000	4,647,000
TOTAL LIABILITIES		583,836,670	473,480,526
SHAREHOLDERS' FUNDS			
Share capital	24	32,067	32,067
Share premium account	25	3,898,359	3,898,359
Capital contribution	25	4,065,875	4,065,875
Available-for-sale reserve	25	162	147
Net investment hedge reserve	25	6,206	13,513
Retained earnings	25	1,402,088	1,948,231
		<u>9,404,757</u>	<u>9,958,192</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		593,241,427	483,438,718
MEMORANDUM ITEMS			
Guarantees, undrawn commitments and assets pledged as collateral security	29	<u>32,722,055</u>	<u>35,172,425</u>

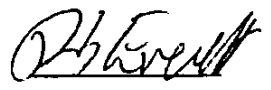
Notes 1 to 38 and the statement of accounting policies form an integral part of the financial statements

The financial statements were approved by the Board of Directors on 22 March 2012 and signed on its behalf by


Jonathan Moulds
Chairman


Peter Keegan
Chief Executive


Company Secretary
*Merrill Lynch Corporate
Services Limited*

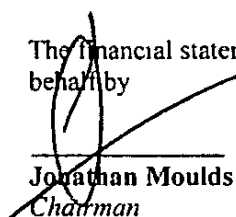

Robert Everett
Director

MERRILL LYNCH INTERNATIONAL BANK LIMITED
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2011

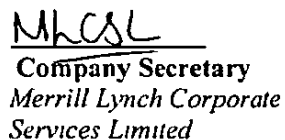
	Notes	2011 US\$'000	2010 US\$'000
ASSETS			
Cash and balances at Central Banks	11	231,408	1,143,455
Loans and advances to banks	12	3,502,239	10,203,197
Loans and advances to customers	13	19,474,895	17,341,473
Market and client receivables	14	24,719,994	22,887,720
Debt securities and other fixed income securities	15	5,434,638	3,207,637
Trading assets	29	537,817,118	426,738,643
Deferred taxation	16	-	106,475
Investment in subsidiaries	36	92,932	268,641
Tangible fixed assets		37,184	26,008
Other assets	17	334,789	322,187
TOTAL ASSETS		591,645,197	482,245,436
LIABILITIES			
Deposits by banks	18	107,309	205,896
Customer accounts	19	14,449,452	13,115,806
Market and client payables	20	23,922,163	26,060,320
Trading liabilities	29	539,372,998	428,342,249
Other liabilities	22	171,471	153,862
Accruals and deferred income		143,386	153,067
Subordinated debt	23	4,647,000	4,647,000
TOTAL LIABILITIES		582,813,779	472,678,200
SHAREHOLDERS' FUNDS			
Share capital	24	32,067	32,067
Share premium account	25	3,898,359	3,898,359
Capital contribution	25	4,065,875	4,065,875
Available-for-sale reserve	25	162	147
Net investment hedge reserve	25	6,206	13,513
Retained earnings	25	828,749	1,557,275
		8,831,418	9,567,236
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		591,645,197	482,245,436
MEMORANDUM ITEMS			
Guarantees, undrawn commitments and assets pledged as collateral security	29	32,830,800	35,369,269

Notes 1 to 38 and the statement of accounting policies form an integral part of the financial statements

The financial statements were approved by the Board of Directors on 22 March 2012 and signed on its behalf by


Jonathan Moulds
Chairman


Peter Keegan
Chief Executive


Company Secretary
Merrill Lynch Corporate Services Limited


Robert Everett
Director

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING PERIOD

The Company's financial year consisted of a fifty-two (2010 fifty-two) week period ending on 31 December 2011 (2010 31 December)

2. INTEREST INCOME

	2011 US\$'000	2010 US\$'000
Other interest receivable and similar income		
- Loans and advances to banks	38,613	47,280
- Loans and advances to customers	312,231	375,367
- Debt securities and other fixed income securities	114,072	65,361
- Loans to affiliates	34,640	46,806
	<u>499,556</u>	<u>534,814</u>
Interest payable and similar charges		
- Deposits by banks	(761)	(1,810)
- Customer accounts	(163,557)	(131,855)
- Non-recourse financing	-	(18,596)
- Loans from affiliates	(143,378)	(148,432)
- Other liabilities	(12,879)	(8,585)
	<u>(320,575)</u>	<u>(309,278)</u>

Included in interest receivable is US\$10.4 million (2010 US\$14.7 million) of interest on impaired loans and advances to customers, accrued but not yet received

3. FEES AND COMMISSIONS

	2011 US\$'000	2010 US\$'000
Receivable		
- Intercompany service fees	386,484	373,638
- Investment banking fees	15,959	7,906
- Private client fees	97,930	97,284
- Commissions	39,669	30,378
- Other fees	6,685	11,101
	<u>546,727</u>	<u>520,307</u>
Payable		
- Intercompany service fees	(508,097)	(411,224)
- Brokerage fees	(56,850)	(36,095)
- Exchange and clearing house fees	(7,777)	(8,086)
- Other fees	(31,442)	(34,694)
	<u>(604,166)</u>	<u>(490,099)</u>

4. DEALING PROFITS

Dealing profits include the gains and losses on financial instruments held for trading. It comprises the gains and losses arising from the purchase and sale of these instruments and the fair value movement of these instruments which incorporates credit valuation adjustments. Instruments traded include foreign exchange spot and forward contracts, currency swaps and options, interest rate swaps and options and loans. Further details on these instruments can be found in Note 29.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

5. OTHER OPERATING INCOME	2011	2010
	US\$'000	US\$'000
FX revaluation gains	9,390	32,358
Other	11,707	3,381
	<u>21,097</u>	<u>35,739</u>

6. ADMINISTRATIVE EXPENSES	2011	2010
	US\$'000	US\$'000
Wages and salaries	401,064	382,143
Social welfare*	32,245	40,867
Pension costs (Note 21)	42,222	16,675
Professional fees	47,109	35,480
Occupancy and related depreciation	46,098	38,463
Communications and technology	63,274	40,679
Other administrative expenses	59,311	51,928
	<u>691,323</u>	<u>606,235</u>

*In December 2009, the UK government proposed legislation that led to a one time employer payroll tax in respect of certain bonuses payable by banks and banking groups. The charge taken in 2010 was US\$8.7 million and is included within social welfare costs. There was no charge in 2011.

Average number of persons employed	2011	2010
Sales and trading	405	443
Sales and trading support	324	328
Other support services	1,184	1,278
	<u>1,913</u>	<u>2,049</u>

The above averages include Group staff in Ireland and its overseas operations.

7. OTHER OPERATING CHARGES	2011	2010
	US\$'000	US\$'000
Realised loss on sale of loans	<u>107,250</u>	<u>723,929</u>

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

8. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2011 US\$'000	2010 US\$'000
Loss on ordinary activities before taxation is stated after (charging)		
Depreciation of tangible fixed assets	(14,674)	(16,504)
Auditor's remuneration	(3,967)	(3,745)
Directors' remuneration		
Fees paid by the Group	(348)	(359)
Other emoluments	(5,215)	(12,444)
(Included in 2011 US\$129,342 (2010 US\$93,060) in respect of pension contributions)		
Operating lease rentals	(27,123)	(25,529)
Statutory Auditor's remuneration		
Audit of the company accounts	(798)	(825)
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	-	-

9. LOSS DEALT WITH IN THE FINANCIAL STATEMENTS OF THE COMPANY

Of the consolidated loss after tax for the financial year, losses of US\$736 million (2010 loss of US\$569 million) are attributable to the operations of the Company. The profit and loss account of the Company is not presented by virtue of the exemption contained within Section 3(2) of the Companies (Amendment) Act 1986.

10. TAXATION ON LOSS ON ORDINARY ACTIVITIES	2011 US\$'000	2010 US\$'000
Taxation on loss on ordinary activities		
Corporation tax	(23,112)	(47,445)
Deferred tax	(92,789)	42,764
	(115,901)	(4,681)
Adjustments in respect of prior periods	20,387	8,712
	(95,514)	4,031

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

10. TAXATION ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the tax for the year

The current tax for the year differs from the current tax that would result from applying the standard rate of Irish Corporation tax of 12.5% (2010: 12.5%) to the loss on ordinary activities. The difference is explained below:

	2011 US\$'000	2010 US\$'000
Loss on ordinary activities before tax	<u>(453,235)</u>	<u>(651,593)</u>
Tax at the standard rate of corporation tax of 12.5%	(56,654)	(81,449)
Effects of:		
Foreign taxes	15,421	(90,798)
Timing difference with respect to losses	64,385	227,389
Other	(40)	(7,697)
Corporation tax for the year	<u>23,112</u>	<u>47,445</u>

The corporate tax rates for the branches of the Group are shown below:

Ireland	12.5%	Germany	32.0%
UK	26.5%	Bahrain	0.0%
Singapore	17.0%	Canada	28.25%
Netherlands	25.0%	France	33.3%
Spain	30.0%	Italy	27.5%

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

11. CASH AND BALANCES AT CENTRAL BANKS	2011	2010
	US\$'000	US\$'000
- Group		
Cash in hand	751,927	874,982
Balances with Central Banks other than mandatory reserve deposits	267,369	13,495
Mandatory reserve deposits with Central Banks	13,294	327,322
	<u>1,032,590</u>	<u>1,215,799</u>
- Company		
Cash in hand	210,737	805,501
Balances with Central Banks other than mandatory reserve deposits	12,117	13,495
Mandatory reserve deposits with Central Banks	8,554	324,459
	<u>231,408</u>	<u>1,143,455</u>
12. LOANS AND ADVANCES TO BANKS	2011	2010
	US\$'000	US\$'000
- Group		
Analysed by remaining maturity		
3 months or less but not on demand	2,995,198	9,650,384
1 year or less but over 3 months	33,256	73,644
5 years or less but over 1 year	138,380	267,290
Over 5 years	368,662	546,308
	<u>3,535,496</u>	<u>10,537,626</u>
- Company		
Analysed by remaining maturity		
3 months or less but not on demand	2,995,197	9,319,050
1 year or less but over 3 months	-	70,549
5 years or less but over 1 year	138,380	267,290
Over 5 years	368,662	546,308
	<u>3,502,239</u>	<u>10,203,197</u>
Amounts due from affiliate companies at 31 December 2011 amounted to US\$1,384 million (2010 US\$6,572 million)		
13. LOANS AND ADVANCES TO CUSTOMERS	2011	2010
	US\$'000	US\$'000
- Group		
Analysed by remaining maturity		
Repayable on demand	7,570,229	5,898,282
3 months or less but not on demand	7,538,026	6,763,519
1 year or less but over 3 months	1,318,663	1,865,264
5 years or less but over 1 year	2,266,436	2,404,036
Over 5 years	1,586,827	1,389,045
	<u>20,280,181</u>	<u>18,320,146</u>

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

13. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2011 US\$'000	2010 US\$'000
- Company		
Analysed by remaining maturity		
Repayable on demand	7,598,806	5,798,905
3 months or less but not on demand	6,774,694	6,190,314
1 year or less but over 3 months	1,318,663	1,489,629
5 years or less but over 1 year	2,266,437	2,403,250
Over 5 years	<u>1,516,295</u>	<u>1,459,375</u>
	<u>19,474,895</u>	<u>17,341,473</u>

Amounts due from affiliate companies at 31 December 2011 amounted to US\$2,214 million (2010 US\$1,342 million)

There were provisions for bad and doubtful debts of US\$629 million as at 31 December 2011 (2010 US\$741 million) against assets in the Group's and Company's portfolio. Further information is given in Note 29 under credit risk impairment.

14. MARKET AND CLIENT RECEIVABLES

	2011 US\$'000	2010 US\$'000
- Group		
Analysed by remaining maturity		
On demand	<u>24,744,079</u>	<u>22,896,287</u>
- Company		
Analysed by remaining maturity		
On demand	<u>24,719,994</u>	<u>22,887,720</u>

Market and client receivables mainly relates to cash collateral.

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15. DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES

	2011 US\$'000	2010 US\$'000
- Group and Company		
Held for trading		
Listed securities		
- Government securities	1,298,742	1,190,718
- Corporate bonds	320,331	349,857
- Short term government securities	2,766,797	754,406
Unlisted securities		
- Corporate bonds	17,683	25,299
	<u>4,403,553</u>	<u>2,320,280</u>
Available-for-sale.		
Listed securities		
- Short term government securities	845,460	887,357
Unlisted securities		
- Short term corporate bonds	185,625	-
	<u>1,031,085</u>	<u>887,357</u>
Total debt securities and other fixed income securities	<u>5,434,638</u>	<u>3,207,637</u>
Analysed by remaining maturity		
Due within one year	3,837,592	1,648,031
Due one year and over	1,597,046	1,559,606
	<u>5,434,638</u>	<u>3,207,637</u>

The movement on available-for-sale financial assets is analysed below

	2011 US\$'000	2010 US\$'000
- Group and Company		
At start of the period	887,357	941,812
Revaluation, exchange and other adjustments	(6,904)	2,099
Additions	3,130,887	3,447,173
Redemptions/Disposals	(2,980,255)	(3,503,727)
At end of the period	<u>1,031,085</u>	<u>887,357</u>

The risks associated with holdings of debt securities and other fixed income securities are dealt with in detail in Note 29

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16. DEFERRED TAXATION

	2011 US\$'000	2010 US\$'000
- Group		
Timing differences related to		
- Accelerated capital allowances	-	804
- Compensation and social security costs	-	2,021
- Brought forward losses	-	88,850
- Other	-	20,239
	<u>-</u>	<u>111,914</u>

- Company		
Timing differences related to		
- Accelerated capital allowances	-	804
- Compensation and social security costs	-	2,021
- Brought forward losses	-	88,850
- Other	-	14,800
	<u>-</u>	<u>106,475</u>

Movement on deferred taxation:

	2011 US\$'000	2010 US\$'000
- Group		
Balance at start of year	111,914	74,718
Charge in profit and loss account relating to current period	(92,789)	42,764
Adjustment relating to available-for-sale assets	2	206
Adjustment in respect of previous periods	(19,127)	(5,774)
Balance at end of year	<u>-</u>	<u>111,914</u>

- Company		
Balance at start of year	106,475	72,040
Charge in profit and loss account relating to current period	(102,960)	39,204
Adjustment relating to available-for-sale assets	2	206
Adjustment in respect of previous periods	(3,517)	(4,975)
Balance at end of year	<u>-</u>	<u>106,475</u>

Having considered historic performance, management is of the opinion that it is more likely than not that the Company and the Group will not be able to generate sufficient future taxable income to recover the deferred tax asset. The amount of deferred tax asset not recognised by the Company for the year ended 31 December 2011 was \$756m (2010 \$524m), principally in relation to brought forward losses.

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17. OTHER ASSETS	2011 US\$'000	2010 US\$'000
- Group		
Prepaid taxation	47,250	22,836
Prepayments, accrued income and other	170,342	198,942
Claims receivable	14,205	17,552
Interest receivable	124,666	112,585
	<u>356,463</u>	<u>351,915</u>
- Company		
Prepaid taxation	47,203	17,180
Prepayments, accrued income and other	150,771	176,693
Claims receivable	14,205	17,552
Interest receivable	122,610	110,762
	<u>334,789</u>	<u>322,187</u>
18. DEPOSITS BY BANKS	2011 US\$'000	2010 US\$'000
- Group		
Analysed by remaining maturity		
Repayable on demand	65,628	80,814
3 months or less but not on demand	21,381	141,245
1 year or less but over 3 months	11,316	10,673
5 years or less but over 1 year	-	3,943
Over 5 years	9,702	10,023
	<u>108,027</u>	<u>246,698</u>
- Company		
Analysed by remaining maturity		
Repayable on demand	65,628	40,012
3 months or less but not on demand	20,663	141,245
1 year or less but over 3 months	11,316	10,673
5 years or less but over 1 year	-	3,943
Over 5 years	9,702	10,023
	<u>107,309</u>	<u>205,896</u>

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19. CUSTOMER ACCOUNTS

	2011 US\$'000	2010 US\$'000
- Group		
Analysed by remaining maturity		
Repayable on demand	10,108,953	7,859,839
3 months or less but not on demand	4,208,557	5,281,398
1 year or less but over 3 months	466,071	619,912
5 years or less but over 1 year	187,427	10,023
Over 5 years	126,042	23,720
	<u>15,097,050</u>	<u>13,794,892</u>
- Company		
Analysed by remaining maturity		
Repayable on demand	9,458,428	7,181,078
3 months or less but not on demand	4,211,484	5,281,073
1 year or less but over 3 months	466,071	619,912
5 years or less but over 1 year	187,427	10,023
Over 5 years	126,042	23,720
	<u>14,449,452</u>	<u>13,115,806</u>

Amounts due to affiliate companies at 31 December 2011 amounted to US\$2,410 million (2010 US\$1,458 million) which includes an amount of US\$7 million (2010 US\$7 million) due to the Group's immediate parent, Merrill Lynch Group Holdings Limited

20. MARKET AND CLIENT PAYABLES

	2011 US\$'000	2010 US\$'000
- Group		
Analysed by remaining maturity		
On demand	<u>24,267,672</u>	<u>26,045,788</u>
- Company		
Analysed by remaining maturity		
On demand	<u>23,922,163</u>	<u>26,060,320</u>

Market and client payables mainly relates to cash collateral

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21. PENSIONS

The Group operates pension plans in Ireland and in its overseas branches and subsidiaries. The pension charges for the period are as follows:

- Group	2011 US\$'000	2010 US\$'000
Defined contribution schemes	16,001	14,753
Defined benefit schemes	26,221	1,922
	<u>42,222</u>	<u>16,675</u>

The Group is one of a number of BAC employers that participate in the Merrill Lynch (UK) Pension Plan, (the 'Plan', formerly the Merrill Lynch (UK) Final Salary Plan), which was closed to new entrants with effect from 30 June 1997 and to contributions from existing members with effect from 30 June 2004. The latest formal triennial actuarial valuation of the Merrill Lynch (UK) Pension Plan, ("the Plan") was carried out as at 31 December 2008. That assessment showed that the Plan had a deficit (or shortfall) of £264 million relative to the technical provisions (i.e. the level of assets agreed by the Trustee and the employing companies as being appropriate to meet member benefits, assuming the Plan continues as a going concern). The method and assumptions used to calculate the technical provisions were discussed and agreed by the Trustee and the employing companies.

Following discussions and on the basis of actuarial advice, it was agreed that to fund the deficit the employing companies would pay an additional contribution of £24 million in the year to 31 December 2009 (paid in March 2009), a contribution of £33 million by 31 March 2010 (paid in March 2010) and a contribution of £33 million by 31 March 2011 (paid in March 2011). Contributions of £33 million would also be paid by 31 March in each year for four years from 2012 to 2015 followed by a further contribution of £29 million by 31 March 2016.

In addition to the deficit reduction contributions above, the employing companies will meet the following:

- The agreed contributions for members to the money-purchase section of the Plan
- 0.5% of Plan Salaries in respect of spouses' death in service pensions for members of the Plan and the Merrill Lynch (UK) Defined Contribution Plan
- Lump sum death in service premiums
- Any levies due to the Pension Protection Fund
- Other expenses

The contribution requirement is monitored following each annual funding review and any contribution payments may be adjusted accordingly. An informal funding review of the Plan was carried out as at 31 December 2010. This showed that the deficit in the Plan had decreased to £157 million using consistent funding method and assumptions as those underlying the actuarial valuation as at 31 December 2008. No changes were made to the contribution requirements following this review. The triennial actuarial valuation as at 31 December 2011 is currently underway and it is expected that this will be finalised in 2012.

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21. PENSIONS (CONTINUED)

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

Date of latest valuation	31 December 2011
Salary growth	3%
Discount rate	5.75%

The German scheme's liabilities at 31 December 2011 were US\$44 million (2010: US\$42 million) and are provided in the accounts. In line with German business practices, this defined benefit pension scheme is not funded. The scheme's 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.

A defined benefit scheme is also operated in Switzerland for the Group and other BAC affiliates and the main economic assumptions employed for determining the costs of that scheme are as follows:

Date of latest valuation	31 December 2011
Compensation growth	2.5%
Discount rate	2.75%

The actuarial valuations for both the German and Swiss schemes, as at 31 December 2011, are currently being finalised and are expected to be available in the second quarter of 2012.

The costs of defined contribution schemes are calculated as a percentage of each employee's annual salary based on their age and length of service with the Group and are charged to the profit and loss account in the period in which they fall due. The assets of all defined contribution schemes operated by the Group are held separately in independently administered funds.

22. OTHER LIABILITIES

	2011 US\$'000	2010 US\$'000
- Group		
Provision for pensions	55,880	35,464
Corporation tax payable	7,306	45,612
Other accruals	113,374	119,421
Payroll taxes	13,836	14,929
VAT	3,081	502
	<u>193,477</u>	<u>215,928</u>
- Company		
Provision for pensions	55,877	35,462
Corporation tax payable	7,306	19,672
Other accruals	92,851	84,515
Payroll taxes	12,372	13,712
VAT	3,065	501
	<u>171,471</u>	<u>153,862</u>

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23. SUBORDINATED DEBT	2011 US\$'000	2010 US\$'000
- Group and Company		
US\$ 4,680 million subordinated debt repayable 01 February 2017, Libor + 245bps as at 31 December 2011 (2010 Libor + 230bps)	4,647,000	4,647,000
	<u>4,647,000</u>	<u>4,647,000</u>

During 2011, the facility with ML&Co remained at US\$4,680 million (2010 US\$4,680 million). The Group also retains a second facility with ML&Co of US\$2,000 million maturing on 1 February 2015 at Libor + 220bps (2010 US\$2,000 million maturing on 1 February 2014 at Libor + 665bps) which remained undrawn throughout the year.

24. SHARE CAPITAL

- Group and Company

Authorised	2011 No	2011 US\$	2010 No	2010 US\$
Ordinary shares US\$1	30,000,000	30,000,000	30,000,000	30,000,000
A Ordinary shares US\$1	15,000,000	15,000,000	15,000,000	15,000,000
B Ordinary shares US\$1	30,000	30,000	30,000	30,000
IR Ordinary shares US\$1	1,000	1,000	1,000	1,000
IT Ordinary shares US\$1	10,000	10,000	10,000	10,000
NL Ordinary shares US\$1	5,000	5,000	5,000	5,000
S Ordinary shares US\$20	500,000	10,000,000	500,000	10,000,000
SP Ordinary shares US\$1	5,000	5,000	5,000	5,000
	<u>45,551,000</u>	<u>55,051,000</u>	<u>45,551,000</u>	<u>55,051,000</u>
Called up, issued and fully paid	2011 No	2011 US\$	2010 No	2010 US\$
Ordinary shares US\$1	9,207,075	9,207,075	9,207,075	9,207,075
A Ordinary shares US\$1	14,320,617	14,320,617	14,320,617	14,320,617
B Ordinary shares US\$1	377	377	377	377
IR Ordinary shares US\$1	163	163	163	163
IT Ordinary shares US\$1	4,012	4,012	4,012	4,012
NL Ordinary shares US\$1	1,080	1,080	1,080	1,080
S Ordinary shares US\$20	426,642	8,532,840	426,642	8,532,840
SP Ordinary shares US\$1	846	846	846	846
	<u>23,960,812</u>	<u>32,067,010</u>	<u>23,960,812</u>	<u>32,067,010</u>

All shares in issue at 31 December 2011 rank pari passu in all respects save that upon the return of capital, such capital shall be applied in the following order of priority: Ordinary Shares followed by the B Ordinary Shares, IR Ordinary Shares, IT Ordinary Shares, NL Ordinary Shares, SP Ordinary Shares, A Ordinary Shares and finally the S Ordinary Shares. Any surplus after the repayment of such amounts shall be distributed between the holders of the shares in proportion to their holdings.

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**25. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND
STATEMENT OF MOVEMENT IN RESERVES**

**- Group (all in
US\$'000)**

	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2010	32,067	3,898,359	4,065,875	147	1,948,231	13,513	9,958,192
Loss for the period	-	-	-	-	(548,749)	-	(548,749)
Currency Translation Adjustment	-	-	-	-	2,606	-	2,606
Net Investment Hedge	-	-	-	-	-	(7,307)	(7,307)
Movement in Available-for- sale Reserve	-	-	-	17	-	-	17
Tax effect on movement of Available-for- sale Reserve	-	-	-	(2)	-	-	(2)
As at 31 December 2011	32,067	3,898,359	4,065,875	162	1,402,088	6,206	9,404,757

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**25. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND
STATEMENT OF MOVEMENT IN RESERVES (CONTINUED)**

**- Company (all
in US\$'000)**

	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2010	32,067	3,898,359	4,065,875	147	1,557,275	13,513	9,567,236
Loss for the period	-	-	-	-	(735,655)	-	(735,655)
Currency Translation Adjustment	-	-	-	-	7,129	-	7,129
Net Investment Hedge	-	-	-	-	-	(7,307)	(7,307)
Movement in Available-for- sale Reserve	-	-	-	17	-	-	17
Tax effect on movement of Available-for- sale Reserve	-	-	-	(2)	-	-	(2)
As at 31 December 2011	32,067	3,898,359	4,065,875	162	828,749	6,206	8,831,418

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**25. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND
STATEMENT OF MOVEMENT IN RESERVES (CONTINUED)**

**- Group (all in
US\$'000)**

	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2009	32,067	3,898,359	4,065,875	(558)	2,582,774	(5,648)	10,572,869
Loss for the period	-	-	-	-	(647,562)	-	(647,562)
Currency Translation Adjustment	-	-	-	-	13,019	-	13,019
Net Investment Hedge	-	-	-	-	-	19,161	19,161
Movement in Available-for- sale Reserve	-	-	-	860	-	-	860
Tax effect on movement of Available-for- sale Reserve	-	-	-	(155)	-	-	(155)
As at 31 December 2010	32,067	3,898,359	4,065,875	147	1,948,231	13,513	9,958,192

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**25. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND
STATEMENT OF MOVEMENT IN RESERVES (CONTINUED)**

**- Company (all
in US\$'000)**

	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2009	32,067	3,898,359	4,065,875	(558)	2,151,154	(5,648)	10,141,249
Loss for the period	-	-	-	-	(569,212)	-	(569,212)
Currency Translation Adjustment	-	-	-	-	(24,667)	-	(24,667)
Net Investment Hedge	-	-	-	-	-	19,161	19,161
Movement in Available-for- sale Reserve	-	-	-	860	-	-	860
Tax effect on movement of Available-for- sale Reserve	-	-	-	(155)	-	-	(155)
As at 31 December 2010	32,067	3,898,359	4,065,875	147	1,557,275	13,513	9,567,236

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26. FINANCIAL INSTRUMENTS

The following table analyses the carrying amount of the Group's financial assets and liabilities by category and by balance sheet heading

2011

All figures in US\$'M

	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	Total
ASSETS						
Cash and balances at Central Banks	-	1,033	-	-	-	1,033
Loans and advances to banks	-	3,535	-	-	-	3,535
Loans and advances to customers	-	20,280	-	-	-	20,280
Market and client receivables	-	24,744	-	-	-	24,744
Debt securities and other fixed income securities	4,404	-	-	1,031	-	5,435
Trading assets	537,817	-	-	-	-	537,817
	542,221	49,592	-	1,031	-	592,844
LIABILITIES						
Deposits by banks	-	-	108	-	-	108
Customer accounts	-	-	15,097	-	-	15,097
Market and client payables	-	-	24,268	-	-	24,268
Trading liabilities	539,372	-	-	-	1	539,373
Subordinated debt	-	-	4,647	-	-	4,647
	539,372	-	44,120	-	1	583,493

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26. FINANCIAL INSTRUMENTS (CONTINUED)

The following table analyses the carrying amount of the Group's financial assets and liabilities by category and by balance sheet heading

2010

All figures in US\$'M

	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	Total
ASSETS						
Cash and balances at Central Banks	-	1,216	-	-	-	1,216
Loans and advances to banks	-	10,538	-	-	-	10,538
Loans and advances to customers	-	18,320	-	-	-	18,320
Market and client receivables	-	22,896	-	-	-	22,896
Debt securities and other fixed income securities	2,321	-	-	887	-	3,208
Trading assets	426,766	-	-	-	-	426,766
	429,087	52,970	-	887	-	482,944
LIABILITIES						
Deposits by banks	-	-	247	-	-	247
Customer accounts	-	-	13,795	-	-	13,795
Market and client payables	-	-	26,046	-	-	26,046
Trading liabilities	428,370	-	-	-	2	428,372
Subordinated debt	-	-	4,647	-	-	4,647
	428,370	-	44,735	-	2	473,107

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26. FINANCIAL INSTRUMENTS (CONTINUED)

The following table analyses the carrying amount of the Company's financial assets and liabilities by category and by balance sheet heading

2011

All figures in US\$'M

	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	Total
ASSETS						
Cash and balances at Central Banks	-	231	-	-	-	231
Loans and advances to banks	-	3,502	-	-	-	3,502
Loans and advances to customers	-	19,475	-	-	-	19,475
Market and client receivables	-	24,720	-	-	-	24,720
Debt securities and other fixed income securities	4,404	-	-	1,031	-	5,435
Trading assets	537,817	-	-	-	-	537,817
	542,221	47,928	-	1,031	-	591,180
LIABILITIES						
Deposits by banks	-	-	107	-	-	107
Customer accounts	-	-	14,449	-	-	14,449
Market and client payables	-	-	23,922	-	-	23,922
Trading liabilities	539,372	-	-	-	1	539,373
Subordinated debt	-	-	4,647	-	-	4,647
	539,372	-	43,125	-	1	582,498

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26. FINANCIAL INSTRUMENTS (CONTINUED)

The following table analyses the carrying amount of the Company's financial assets and liabilities by category and by balance sheet heading

2010

All figures in US\$'M

	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	Total
ASSETS						
Cash and balances at Central Banks	-	1,143	-	-	-	1,143
Loans and advances to banks	-	10,203	-	-	-	10,203
Loans and advances to customers	-	17,341	-	-	-	17,341
Market and client receivables	-	22,888	-	-	-	22,888
Debt securities and other fixed income securities	2,321	-	-	887	-	3,208
Trading assets	426,739	-	-	-	-	426,739
	429,060	51,575	-	887	-	481,522
LIABILITIES						
Deposits by banks	-	-	206	-	-	206
Customer accounts	-	-	13,116	-	-	13,116
Market and client payables	-	-	26,060	-	-	26,060
Trading liabilities	428,340	-	-	-	2	428,342
Subordinated debt	-	-	4,647	-	-	4,647
	428,340	-	44,029	-	2	472,371

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27. FAIR VALUE INFORMATION

The following table provides an analysis of the fair value of financial instruments of the Group and Company that are not carried at fair value on the balance sheet

- Group All figures in US\$'M	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and balances at Central Banks	1,033	1,033	1,216	1,216
Loans and advances to banks	3,535	3,418	10,538	10,340
Loans and advances to customers	20,280	19,980	18,320	16,808
Market and client receivables	24,744	24,744	22,896	22,896
Financial Liabilities				
Deposits by banks	108	108	247	247
Customers accounts	15,097	15,097	13,795	13,795
Market and client payables	24,268	24,268	26,046	26,046
Subordinated debt	4,647	4,160	4,647	4,605
 - Company				
All figures in US\$'M	2011		2010	
	Carrying amount	Fair Value	Carrying amount	Fair value
Financial Assets				
Cash and balances at Central Banks	231	231	1,143	1,143
Loans and advances to banks	3,502	3,385	10,203	9,885
Loans and advances to customers	19,475	19,175	17,341	15,848
Market and client receivables	24,720	24,720	22,888	22,888
Financial Liabilities				
Deposits by banks	107	107	206	206
Customers accounts	14,449	14,449	13,116	13,116
Market and client payables	23,922	23,922	26,060	26,060
Subordinated debt	4,647	4,160	4,647	4,605

The fair values presented in the table above are stated at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date

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27. FAIR VALUE INFORMATION (CONTINUED)

Impact of internal models on fair value calculations

Fair values of certain financial instruments recognised in the financial statements are determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the fair value recorded in the financial statements is the sum of three components

- the value given by application of a valuation model, based upon the Group's best estimate of the most appropriate model inputs,
- any fair value adjustments to account for market features not included within the valuation model (for example counterparty credit spreads, market data uncertainty), and
- inception profit not recognised immediately in the profit and loss account in accordance with accounting policies

The approach to valuing collateralised derivatives reflects current market practice by incorporating the Overnight Indexed Swap discounting curve in the calculation

Day one profits

For derivative transactions where significant inputs into the valuation model are unobservable, the amount that has yet to be recognised in the consolidated profit and loss account relating to the difference between the fair value at initial recognition (the transaction price) and the amount that would have arisen had valuation techniques been applied at initial recognition, less subsequent release, is as follows

	2011 US\$'000	2010 US\$'000
At start of the period	32,313	58,394
New trades deemed unobservable	8,177	9,851
Less: Buybacks/defeasements	(6,048)	(3,557)
Less: Released due to subsequent observability	(2,056)	(32,375)
At end of the period	32,386	32,313

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27. FAIR VALUE INFORMATION (CONTINUED)

Fair value hierarchy

In accordance with FRS 29, "Financial Instruments Disclosures", the Group has categorised 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 balance sheet are categorised based on the inputs to the 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 Group has the ability to access (an example of which is certain Government securities)

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

- Quoted prices for similar assets or liabilities in active markets (examples include, government securities, corporate bonds and corporate loans),
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate bonds and corporate loans, which can trade infrequently),
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter ("OTC") derivatives, including interest rate and currency swaps), and
- 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 (examples include OTC derivatives)

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 view about the assumptions a market participant would use in pricing the asset or liability (examples include long-dated or complex derivatives)

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorised is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such assets and liabilities categorised within Level 3 may include changes in fair value that are attributable to both observable inputs and unobservable inputs in the reconciliations below. Further, the following reconciliations do not take into consideration the offsetting effect of Level 1 and 2 financial instruments entered into by the Group that economically hedge certain exposures to the Level 3 positions

Transfers between Level 1 and Level 2 were not significant for the year ended 31 December 2011

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27. FAIR VALUE INFORMATION (CONTINUED)

Valuation techniques

The following outlines the valuation methodologies for the Group's material categories of assets and liabilities

Government securities

Sovereign government obligations are valued using quoted prices in active markets when available. To the extent quoted prices are not available, fair value is determined based on reference to recent trading activity and quoted prices of similar securities. These securities are generally classified as Level 1 or Level 2 in the fair value hierarchy, primarily based on the issuing country.

Corporate bonds

Corporate bonds are valued based on either the most recent observable trade and/or external quotes, depending on availability. The most recent observable trade price is given highest priority as the valuation benchmark based on an evaluation of transaction date, size, frequency and bid-offer. This price may be adjusted by bond or credit default swap spread movements. When credit default swap spreads are referenced, cash-to-synthetic basis magnitude and movement as well as maturity matching are incorporated into the value. When neither external quotes nor a recent trade is available, the bonds are valued using a discounted cash flow approach based on risk parameters of comparable securities. In such cases, the potential pricing difference in spread and/or price terms with the traded comparable is considered. Corporate bonds are generally classified as Level 2 or Level 3 in the fair value hierarchy.

Corporate loans and commitments

The fair values of corporate loans and loan commitments are based on market prices and most recent transactions when available. When not available, a discounted cash flow valuation approach is applied using market-based credit spreads of comparable debt instruments, recent new issuance activity or relevant credit derivatives with appropriate cash-to-synthetic basis adjustments. Corporate loans and commitments are generally classified as Level 2 or Level 3 in the fair value hierarchy.

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27. FAIR VALUE INFORMATION (CONTINUED)

Listed derivative contracts

Listed derivatives that are actively traded are generally valued based on quoted prices from the exchange and are classified as Level 1 in the fair value hierarchy. Listed derivatives that are not actively traded are valued using the same approaches as those applied to OTC derivatives, they are generally classified as Level 2 in the fair value hierarchy.

OTC derivative contracts

OTC derivative contracts include forwards, swaps and options related to interest rate, foreign currency, credit, equity or commodity underlyings.

For further detail on the valuation techniques used for OTC derivative contracts see page 46, Note 27.

The majority of OTC derivative contracts are classified as Level 2 in the fair value hierarchy. OTC derivative contracts that do not have readily observable market based pricing parameters are classified as Level 3 in the fair value hierarchy.

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27. FAIR VALUE INFORMATION (CONTINUED)

Fair Value

The following tables present the Group and Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of 31 December 2011

2011

All figures in US\$'M

	Level 1	Level 2	Level 3	Total
Financial Assets held for trading				
Debt securities and other fixed income securities				
- Government securities	1,293	6	-	1,299
- Corporate bonds	-	320	18	338
- Short term government securities	1,769	998	-	2,767
Trading assets				
- Derivative contracts	-	536,082	1,223	537,305
- Corporate loans and commitments	-	308	204	512
Financial Assets available for sale				
Debt securities and other fixed income securities				
- Short term government securities	845	-	-	845
- Short term corporate debt	-	186	-	186
	<u>3,907</u>	<u>537,900</u>	<u>1,445</u>	<u>543,252</u>
Financial Liabilities held for trading & derivatives designated as hedges				
Trading liabilities				
- Derivative contracts	-	538,164	597	538,761
- Corporate bonds	612	-	-	612
	<u>612</u>	<u>538,164</u>	<u>597</u>	<u>539,373</u>

Level 3 debt securities and other fixed income securities primarily relate to non-quoted corporate bonds

Level 3 derivative contracts primarily relate to interest rate and foreign exchange derivatives that are long dated and/or have unobservable model valuation inputs (e.g. unobservable correlation)

Level 3 corporate loans primarily relate to corporate loans that have unobservable model valuation inputs

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27. FAIR VALUE INFORMATION (CONTINUED)

Fair Value (continued)

2010

All figures in US\$'M

	Level 1	Level 2	Level 3	Total
Financial Assets held for trading				
Debt securities and other fixed income securities				
- Government securities	1,185	6	-	1,191
- Corporate bonds	-	351	24	375
- Short term government securities	754	-	-	754
Trading assets				
- Derivative contracts	-	425,111	997	426,108
- Corporate loans and commitments	-	520	138	658
Financial Assets available for sale				
Debt securities and other fixed income securities				
- Short term government securities	887	-	-	887
	<u>2,826</u>	<u>425,988</u>	<u>1,159</u>	<u>429,973</u>

Financial Liabilities held for trading & derivatives designated as hedges

Trading liabilities

- Derivative contracts	-	427,536	428	427,964
- Corporate bonds	408	-	-	408
	<u>408</u>	<u>427,536</u>	<u>428</u>	<u>428,372</u>

Level 3 debt securities and other fixed income securities primarily relate to non-quoted corporate bonds.

Level 3 derivative contracts primarily relate to interest rate and foreign exchange derivatives that are long dated and/or have unobservable model valuation inputs (e.g. unobservable correlation).

Level 3 corporate loans primarily relate to corporate loans that have unobservable model valuation inputs

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27. FAIR VALUE INFORMATION (CONTINUED)

The following table provides a summary of the changes in fair value of the Group's and Company's Level 3 financial assets and liabilities for the year ended 31 December 2011

2011

	Debt securities and other fixed income securities	Trading assets	Trading assets	Trading liabilities
All figures in US\$'M				
	Corporate bonds	Derivative contracts	Corporate loans and commitments	Derivative contracts
At 1 January 2011	24	997	138	428
Total gains/(losses) recognised in the profit and loss account	(2)	197	(13)	92
- Dealing profits	(2)	197	(15)	90
- Other revenue			2	2
Purchases	-	78	117	8
New issuances	-	-	-	-
Sales	-	-	(143)	59
Settlements	-	(133)	(28)	(82)
Transfers out	(4)	(90)	(128)	(89)
Transfers in	-	174	261	181
At 31 December 2011	18	1,223	204	597
Total gains/(losses) recognised in the profit and loss account relating to those assets and liabilities held on 31 December 2011	(2)	216	(22)	128

For debt securities and other fixed income securities, transfers out of Level 3 to Level 2 principally relate to improved price testing observability for certain positions

For trading liabilities, transfers out of Level 3 to Level 2 principally relate to improved price testing coverage for certain positions

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27. FAIR VALUE INFORMATION (CONTINUED)

The following table provides a summary of the changes in fair value of the Group's and Company's Level 3 financial assets and liabilities for the year ended 31 December 2010

2010

	Debt securities and other fixed income securities	Trading assets	Trading assets	Trading liabilities
All figures in US\$'M	Corporate bonds	Derivative contracts	Corporate loans and commitments	Derivative contracts
At 1 January 2010	129	1,032	150	1,162
Total gains/(losses) recognised in the profit and loss account	(6)	(1)	26	10
- Dealing profits	(6)	(1)	-	10
- Other revenue	-	-	26	-
Purchases	11	50	538	33
New issuances	-	-	-	-
Sales	-	-	(563)	69
Settlements	-	(56)	-	(58)
Transfers out	(171)	(74)	(82)	(883)
Transfers in	61	46	69	95
At 31 December 2010	24	997	138	428
Total gains/(losses) recognised in the profit and loss account relating to those assets and liabilities held on 31 December 2010	(6)	(2)	11	35

For debt securities and other fixed income securities, transfers out of Level 3 to Level 2 principally relate to improved price testing observability for certain positions

For trading liabilities, transfers out of Level 3 to Level 2 principally relate to improved price testing coverage for certain positions

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27. FAIR VALUE INFORMATION (CONTINUED)

Sensitivity analysis of unobservable inputs

The Group has revised its sensitivity analysis approach for 2011 moving to a prudent valuation methodology which is more representative of the Group's risk profile

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the balance sheet date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Group's valuation control policies. Using the revised methodology the effect of stressing the unobservable assumptions to a range of reasonably possible alternatives would be to increase the fair values by up to US\$76 million for the Group or to decrease the fair values by up to US\$84 million for the Group, with all the potential effect being recorded in the profit and loss account rather than equity.

This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable inputs and is not predictive or indicative of future movements in fair value. Furthermore, it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonable possible alternatives. Hence, the estimates disclosed above are likely to be greater than the true uncertainty in fair value at the balance sheet date.

Under the 2010 methodology the fair value of Level 3 financial assets and liabilities were measured using valuation techniques that incorporated management's view about the assumptions a market participant would use in pricing the asset or liability. The following tables show the sensitivity of these fair values to reasonably possible alternative assumptions.

To assess this impact, the Group determined what was an unobservable input and then using management's experience, estimated what a reasonable alternative to this input would be. The unobservable input may only be one factor in the valuation and all other observable inputs were kept constant.

2010

All figures in US\$'M

	Favourable changes	Unfavourable changes
Financial Assets Held for Trading		
Debt securities and other fixed income securities		
- Corporate debt	0	(0)
Trading Assets		
- Derivative contracts	24	(16)
- Corporate loans	14	(14)
	<u>38</u>	<u>(30)</u>
Financial Liabilities Held for Trading		
Trading Liabilities		
- Derivative contracts	(11)	14
	<u>(11)</u>	<u>14</u>

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28. HEDGE ACCOUNTING

At the inception of a hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Group also monitors the position on an ongoing basis to ensure that the risk management objectives continue to be achieved.

(a) Fair value hedges

The Group's fair value hedges principally comprise interest rate swaps that have been designated as hedging instruments to protect the Group against changes in the fair value of certain fixed rate loans due to movements in market interest rates.

Gains or losses arising from fair value hedges	2011 US\$'000	2010 US\$'000
Gains/(losses)		
- on hedging instruments	1,135	1,147
- on the hedged items attributable to the hedged risk	(1,449)	(1,160)
Total ineffectiveness	<u>(314)</u>	<u>(13)</u>

The notional amount of financial instruments held to manage interest rate risk as a fair value hedge at 31 December 2011 was the same as the notional of the loans being hedged and amounted to US\$19.1 million (2010 US\$20.1 million). The fair value of derivatives used as fair value hedges amounted to US\$0.8 million at 31 December 2011 (2010 US\$1.9 million).

(b) Net investment hedges

The Group's consolidated balance sheet is affected by exchange differences between the US dollar and the non-US dollar functional currencies of its branches. Hedging is undertaken by entering into derivative transactions in the same currency as the functional currency of the branches involved. As at 31 December 2011, the Group had derivatives equivalent to US\$194 million (2010 US\$142 million) hedging overseas net assets, the amount of ineffectiveness was negligible. Changes in US dollar value of the derivative were taken to equity during the year, matching gains and losses of overseas operations upon consolidation.

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29. FINANCIAL RISK MANAGEMENT

Financial instruments are held within both the trading book and non-trading book of the Group. Both trading book and non-trading book activities may expose the Group to various categories of risk. These risks are continually monitored through a comprehensive risk management process.

The Group systematically manages the following risk categories most relevant to its business:

- **Market risk** The current or future impact to earnings and capital base as a result of a change in the value of an asset or a liability due to a movement in credit spreads, interest rates, foreign exchange rates or equity prices,
- **Credit risk** The potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to the Group,
- **Liquidity risk** The potential inability to meet financial obligations, on or off-balance sheet, as they fall due, and
- **Operational risk** The risk of loss resulting from the failure of people, internal processes and systems, or from external events.

The Group approves and monitors risk tolerance levels (i.e. credit, market, liquidity and operational risks) through the Risk Oversight Committee, chaired by a non-executive director. This committee reviews reports from the Group's Credit, Asset and Liability, New Transactions 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 Group 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 limits are market risk management, credit risk management, liquidity risk management and operational risk management. To ensure a proper system of checks and balances, these groups are independent of business units and report to senior management in the Group.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

The Group uses conventional risk measures and internal mathematical and statistical measures, specifically Value at Risk ("VaR"), in addition to other measures, to manage its market risk positions both in and outside the trading portfolio on a daily basis

The main elements of market risk relevant to the Group are

- **Interest Rate Risk:** 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,
- **Currency Risk:** 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, Euro, Swiss Franc and Pounds Sterling. Currency forwards, swaps and options are commonly used to manage currency risk associated with these instruments, and
- **Credit Spread Risk:** 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. Credit default swaps are commonly used credit spread risk management tools.

The Global Markets Risk Management group ("GMRM") and other independent risk and control groups are responsible for identifying the risks to which the Group's business units and functions will be exposed in approved products and markets. Moreover, this group is responsible for monitoring the products and markets in which these business units will transact and take risk. GMRM uses a variety of quantitative methods to assess the risk of the Group's positions and portfolios, in both trading and non-trading books. In particular, GMRM quantifies the sensitivities of the Group's current portfolios to changes in market variables. These sensitivities are then utilized in the context of historical data to estimate earnings and loss distributions that the Group's current portfolios would have incurred throughout an historical period. From these distributions, GMRM derives a number of useful risk statistics, including VaR.

The VaR disclosed in the accompanying table is an estimate of the amount that the Group's current trading and non-trading portfolios could lose with a specified degree of confidence, over a given time interval. The aggregate VaR for the Group's trading and non-trading portfolios is less than the sum of the VaR for individual risk categories because movements in different risk categories occur at different times and, historically, extreme movements have not occurred in all risk categories simultaneously. The difference between the sum of the VaR for individual risk categories and the VaR calculated for all risk categories is shown in the following table and may be viewed as a measure of the diversification within the Group's portfolios. Management believe that the tabulated risk measures provide broad guidance as to the amount the Group could lose in future periods, and management work continually to improve the Group's measurement and the methodology of VaR. However, the calculation of VaR requires numerous assumptions and thus VaR should not be viewed as a precise measure of risk. In addition, VaR is not intended to capture worst case scenario losses.

To calculate VaR, the Group aggregates sensitivities to market risk factors and combines them with a database of historical market factor movements 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 VaR.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

The overall total VaR amounts are presented across major risk categories. These all include exposure to volatility risk found in certain products, such as options.

The table that follows presents the Group's average and year-end VaR for trading and non-trading portfolios for 2011 and 2010. Additionally, high and low VaR is presented independently for each risk category and overall.

99% Daily VaR in US\$'000	Year End 2011	Daily Average	High	Low	Year End 2010
Group (Total)	35,392	63,841	89,650	34,472	70,917
<i>Risk factor</i>					
FX	14,157	17,742	35,524	8,811	24,895
Rates	26,723	45,373	84,929	24,160	41,286
Credit	24,518	45,622	57,079	24,468	41,979

99% Daily VaR in US\$'000	Year End 2010	Daily Average	High	Low	Year End 2009
Group (Total)	70,917	64,545	110,794	32,813	85,283
<i>Risk factor</i>					
FX	24,895	21,726	54,064	8,856	30,373
Rates	41,286	45,232	68,187	27,777	28,856
Credit	41,979	40,261	85,283	21,880	85,283

GMRM applies an historical simulation methodology, using the most recent three years of historical observations, updated weekly. These data points comprise the total observation set. Since there are typically 780 days in a three-year historical period, the total observation set for the weekly VaR typically consists of 780 observations. All scenario submissions are mapped to a benchmark time series in the total observation set.

For 99% confidence level VaR, the VaR is defined as the average across the tail of the aggregate draws. In the case of daily observations, since there are typically 780 observations in the total observation set the 1% order statistic is the average of the 19 worst ranked observations.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group defines credit risk as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to the Group. The Group has adopted the overall BAC Risk Framework Document which sets out the high level approach to risk management and the risk controls to be used. In line with that, the Group limits and monitors exposure by constraining the magnitude and tenor of exposure to counterparty and issuer families.

The Group's credit department, working with the BAC Global Risk Management functions, assesses the creditworthiness of existing and potential individual clients, institutional counterparties and issuers, and determines firmwide credit risk levels. This department reviews and monitors specific transactions as well as portfolio and other credit risk concentrations both within and across businesses. They are also responsible for the ongoing monitoring of credit quality and limit compliance and actively work with all of the Group's business units to manage and mitigate credit risk.

The credit department uses a variety of methodologies to set limits on exposure and potential loss resulting from an individual, counterparty or issuer failing to fulfil its contractual obligations. The credit department reviews industry, regional, and global economic trends and incorporates portfolio and concentration effects when determining tolerance levels. Credit risk limits take into account measures of both current and potential exposure and are set and monitored by broad risk type, product type, and maturity. Credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral should unfavourable events occur, the right to call for collateral when certain exposure thresholds are exceeded, the right to call for third party guarantees and the purchase of credit default protection.

The credit department conducts regular portfolio reviews, monitors counterparty creditworthiness and evaluates potential transaction risks with a view toward early problem identification and protection against unacceptable credit related losses. The department also regularly reports on this activity and provides detailed reviews of the credit portfolio to the Credit Committee. The Credit Committee is chaired by the Chief Credit Officer with members drawn from the Group's senior management, business, control and support units. The Group continues to invest additional resources to enhance its methods and policies to assist in managing the Group's credit risk and to address evolving regulatory requirements.

The primary credit risks of the Group relate to its lending and trading activities.

Lending activities

The Group's commercial lending activities consist primarily of corporate and institutional lending, asset-backed finance and commercial real estate related activities and secured lending to funds. Depending on market conditions, the Group may seek to mitigate or reduce loan exposure through third-party syndications, securitisations, secondary loan sales or the purchase of single name and basket credit default swaps.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The Group typically provides corporate and institutional lending facilities to clients for general corporate purposes, backup liquidity lines, bridge financings, and acquisition related activities. While these facilities may be supported by credit enhancing arrangements such as property liens or claims on operating assets, the Group generally expects repayment through other sources including cash flow and/or recapitalisation. Asset-backed finance facilities are typically secured by financial assets such as mortgages, auto loans, leases, consumer loans and other receivables. Credit assessment for these facilities relies primarily on the amount, asset type, quality, and liquidity of the supporting collateral, as the collateral is the expected source of repayment. The Group's other commercial real estate related activities consist of commercial mortgage originations and other extensions of credit connected to the financing of commercial properties or portfolios of properties. The Group's assessment of creditworthiness and credit approval is highly dependent upon the anticipated performance of the underlying property and/or associated cash flows.

The Group also holds residential mortgage loans which are secured on residential property and advances are made subject to underwriting guidelines. The carrying value of such loans amounted to US\$1,245 million at 31 December 2011 (2010 US\$1,333 million).

Derivative activities

The Group enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalent ("master netting agreements") with all of the Group's major derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for risk management purposes. Agreements are negotiated bilaterally and can require complex terms. While the Group makes every effort to execute such agreements, it is possible that a counterparty may be unwilling to sign such an agreement and, as a result, would subject the Group to additional risk. The enforceability of master netting agreements under bankruptcy laws in certain countries is not free from doubt, and receivables and payables with counterparties in these countries are accordingly recorded on a gross basis for risk assessment purposes.

In addition, to reduce the risk of loss, the Group may require collateral, principally cash and government securities, on certain derivative transactions. From an economic standpoint, the Group evaluates risk exposures net of related collateral that meets specified standards. The Group also attempts to mitigate its default risk on derivatives whenever possible by entering into transactions with provisions that enable us to terminate or reset the terms of our derivative contracts under certain defined conditions.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The following is a summary of counterparty credit ratings, which are the internal equivalent of credit rating agency credit ratings, for the Group and Company's financial assets as at 31 December 2011 and 31 December 2010

2011

Group (All figures US\$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	407,918	590,876	33,796	-	1,032,590
Loans and advances to banks	473,274	2,562,911	499,311	-	3,535,496
Loans and advances to customers	-	9,979,871	1,903,993	8,396,317	20,280,181
Market and client receivables	1,773,184	19,839,555	2,701,500	429,840	24,744,079
Debt securities and other fixed income securities	4,647,613	781,555	-	5,470	5,434,638
Trading assets	2,593,589	506,134,688	28,252,950	836,207	537,817,434
Total financial assets	9,895,578	539,889,456	33,391,550	9,667,834	592,844,418
Guarantees, undrawn commitments and assets pledged as collateral security	23,855	8,194,272	1,104,513	23,399,415	32,722,055
Maximum credit exposure	9,919,433	548,083,728	34,496,063	33,067,249	625,566,473

2010

Group (All figures US\$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	129,153	667,027	419,619	-	1,215,799
Loans and advances to banks	913,727	8,766,302	857,597	-	10,537,626
Loans and advances to customers	20,426	6,454,590	4,065,221	7,779,909	18,320,146
Market and client receivables	1,431,850	20,276,095	1,179,842	8,500	22,896,287
Debt securities and other fixed income securities	2,985,644	221,993	-	-	3,207,637
Trading assets	2,517,616	378,400,012	44,811,272	1,037,427	426,766,327
Total financial assets	7,998,416	414,786,019	51,333,551	8,825,836	482,943,822
Guarantees, undrawn commitments and assets pledged as collateral security	1,096,393	6,536,916	2,200,553	25,338,563	35,172,425
Maximum credit exposure	9,094,809	421,322,935	53,534,104	34,164,399	518,116,247

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

2011

Company (All figures US\$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	143,509	75,899	12,000	-	231,408
Loans and advances to banks	466,361	2,536,568	499,310	-	3,502,239
Loans and advances to customers	-	10,007,661	1,903,993	7,563,241	19,474,895
Market and client receivables	1,773,184	19,835,689	2,701,500	409,621	24,719,994
Debt securities and other fixed income securities	4,647,608	787,030	-	-	5,434,638
Trading assets	2,593,588	506,134,391	28,252,933	836,206	537,817,118
Total financial assets	9,624,250	539,377,238	33,369,736	8,809,068	591,180,292
Guarantees, undrawn commitments and assets pledged as collateral security	23,855	8,413,291	1,104,513	23,289,141	32,830,800
Maximum credit exposure	9,648,105	547,790,529	34,474,249	32,098,209	624,011,092

2010

Company (All figures US\$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	119,908	606,316	417,231	-	1,143,455
Loans and advances to banks	905,396	8,440,204	857,597	-	10,203,197
Loans and advances to customers	20,426	6,083,197	4,337,872	6,899,978	17,341,473
Market and client receivables	1,431,850	20,272,498	1,179,842	3,530	22,887,720
Debt securities and other fixed income securities	2,985,644	221,993	-	-	3,207,637
Trading assets	2,517,616	378,400,012	44,783,587	1,037,428	426,738,643
Total financial assets	7,980,840	414,024,220	51,576,129	7,940,936	481,522,125
Guarantees, undrawn commitments and assets pledged as collateral security	1,096,393	6,822,480	2,200,553	25,249,843	35,369,269
Maximum credit exposure	9,077,233	420,846,700	53,776,682	33,190,779	516,891,394

*The majority of the Group's exposure to 'Not Rated' counterparties relates to its activities in the residential mortgages and private client securities based lending areas. Both of these activities are characterised by the provision of lending facilities which are secured on assets such as residential property, cash or securities.

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NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Collateral

The Group applies various methods to reduce the risk on individual transactions, including obtaining collateral in the form of physical and financial assets, netting arrangements and guarantees

The fair value of financial assets accepted as collateral that the Group is permitted to freely sell or repledge is US\$30,126 million (2010 US\$31,631 million) The fair value of financial assets accepted as collateral that have been sold or repledged is US\$27,719 million (2010 US\$29,794 million) Where collateral is sold or repledged, the Group is obliged to return equivalent securities These transactions are conducted under terms that are usual and customary to standard collateral and securities financing activities

The Group has pledged US\$24,113 million (2010 US\$22,095 million) of its financial assets, as collateral for liabilities

Credit Mitigation

The following table reflects by class of financial instrument the amount that best represents the Group's maximum exposure to credit risk and a quantification of the extent to which collateral and other credit enhancements mitigate credit risk

2011 (All figures US\$'000)		Group		Company
	Maximum exposure to credit risk	Mitigated credit risk	Maximum exposure to credit risk	Mitigated credit risk
Cash and balances at Central Banks	1,032,590	-	231,408	-
Loans and advances to banks	3,535,496	252,242	3,502,239	252,242
Loans and advances to customers	20,280,181	17,598,582	19,474,895	16,836,038
Market and client receivables	24,744,079	24,744,079	24,719,994	24,719,994
Debt securities and other fixed income securities	5,434,638	1,131,543	5,434,638	1,131,543
Trading assets	537,817,434	537,304,821	537,817,118	537,304,505
Guarantees, undrawn commitments and assets pledged as collateral security	32,722,055	28,272,368	32,830,800	28,272,368

For all asset classes, where credit risk mitigation exceeds the maximum exposure to credit risk, the credit risk mitigation balance is limited to 100% of the maximum exposure to credit risk

Loans and advances to banks include intercompany loans, third party loans and reverse repurchase agreements Third party loans within this asset class include interbank placements and deposits that are granted on the basis of the credit quality of the counterparty, taking into account their earnings, liquidity and capital position The mitigated credit risk balance for loans and advances to banks represents the value of the underlying collateral for reverse repurchase agreements, which are fully collateralised

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Loans and advances to customers include intercompany loans, third party loans and reverse repurchase agreements. The majority of the Group's third party loan portfolio is secured. This primarily comprises fully collateralised loans to private clients, reverse repurchase agreements, which are fully collateralised, and loans secured on commercial and residential real estate assets. The security for these facilities includes cash, fiduciary deposits, equities, bonds, mutual funds, other assets and charges over commercial and residential properties. Loans and advances to customers also includes a pool of unsecured third party loans that are granted following an extensive review of the customer's credit-worthiness and ability to meet their obligations out of their cash-flow resources. In certain situations the credit risk on these loans is mitigated through the purchase of credit default swaps ('CDS'). The notional value of such CDS is included in the mitigated credit risk balance. Credit risk on loans and advances to customers is also managed by employing other types of credit risk mitigants such as guarantees, however, the valuation of these is less certain and their financial effect has accordingly not been quantified.

Debt securities and other fixed income securities include government securities and corporate bonds. The credit risk mitigation balance for this asset class represents the notional value of total return swaps on corporate bonds and the value of the underlying securities for secured financing arrangements. Government issued securities may benefit from additional credit enhancement, notably through government guarantees, however, the valuation of these is less certain and their financial effect has not been quantified.

Trading assets include derivative instruments and trading loans. Derivative activity is generally documented under ISDA master netting agreements. These provide the contractual framework within which dealing activity across a broad range of OTC products is conducted and contractually binds both parties to apply close-out netting across all transactions covered by the agreement, if either party defaults or if another pre-agreed termination event occurs. A credit support annex ('CSA') is generally executed in conjunction with an ISDA master netting agreement. Under the CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in any outstanding positions. Further credit risk mitigation is provided on the derivatives portfolio through the purchase of both index linked and single name CDS protection. The credit risk mitigation balance for trading assets accordingly reflects the netting available for derivative instruments under the terms of master netting agreements, the value of any collateral, generally in the form of cash, held against derivative assets and the notional value of any CDS protection purchased. Also included in the maximum exposure to credit risk of trading assets is a pool of unsecured trading loans, bought and sold on the basis of the price, liquidity and credit quality of the underlying borrower.

Market and client receivables primarily relate to cash collateral pledged by the Group in respect of derivative liabilities. The credit risk of such balances is fully mitigated through the CSA's and master netting agreements as detailed above.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The Group's off balance sheet exposure to credit risk includes undrawn loan commitments, which principally comprise fully collateralised private client loan commitments. It also includes other third party undrawn commitments, securities pledged as collateral for derivative trading activities, guarantees, letters of credit and similar arrangements. The credit risk mitigation balance includes the value of collateral held against the fully collateralised undrawn loan commitments and the value of securities pledged by the Group in respect of derivative liabilities. Depending on the terms of the arrangement, the Group may also have recourse to additional credit risk mitigation in the event that a guarantee is called upon or a loan commitment is drawn and subsequently defaults. However, the valuation of such credit mitigating measures is less certain and their financial effect has not been quantified.

Past due, but not impaired assets

The following table details credit exposures that are past due, but not impaired

2011

(All figures US\$'000)	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	180 days +
Market and client receivables	423,029	14,957	-	-	16,190	-
Loans and advances to customers	-	30,872	7,062	233	206	139
Fair value of associated collateral	-	25,113	5,688	321	456	207

2010

(All figures US\$'000)	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	180 days +
Market and client receivables	1,209,300	42,758	-	-	46,283	-
Loans and advances to customers	-	24,009	15,442	1,348	2,404	100
Fair value of associated collateral	-	24,159	15,917	1,898	2,837	126

Market and client receivables include amounts due from affiliates under derivative transactions. Past due loans relate to residential mortgages and are deemed to be impaired if the borrower is in arrears and there is insufficient equity in the property to avoid a loss on eventual redemption.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Impairment charges

The allowance account includes all impairment charges against loans and receivables. There were no impairment charges against any other class of financial asset. The table below gives details of the movement of the allowance account during the period.

- Group

	Individual impairment US\$'000	Collective impairment US\$'000	Latent impairment US\$'000	Total impairment charges US\$'000
At 31 December 2010	469,011	156,541	115,667	741,219
Realised losses transferred to Other Operating Charges	(101,287)	(148,500)	(16,778)	(266,565)
Provision for bad and doubtful debts	208,972	6,633	(60,947)	154,658
At 31 December 2011	576,696	14,674	37,942	629,312

Gross loans in US\$'000	998,069	1,256,379	21,561,229	23,815,677
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- Company

	Individual impairment US\$'000	Collective impairment US\$'000	Latent impairment US\$'000	Total impairment charges US\$'000
At 31 December 2010	469,011	156,541	115,667	741,219
Realised losses transferred to Other Operating Charges	(101,287)	(148,500)	(16,778)	(266,565)
Provision for bad and doubtful debts	208,972	6,633	(60,947)	154,658
At 31 December 2011	576,696	14,674	37,942	629,312

Gross loans in US\$'000	998,069	1,256,379	20,722,686	22,977,134
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The reduction in the latent impairment provision primarily driven by the reclassification of loans from the latent impairment to the individual impairment classification due to objective evidence of impairment.

Interest accrued on individually impaired assets during the period was US\$10.4 million (2010 US\$14.7 million). The Group holds collateral in respect of certain loans and advances to customers that are past due or impaired. Such collateral includes mortgages over both residential and commercial property.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group defines liquidity risk as the potential inability to meet financial obligations, on or off-balance sheet, as they become due. Liquidity risk relates to the ability of a company to repay short term borrowings with new borrowings or with assets that can be quickly converted into cash while meeting other obligations and continuing to operate as a going concern. Liquidity risk also includes both the potential inability to raise funding with appropriate maturity, currency and interest rate characteristics and the inability to liquidate assets in a timely manner. The Group actively manages the liquidity risks in its businesses that can arise from asset-liability mismatches, credit sensitive funding, commitments or contingencies.

The primary liquidity objectives are to ensure liquidity through market cycles and periods of financial stress. The Group manages liquidity risk through holding a portfolio of cash and highly liquid assets which can be readily realised for cash, by maintaining committed credit facilities, by appropriately matching the liquidity profile of its assets and liabilities and by maintaining a funding profile which is well diversified on a client, segmental, geographical and durational basis.

The Board, through its committees, sets the Group's liquidity risk tolerance, and maintains a comprehensive liquidity policy, investment policy and a formal contingency financing plan. The plan is comprehensive and includes detailed actions which may be required depending on the nature and severity of the potential liquidity stress event.

Through its Risk Policy and Oversight Committee, the Board ensures suitable systems and controls, risk limits, risk assessments, management responsibilities and limit controls are in place, which are in turn monitored by the Asset and Liability Committee. The Group has a comprehensive stress testing framework which is consistent with market practice for liquidity risk stress and scenario testing. The stress tests incorporate both market and Group specific stresses.

Liquidity risk is measured using the cash flow mismatch methodology in conformity with the regulatory liquidity requirements introduced in 2007, and revised in June 2009, by the Central Bank of Ireland. Under this methodology, modelled, contractual and contingent cash inflows and outflows are reported in pre-determined time bands and managed against limits as established in the approved liquidity policy.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the liability maturity profile of the Group at 31 December 2011 and 31 December 2010

2011

- Group (All figures US\$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	65,628	32,697	-	9,702
Customers accounts	10,108,953	4,674,628	187,427	126,042
Market and client payables	24,267,672	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	4,893,239	24,475,821	3,215,686	137,309
Trading liabilities*				
Trading liabilities	539,372,997	-	-	-

2010

- Group (All figures US\$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	80,814	151,918	3,943	10,023
Customers accounts	7,859,839	5,901,310	10,023	23,720
Market and client payables	26,045,788	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	4,550,642	27,592,704	2,910,144	118,935
Trading liabilities*				
Trading liabilities	428,371,526	-	-	-

*Trading liabilities primarily consist of derivative liabilities. The Group has recorded all derivative liabilities in the 'on demand' category to reflect the common market practice of terminating derivative contracts at fair value upon a client's request. The Group has provided the present value rather than contractual undiscounted cash flows for these instruments. It should be noted however, that it is remote that in any given period all of the derivatives will unwind in the short term, and although it is current market practice to terminate contracts upon a client's request, the Group is generally not contractually obligated to do so. The Group manages liquidity for these instruments by actively unwinding asset positions to ensure appropriately balanced cash flows. All other figures are undiscounted and show contractual maturities.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the liability maturity profile of the Company at 31 December 2011 and 31 December 2010

2011

- Company (All figures US\$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	65,628	31,979	-	9,702
Customers accounts	9,458,428	4,677,555	187,427	126,042
Market and client payables	23,922,163	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	5,001,985	24,475,820	3,215,686	137,309
Trading liabilities*				
Trading liabilities	539,372,998	-	-	-

2010

- Company (All figures US\$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	40,012	151,918	3,943	10,023
Customers accounts	7,181,078	5,900,985	10,023	23,720
Market and client payables	26,060,320	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	4,747,486	27,592,703	2,910,144	118,936
Trading liabilities*				
Trading liabilities	428,342,249	-	-	-

*Trading liabilities primarily consist of derivative liabilities. The Company has recorded all derivative liabilities in the 'on demand' category to reflect the common market practice of terminating derivative contracts at fair value upon a client's request. The Company has provided the present value rather than contractual undiscounted cash flows for these instruments. It should be noted however, that it is remote that in any given period all of the derivatives will unwind in the short term, and although it is current market practice to terminate contracts upon a client's request, the Company is generally not contractually obligated to do so. The Company manages liquidity for these instruments by actively unwinding asset positions to ensure appropriately balanced cash flows. All other figures are undiscounted and show contractual maturities.

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk

The Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Under the Basel II requirement, an operational loss event is an event that results in undesired or unintended financial consequences and is associated with the following six operational loss event categories: internal fraud, external fraud, employment practices, damage to physical assets, business disruption and systems failures, and execution, delivery and process management. The potential for reputational risk can stem from operational risk. As a result, the Group evaluates potential impacts to its reputation within all of the risk categories and throughout the risk management process.

Operational Risk Governance

Governance of the Group's Operational Risk Management Program is accomplished through the Group Operational Risk Committee and the Group Risk Oversight Committee ("ROC"). The Group ROC is a committee of the Board of Directors and assists the Board in fulfilling their responsibility for reviewing all of the Group's risk creating activities and ensure that they are restricted to those activities that can be prudently managed. The Group Operational Risk Committee is a sub-committee of the Group ROC and assists the Board in fulfilling their responsibilities in managing the Group's Operational Risk on a day to day basis.

Key Roles in the Operational Risk Program

Operational Risk is managed through independent functions consisting of Corporate Operational Risk, Independent Line of Business ("LOB") Risk, Enterprise Control Functions, Enterprise Risk, and the LOB. Each has distinct roles and responsibilities, and together they form the foundation for the business environment internal control factors used to manage operational risk.

The operational risk management program is executed through a suite of policies supporting a variety of tools that align to the Enterprise's Identify, Mitigate, Monitor, Report ("IMMR") model.

Enterprise Operational Risk policies:

- Business Environment and Internal Control Factors ("BEICF") Policy governing
 - i Operational Risk Appetite
 - ii Risk and Control Self Assessment
 - iii Key Risk Indicators
- Operational Loss Event Data Policy
- Scenario Analysis Policy
- Issues and Emerging Risk Management Policy
- Reputational Risk Policy

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30. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base to support the development of its business, and to meet regulatory capital requirements at all times. The Group is headquartered in Ireland and directly regulated and subject to the capital requirements of the Central Bank of Ireland. The Group is required to meet minimum regulatory capital requirements under European Union ('EU') banking law as implemented in Ireland and supervised by the Central Bank of Ireland.

The Group's policy is to hold capital in excess of its minimum regulatory capital requirements. Compliance with this policy is monitored daily and reported to appropriate governance forums monthly and quarterly, and to the Central Bank of Ireland quarterly.

The Basel Committee on Banking Supervision has published a framework for calculating minimum capital requirements which is known as Basel II. It replaces the 1988 Basel Capital Accord. Basel II is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

With respect to the first pillar, minimum capital requirements, Basel II provides three approaches for the calculation of credit risk regulatory capital, the Standardised Approach which requires firms to use external credit ratings to determine the risk weightings applied to rated counterparties, the Foundation Internal Ratings Based Approach ('FIRB') which determines risk weightings on the basis of an internal assessment of the probability that a counterparty will default, but uses standard supervisory parameters for loss given default, and Advanced Internal Ratings Based Approach ('AIRB') which allows banks to use their own internal assessment not only of the counterparties probability of default but also of the loss given default.

As at 31 December 2011, the Group applied the Standardised Approach for all of its business units.

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31. NON-TRADING BOOK ACTIVITIES

The primary non-trading book activities of the Group include lending and investment activity

Interest rate sensitivity gap analysis

Part of the Group'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 tables below summarise these repricing mismatches on the Group's and the Company's non-trading book as at 31 December 2011 and 31 December 2010. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

2011 - Group	Not more than three months US\$ M	Not more than six months US\$ M	Not more than one year US\$ M	Not more than five years US\$ M	More than five years US\$ M	Non- interest bearing US\$ M	Total US\$ M
<u>Assets</u>							
Cash and balances at Central Banks	766	267	-	-	-	-	1,033
Loans and advances to banks	2,995	-	33	138	369	-	3,535
Loans and advances to customers	15,108	1,319	-	2,266	1,587	-	20,280
Market and client receivables	24,744	-	-	-	-	-	24,744
Other assets	-	-	-	-	-	356	356
Total assets	43,613	1,586	33	2,404	1,956	356	49,948
<u>Liabilities</u>							
Deposits by banks	87	-	11	-	10	-	108
Customer accounts	14,318	-	466	187	126	-	15,097
Market and client payables	24,268	-	-	-	-	-	24,268
Other liabilities	-	-	-	-	-	193	193
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	9,405	9,405
Total Liabilities and Shareholders' funds	38,673	-	477	187	4,783	9,598	53,718
Interest rate sensitivity gap	4,940	1,586	(444)	2,217	(2,827)	(9,242)	(3,770)
Cumulative gap	4,940	6,526	6,082	8,299	5,473	(3,770)	-

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31. NON-TRADING BOOK ACTIVITIES (CONTINUED)

2010	Not more	Not	Not more	Not more	More than	Non-	Total
- Group	than three	more than	than	than five	five years	interest	
	months	six months	one year	years		bearing	
	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
Assets							
Cash and balances at Central Banks	1,203	13	-	-	-	-	1,216
Loans and advances to banks	9,651	-	74	267	546	-	10,538
Loans and advances to customers	12,662	1,865	-	2,404	1,389	-	18,320
Market and client receivables	22,896	-	-	-	-	-	22,896
Other assets	-	-	-	-	-	352	352
Total assets	46,412	1,878	74	2,671	1,935	352	53,322
Liabilities							
Deposits by banks	222	-	11	4	10	-	247
Customer accounts	13,141	-	620	10	24	-	13,795
Market and client payables	26,046	-	-	-	-	-	26,046
Other liabilities	-	-	-	-	-	216	216
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	9,958	9,958
Total Liabilities and Shareholders' funds	39,409	-	631	14	4,681	10,174	54,909
Interest rate sensitivity gap	7,003	1,878	(557)	2,657	(2,746)	(9,822)	(1,587)
Cumulative gap	7,003	8,881	8,324	10,981	8,235	(1,587)	-
2011							
- Company	Not more	Not	Not more	Not more	More than	Non-	Total
	than three	more than	than	than five	five years	interest	
	months	six months	one year	years		bearing	
	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
Assets							
Cash and balances at Central Banks	219	12	-	-	-	-	231
Loans and advances to banks	2,995	-	-	138	369	-	3,502
Loans and advances to customers	14,374	-	1,319	2,226	1,516	-	19,475
Market and client receivables	24,720	-	-	-	-	-	24,720
Other assets	-	-	-	-	-	335	335
Total assets	42,308	12	1,319	2,404	1,885	335	48,263
Liabilities							
Deposits by banks	86	-	11	-	10	-	107
Customer accounts	13,670	-	466	187	126	-	14,449
Market and client payables	23,922	-	-	-	-	-	23,922
Other liabilities	-	-	-	-	-	171	171
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	8,831	8,831
Total Liabilities and Shareholders' funds	37,678	-	477	187	4,783	9,002	52,127
Interest rate sensitivity gap	4,630	12	842	2,217	(2,898)	(8,667)	(3,864)
Cumulative gap	4,630	4,642	5,484	7,701	4,803	(3,864)	-

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31. NON-TRADING BOOK ACTIVITIES (CONTINUED)

2010 - Company	Not more than three months US\$ M	Not more than six months US\$ M	Not more than one year US\$ M	Not more than five years US\$ M	More than five years US\$ M	Non- interest bearing US\$ M	Total US\$ M
Assets							
Cash and balances at Central Banks	1,130	13	-	-	-	-	1,143
Loans and advances to banks	9,319	-	71	267	546	-	10,203
Loans and advances to customers	11,990	-	1,490	2,403	1,459	-	17,342
Market and client receivables	22,888	-	-	-	-	-	22,888
Other assets	-	-	-	-	-	322	322
Total assets	45,327	13	1,561	2,670	2,005	322	51,898
Liabilities							
Deposits by banks	181	-	11	4	10	-	206
Customer Accounts	12,462	-	620	10	24	-	13,116
Market and client payables	26,060	-	-	-	-	-	26,060
Other liabilities	-	-	-	-	-	154	154
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	9,567	9,567
Total Liabilities and Shareholders' funds	38,703	-	631	14	4,681	9,721	53,750
Interest rate sensitivity gap	6,624	13	930	2,656	(2,676)	(9,399)	(1,852)
Cumulative gap	6,624	6,637	7,567	10,223	7,547	(1,852)	-

Currency risk disclosures

Since the Group prepares consolidated financial statements in US Dollars, the consolidated balance sheet is affected by the structural currency exposures arising on movements in exchange rates between the US Dollar and the operating currencies of the overseas entities. The currency exposure of the Group's net assets in non-functional currency operations were

	2011 US\$'000	2010 US\$'000
Swiss Franc	402,905	440,880
Euro	2,094	73,341
Canadian Dollar	52,374	30,625
Bahraini Dinar	2,623	1,721
Pounds Sterling	(41,428)	(12,971)
	<u>418,568</u>	<u>533,596</u>

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

32. CONTINGENT LIABILITIES AND COMMITMENTS

Mediafiction litigation:

In 1999, MLIB acted as manager for a \$284 million issuance of notes for an Italian library of movies, backed by the future flow of receivables to such movie rights Mediafiction S p A ("Mediafiction") was an Italian vehicle appointed by the seller of the receivables arising from the movie rights (Cecchi Gori Group Fin Ma Vi S p a ("Cecchi Gori")) as the company responsible for collecting payments in connection with the rights to the movies and forwarding the payments to the receivables purchaser, MLIB, for distribution to note holders Mediafiction failed to make the required payments to MLIB and in March 2006, upon an application filed by its sole shareholder, Cecchi Gori, was declared bankrupt by the Court of Rome, Italy On 18 July, 2006, MLIB filed an opposition before the Tribunal of the Court of Rome to have its claims recognized in the Mediafiction bankruptcy proceeding for amounts that Mediafiction failed to pay on the notes Thereafter, Mediafiction filed a counterclaim alleging that the agreement between MLIB and Mediafiction was null and void and seeking return of the payments previously made by Mediafiction to MLIB In October 2008, the Court of Rome granted Mediafiction's counter claim against MLIB in the amount of \$137 million

In December 2008, MLIB appealed the ruling to the Court of Appeals of the Court of Rome seeking a full reform on the basis that the counts of nullity held by the Tribunal of the Court of Rome were not applicable to the transaction between Mediafiction and MLIB, as it was a receivables purchase with recourse against Mediafiction MLIB also sought recognition of its claims in the Mediafiction bankruptcy proceedings

In February 2009, the Court of Appeals of the Court of Rome delivered an interim judgment suspending MLIB's obligation to pay the amount awarded by the Tribunal of the Court of Rome, pending the appeal The decision of the Court of Appeals of the Court of Rome on the merit of the appeal case is expected in early 2013

Italian Municipal Derivatives:

As part of an industry-wide investigation, public prosecutors in Italy are currently investigating derivative transactions which Merrill Lynch executed with Italian public sector entities. In addition, MLIB is involved in civil proceedings in which damages are or may be sought against it for allegedly mis-selling derivatives to public sector entities On 9 February, 2012, certain Merrill Lynch Companies, including MLIB, and the Region of Puglia reached a settlement relating to certain swap transactions, which came into effect on 23 February, 2012

33. SHARE BASED PAYMENTS

Prior to its acquisition by BAC, Merrill Lynch sponsored several employee compensation plans that provided eligible employees with stock-based compensation or options to purchase stock In connection with the acquisition, all stock-based compensation plans of Merrill Lynch were assumed by BAC and awards under those plans became payable in BAC common stock. Other than the Merrill Lynch & Company ("ML&Co") Employee Stock Compensation Plan ("ESCP") and the ML&Co Employee Stock Purchase Plan ("ESPP"), existing Merrill Lynch plans were frozen as to new grants, although all previously granted awards outstanding under such plans continue to be governed by the applicable terms of the plan under which the awards were granted.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

33. SHARE BASED PAYMENTS (CONTINUED)

Following the acquisition, grants with respect to Bank of America common stock may be made to eligible legacy Merrill Lynch associates under the ESCP as well as the BAC 2003 Key Associate Stock Plan ("KASP"), and eligible Merrill Lynch employees may participate in the ESPP. The ESPP allows eligible associates to invest from one percent to 10 percent of eligible compensation to purchase Bank of America's common stock, subject to legal limits. Total pre-tax compensation expense recognised in the earnings for share based compensation plans for 2011 was US\$7 million (2010 US\$26 million).

Equity Compensation Plans

Prior to 2009, the Long-Term Incentive Compensation Plans ("LTIC Plans") and the Equity Capital Accumulation Plan ("ECAP") provided for grants of equity and equity-related instruments to certain employees. LTIC Plans consist of the Long-Term Incentive Compensation Plan, used for grants to executive officers, and the Long-Term Incentive Compensation Plan for Managers and Producers, a broad-based plan. LTIC Plans provided for the issuance of Restricted Shares, Restricted Units, and Non-qualified Stock Options, as well as Incentive Stock Options, Performance Shares, Performance Units, Performance Options, Stock Appreciation Rights, and other securities of Merrill Lynch. The ECAP provided for the issuance of Restricted Shares, as well as Performance Shares. The ECAP was terminated in 2008 and its shares were rolled into the ESCP. Upon BAC's acquisition of Merrill Lynch on 1 January 2009, the LTIC Plans were frozen.

The ESCP was amended at the time of the BAC acquisition to provide for the issuance of BAC common stock. The ESCP covers associates who were salaried key employees of Merrill Lynch immediately prior to the effective date of the BAC acquisition, other than executive officers. Under the ESCP, BAC may award Restricted Shares, Restricted Units, Non-qualified Stock Options and Stock Appreciation Rights. Awards of Restricted Shares and Restricted Units are subject to a vesting schedule specified in the grant documentation. Shares that are cancelled, forfeited, or settled in cash from the frozen Merrill Lynch Long-Term Incentive Compensation Plan for Managers and Producers or the ECAP will become available for grant under the ESCP.

BAC shareholders approved the KASP to be effective as of 1 January 2003. Awards to Merrill Lynch employees may also be made under the KASP effective as of 1 January 2009. Restricted stock awards generally vest in three equal annual installments beginning one year from the grant date with the exception of financial advisor awards that vest eight years from the grant date, and an award of restricted stock shares that vested on the grant date but is released from restrictions over 18 months. Shares that are cancelled, forfeited, or settled in cash from the frozen Merrill Lynch Long Term Incentive Compensation Plan and Financial Advisor Capital Accumulation Award Plans will become available grant under the KASP.

Financial Advisor Capital Accumulation Award Plans ("FACAAP")

Prior to 2009, the FACAAP provided for awards to eligible employees in Merrill Lynch's Global Wealth Management division generally based upon their prior year's performance. Payment for an award was contingent upon continued employment for a period of time and subject to forfeiture during that period. Awards granted in 2003 and thereafter are generally payable eight years from the date of grant in a fixed number of shares of Bank of America common stock. For outstanding awards granted prior to 2003, payment is generally made ten years from the date of grant in a fixed number of shares of Bank of America common stock unless the fair market value of such shares is less than a specified minimum value, in which case the minimum value is paid in cash. FACAAP is no longer an active plan and no awards were granted since 2008.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

33. SHARE BASED PAYMENTS (CONTINUED)

Restricted shares and restricted units

Restricted shares are shares of BAC common stock carrying voting and dividend rights. A restricted unit is deemed equivalent in fair market value to one share of common stock. Awards of restricted units may be settled in shares of common stock or cash. Recipients of restricted unit awards may receive cash payments equivalent to dividends.

The activity for restricted shares and units under these plans during 2011 and 2010 is as follows:

	Restricted Shares	Restricted Units
Outstanding, beginning of 2010	1,313,226	5,607,050
Granted – 2010	1,231,140	2,640,487
Paid, forfeited, or released from contingencies	(1,937,291)	(2,927,740)
Outstanding, end of 2010	607,075	5,319,797
Granted – 2011	421,205	4,332,359
Paid, forfeited, or released from contingencies	(1,026,992)	(1,728,257)
Outstanding, end of 2011	1,288	7,923,899

Non-qualified stock options

All options outstanding as of 31 December 2011 are fully vested or are expected to vest.

The activity for non-qualified stock options under LTIC Plans for 2011 and 2010 is as follows:

	Options outstanding	Weighted average exercise price	Weighted average share price at date of exercise
Outstanding, beginning of 2010	1,427,167	68.60	-
Granted - 2010	-	-	-
Transfers In/Out 2010	(1,130,330)	69.85	-
Forfeited	(34,610)	55.07	-
Outstanding, end of 2010	262,227	69.85	-
Exercisable, end of 2010	262,227	69.85	-
Granted - 2011	-	-	-
Transfers In/Out 2011	854,952	57.78	-
Forfeited	(529,782)	88.51	-
Outstanding, end of 2011	587,397	57.78	-
Exercisable, end of 2011	587,397	57.78	-

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

33. SHARE BASED PAYMENTS (CONTINUED)

At 31 December 2011, the weighted-average remaining contractual term of options outstanding and exercisable was 1.0 year (2010: 2.0 years). There were no stock options granted in 2011, 2010 or 2009. The weighted-average fair value of options granted in 2008 was \$15.47 per option. The table below summarises the range of exercise prices and the weighted average remaining contractual life for all options outstanding at 31 December 2011.

Range of exercise prices	2011 Number	Weighted average remaining contractual life - 2011	2010 Number	Weighted average remaining contractual life - 2010
\$30.00-\$40.00	45,980	0.07	-	-
\$40.00-\$50.00	117,868	0.44	30,270	0.24
\$50.00-\$60.00	-	-	-	-
\$60.00-\$70.00	419,725	0.29	151,164	1.71
\$70.00-\$80.00	-	-	-	-
\$80.00-\$90.00	-	-	6,501	0.00
\$90.00-\$100.00	-	-	74,292	0.02
\$100.00-\$110.00	-	-	-	-
\$110.00-\$120.00	3,824	0.00	-	-

Prior to BAC's acquisition of Merrill Lynch, the fair value of option awards with vesting based solely on service requirements was estimated on the date of grant based on a Black-Scholes option pricing model. Beginning in 2008, expected volatilities were based upon the implied volatility of ML&Co common stock. Prior to 2008, expected volatilities were based upon the historic volatility of ML&Co common stock. The expected term of options granted is estimated based on an analysis of historical exercise activity. The risk-free rate for periods within the contractual life of the option is based on the US Treasury yield curve in effect at the time of grant. The expected dividend yield is based on the current dividend rate at the time of grant.

34. LEASE COMMITMENTS

The Group is committed to pay US\$36.5 million (2010: US\$31.4 million) in respect of operating leases as follows:

Maturity of lease	2011 US\$'000		2010 US\$'000	
	Land and Buildings	Other	Land and Buildings	Other
1 year to 5 years	9,473	748	13,351	1,006
Over 5 years	26,283	-	17,053	-
	<u>35,756</u>	<u>748</u>	<u>30,404</u>	<u>1,006</u>

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

35. PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Merrill Lynch Group Holdings Limited 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 the group financial statements of BAC are available from the Investor Relations area of the Bank of America website at <http://investor.bankofamerica.com> or by contacting the Investor Relations Group by mail at Bank of America Corporation, Shareholder Relations Department, NC1-027-20-05, Hearst Tower, 214 North Tryon St., Charlotte, NC 28255, USA or by e-mail at ir@bankofamerica.com. The parent undertaking of the smallest group, including the Company, which prepares group financial statements is Merrill Lynch Group Holdings Limited, a company incorporated in Ireland. Copies of the group financial statements of Merrill Lynch Group Holdings Limited are available at the Companies Registration Office, Parnell House, 14 Parnell Square, Dublin 1.

The Group has availed itself of an exemption, contained in FRS 8 "Related Party Disclosures", from detailing transactions and balances with affiliated companies. There were no related party transactions other than those with affiliated companies covered by this exemption.

Regarding transactions with directors, officers and others,

- (a) At 31 December 2011, the amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in the Group were US\$2,375,819 in respect of loans to persons who were directors of the Group (or persons connected with them) at any time during the financial year and no balances outstanding to people who were officers of the Group at any time during the financial year.
- (b) There was US\$2,375,819 outstanding at 31 December 2011 (2010 US\$2,121,035) in respect of loans made to directors by the Bank or its subsidiary undertakings.
- (c) For the purposes of FRS 8 "Related Party Disclosures", key management comprise directors of the Group. The captions in the primary financial statements include the following amounts attributable, in aggregate, to key management:

Name	Balance as at 01.01.2011 US \$'000	New loans in 2011 including Accrued Interest US \$'000	Repaid in 2011 US \$'000	Balance as at 31.12.2011 US \$'000	Number of Directors	Number of connected persons
Jonathan Moulds	1,886	2,382	1,892	2,376	1	-
David Jervis	235	-	235	-	1	-
Gordon & Lesley Sangster	-	59	59	-	1	1
Loans Total	2,121	2,441	2,186	2,376	3	1

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

35. PARENT COMPANY AND RELATED PARTY TRANSACTIONS (CONTINUED)

Name	Balance as at 01.01.2010 US \$'000	New loans in 2010 including Accrued Interest US \$'000	Repaid in 2010 US \$'000	Balance as at 31.12.2010 US \$'000	Number of Directors	Number of connected persons
Jonathan Moulds	-	1,886	-	1,886	1	-
David Jervis	-	235	-	235	1	-
Loans Total	-	2,121	-	2,121	2	-

Key management have banking relationships with Group entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Key management had no reportable transactions or balances with the holding company except for dividends.

36. SUBSIDIARY COMPANIES

The principal subsidiaries (held indirectly unless marked *) in the Group are as follows:

Company	Principal Activity	Country of Incorporation	Proportion of Ordinary shares held	Net Book Value US\$'000 2010	2011 Provision charge	Net Book Value US\$'000 2011
Merrill Lynch Bank (Suisse) SA	Private client banking	Switzerland	100%	21,561	-	21,561
Majestic Acquisitions*	Mortgage lending	United Kingdom	100%	161,542	(132,266)	29,276
Mortgages Plc	Mortgage lending	United Kingdom	100%	-	-	-
Wave Lending Limited*	Mortgage lending	United Kingdom	100%	60,067	(43,443)	16,624
Merrill Lynch Financial Services Ltd	Financial services	Ireland	100%	25,471	-	25,471
Blue Motor Loans Ltd	Securitisation vehicle	United Kingdom	0%	-	-	-
				268,641	(175,709)	92,932

The Company impaired the book value of investments in Majestic Acquisitions and Wave lending in 2011 to reflect the carrying value of the underlying net assets in these subsidiaries. Blue Motor Loans Ltd is not owned by the Group but their results are consolidated, as they meet the definition of legal subsidiaries for these accounts under FRS 2 'Accounting for Subsidiary Undertakings', the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions Accounts) Regulations, 1992.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

37. CASH FLOW STATEMENT

The Group is exempt from the requirement to prepare a cash flow statement under FRS 1 "Cash Flow Statements", as a consolidated cash flow statement is included in the publicly available consolidated financial statements of the ultimate parent company, BAC

38. SEGMENTAL REPORTING

The segmental analysis of the Group's results and financial position is set out below. From a Group perspective however, it is not possible to allocate trading revenues or net assets to any particular geographical source as one trade may involve parties situated in a number of different geographical areas.

The Group has two business segments, Global Markets and Global Wealth and Investment Management. These segments reflect the internal financial and management reporting structure adopted by the Group's ultimate parent, BAC.

BUSINESS SEGMENTS

2011 (All figures US\$'000)	Global Markets	Global Wealth and Investment Management
Net interest income	46,206	132,775
Net fees and commissions (paid) / received	(375,958)	318,519
Other operating income	361,441	31,687
TOTAL OPERATING INCOME	31,689	482,981
TOTAL OPERATING EXPENSES	(635,631)	(332,274)
(LOSS) / PROFIT BEFORE TAX	(603,942)	150,707
 Total assets	 584,158,075	 9,083,352
Total liabilities	574,410,910	9,425,760

Impairment charges under provisions for bad and doubtful debts are included in total operating expenses and are all attributable to Global Markets business.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

38. SEGMENTAL REPORTING (CONTINUED)

BUSINESS SEGMENTS

2010 (All figures US\$'000)	Global Markets	Global Wealth and Investment Management
Net interest income	52,304	173,232
Net fees and commissions (paid) / received	(242,811)	273,019
Other operating income	357,265	38,518
TOTAL OPERATING INCOME	166,758	484,769
TOTAL OPERATING EXPENSES	(1,000,564)	(302,556)
(LOSS) / PROFIT BEFORE TAX	(833,806)	182,213
 Total assets	 470,707,882	 12,730,836
Total liabilities	463,946,573	9,533,953

**OFFICES OF MERRILL LYNCH INTERNATIONAL BANK LIMITED
HEAD OFFICE, BRANCHES AND SUBSIDIARIES
FOR THE YEAR ENDED 31 DECEMBER 2011**

Ireland

Central Park
Leopardstown
Dublin 18
Tel 353 1 243 8500

Singapore

OUE Bayfront #14-01
50 Collyer Quay
Singapore 049321
Tel 65 6331 3888

France

112 Avenue Kleber
1st Floor
PO Box 2002-16
75761 Paris Cedex 16
Tel 33 1 5365 5555

Switzerland

13 Route de Florissant
PO Box 3070
CH-1211 Geneva 3
Tel 41 22 703 1717

Netherlands

Rembrandt Tower, 27th Floor
Amstelplein 1
1096 HA Amsterdam
Tel 31 20 5925 777

Italy

Via A Manzoni, 5
20121 Milan
Tel 39 02 655 301

United Kingdom

Merrill Lynch Financial Centre
2 King Edward Street
London, EC1A 1HQ
Tel 44 20 7628 1000

Spain

Edificio Torre Picasso, 40th Floor
Plaza Pablo Ruiz Picasso, 1
28020 Madrid
Tel 34 91 514 3000

Canada

Brookfield Place, Bay Wellington Tower
181 Bay Street
4th Floor
Toronto, ON M5J 2V8
Tel 1 416 369 7400

Bahrain

Bahrain Middle East Bank Building
PO Box 10399
Diplomatic Area
Manama
Tel: 973 17 530 260

Germany

Main Tower
Neue Mainzer Strasse 52
Frankfurt 60311
Tel 49 69 5899 5000

Italy

L Go Font Borghese 19
Rome 00186
Tel 09 06 6840 1824

OS AA01

Statement of details of parent law and other
information for an overseas company



☒ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law

☒ What this form is NOT for
You cannot use this form to
an alteration of manner of
with accounting requirements

COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

Merrill Lynch International Bank Limited

UK establishment
number

B R 0 0 8 3 3 9

→ Filling in this form
Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state

Part 2 Statement of details of parent law and other
information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ②

Irish Companies Act 1963 to 2009 and the European Communities (Credit
Institutions Accounts) Regulations, 1992

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

③ Please insert the name of the
appropriate accounting organisation
or body

Name of organisation
or body ③

Accounting Standard Board and published by the Institute of Chartered
Accountants in Ireland

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box <input type="checkbox"/> No Go to Part 3 'Signature' <input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'	Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ①	Accounting Standard Board and published by the Institute of Chartered Accountants in Ireland	
A5 Unaudited accounts		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Part 3 Signature		
I am signing this form on behalf of the overseas company		
Signature	Signature X <i>Shen Acker</i> X FOR AND ON BEHALF OF MERRILL LYNCH CORPORATE SERVICES LIMITED, SECRETARY	
This form may be signed by Director, Secretary, Permanent representative		

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Merrill Lynch Corporate Service

Limited

Address

2 King Edward Street

Post town

London

County/Region

Postcode

E C 1 A 1 H Q

Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form



Important information

Please note that all this information will appear on the public record



Where to send

You may return this form to any Companies House address.

England and Wales

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

