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REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

MERRILL LYNCH INTERNATIONAL BANK LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS

MERRILL LYNCH INTERNATIONAL BANK LIMITED
DIRECTORS AND OTHER INFORMATION

DIRECTORS	Alexander Wilmot-Sitwell – Chairman (UK national) Peter Keegan - Chief Executive Andrew Briski (UK national) Yunho Song (US national) Keith Pearson (UK national) Jennifer Taylor David Guest David McNamara John G Murphy Jeremy Preddy (UK national)
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 Statutory Auditors One Spencer Dock North Wall Quay Dublin 1

MERRILL LYNCH INTERNATIONAL BANK LIMITED
EXTRACT OF THE "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 2013 MLIB's ultimate parent company and controlling party is Bank of America Corporation ("BAC")

PRINCIPAL ACTIVITIES

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

The Group acts as principal for debt derivative and foreign exchange transactions and engages in advisory, lending, loan trading and institutional sales activity The Group continues to provide 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

The Group's market risk on Global Markets derivatives was transferred to an affiliate in January 2014. In addition, the Group is planning to transfer most of its loan portfolio to other BAC affiliates during 2014

In August 2012, BAC announced the sale of its Global Wealth & Investment Management ("GWIM") business based outside of the U S to Julius Baer The majority of this sale, and related asset transfers, have been executed by the Group over 2013 and will continue throughout 2014 This included the sale of the Group's Swiss Banking subsidiary, Merrill Lynch Bank (Suisse) S A ("MLBS") in February 2013. In addition, the Group formally closed its Madrid and Brussels branches in December 2013 As part of the divestment of the GWIM business, the Group continues to actively rationalise its branch structure in 2014

BUSINESS ENVIRONMENT

Market conditions in 2013 were mixed, with strong returns in equities and non-investment grade assets contrasting with sell offs in core government debt Trading conditions for the Fixed Income businesses in MLIB were challenging and clients remained cautious due to concerns such as the stability of key G10 economies, continuing regulatory uncertainty and the potential outcomes of certain geo-political matters globally These factors combined with lower client activity and reduced risk appetite led to lower revenues in rates and currencies products in 2013

Credit conditions in markets where the Group operates continued to improve relative to 2012 This facilitated a number of loan sales during the year which assisted the Group in its aim of reducing its exposure to impaired assets The improved conditions also resulted in a lower provision for bad and doubtful debts of US$18 million (2012 US$123 million). The Group's overall impairment provision significantly reduced mainly as a result of loan sales to US$234 million (2012 US$630 million).

RESULTS AND DIVIDENDS

The Group's loss for the year on ordinary activities after taxation was US$301 million (2012: Loss of US$726 million) as set out in the consolidated profit and loss account

Firstly, operating expenses reduced significantly to US$608 million (2012: US$920 million) mainly due to a combination of lower personnel related costs and a reduction in provisioning of loans and realised loan losses.

Secondly, net fees and commissions payable increased to US$354 million (2012 US$150 million) The main drivers were lower fees and income from GWIM and an increase in service fee expense driven by the Group's continued involvement with credit intermediation with affiliates.

RESULTS AND DIVIDENDS (CONTINUED)

Dealing profits increased to US$495 million (US$286 million). This was mainly due to decreases in the Group's Debit Valuation Adjustment (DVA) to US$64 million loss (2012: US$434 million loss) where BAC credit spreads improved over the year Rates and Currencies income reduced resulting from a combination of lower client activity, reduced risk appetite and a challenging trading and geo-political environment

Also, net interest income increased to US$81 million (2012: US$28 million) The main driver related to reduced interest expense on the Group's US$4 6 billion of subordinated debt related to a significantly lower interest rate agreed with affiliate companies Partially offsetting this, net interest income reduced as part of the divestment of GWIM assets

Finally, other non operating income of US$57 million included gains on the divestiture of the GWIM business of US$264 million offset by a non operating charge of US$207 million mainly related to accounting adjustments arising from the acquisition of Merrill Lynch by BAC

The Group's balance sheet decreased to US$406 billion (2012 US$490 billion) due principally to a decrease in trading assets to US$369 billion (2012 US$437 billion). The decrease in trading assets is mirrored by a decrease in trading liabilities to US$366 billion (2012 US$439 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 decrease in trading assets and liabilities does not represent a significant change to the market risk in the Group as disclosed in Note 30, Financial Risk Management.

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

	2013	2012	Movement
	US$'000	US$'000	
Loss on ordinary activities before taxation	(293,496)	(711,944)	59%
Loss on ordinary activities after taxation	(301,046)	(726,370)	59%
Total assets	406,025,959	490,487,942	(17%)

The Group's capital ratio at 31 December 2013, as reported to the Central Bank of Ireland, was 25 60% (2012: 18 11%) and was above the minimum requirement Its financial resources were US$13,321 million (2012 US$13,636 million), 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 subordinated debt with a maturity profile of more than five years The Tier Two subordinated debt has been received from Merrill Lynch International. The Group repaid US$4,500 million in January 2014, leaving US$147 million of subordinated debt outstanding

OUTLOOK

In accordance with its strategic plan, the Group has transferred its Global Markets derivatives market risk to an affiliate in January 2014 and continues to novate derivative counterparties in 2014 Also, the Group is currently transferring most of its Global Markets loan portfolio to other BAC affiliates during 2014 As noted earlier, the Group is actively considering rationalising its branch structure in 2014 as part of the divestment of the GWIM business The Group remains in active dialogue with the impacted regulatory agencies

Where relevant for the businesses that remain in MLIB, trading and market conditions are expected to be challenging in 2014 Key macro economic and political issues such as the sustainability of the U.S. recovery, interest rates and inflation levels and the ongoing crisis in Eastern Europe and the Middle East will impact the Group's results

The directors and shareholder continue to evaluate the strategic options for the remaining businesses in the Group

GOING CONCERN

As noted above, the Group will continue to transfer the remaining in scope assets of its GWIM business to Julius Baer The Group will also continue to seek to novate remaining derivative counterparties as well as certain Mortgage and Corporate Bank portfolios to an affiliate Following this reorganisation, the Group is forecasting positive earnings before exceptional items and expects to continue to hold sufficient capital resources to support these activities In addition, the Group will continue to rely on the support of its ultimate parent, BAC, to provide capital to support these business operations

Consequently, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business is exposed to a variety of risks that are inherent to the financial services industry The Group's risk management objectives and policies, as well as exposures in relation to the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks) are described in the notes to the financial statements (see Note 30)

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 OF THE "REPORT OF THE DIRECTORS"

DIRECTORS AND SECRETARY

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

Alexander Wilmot-Sitwell – Chairman		
Peter Keegan – Chief Executive		
Andrew Briski		
Yunho Song		
Joyce Cheryl Boucher		Resigned 20/02/2014
David Jervis		Resigned 13/05/2013
Keith Pearson		Appointed 23/05/2013
Jennifer Taylor		Appointed 11/07/2013
Jeremy Preddy		Appointed 06/01/2014
David McNamara	Independent Non Executive Director	
Gavin Caldwell	Independent Non Executive Director	Resigned 30/06/2013
John G Murphy	Independent Non Executive Director	Appointed 11/07/2013
David Guest	Independent Non Executive Director	

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

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

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 regulations. The Board has established four sub-committees Audit Committee, Risk Oversight Committee, Board Standing Committee and Remuneration Compliance Committee Each sub-committee of the Board shall have their 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 Group are 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 risk-taking is consistent with the Company's and Group's business strategy, capital structure and current and anticipated market conditions

The Risk Oversight Committee (the "Risk Committee") was chaired by Ms Cheryl Boucher until 20 February 2014. Mr Gerry Murphy was nominated to the position of Risk Committee Chairman by the Board on 27 February 2014, subject to approval by the Central Bank of Ireland under the Fitness and Probity regime The Risk Committee membership includes four 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. David Guest and its membership comprises two 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 Standing Committee elects a Chairman from amongst its members at each meeting and its membership includes four directors who are internal appointees to the Board. The Board Standing Committee is responsible for approving certain administrative actions to affect any matters that have previously been reviewed and/or approved by the Board subject to certain limitations as set out in the charter.

CORPORATE GOVERNANCE (CONTINUED)

The Board relies on the BAC Compensation and Benefits Committee for, amongst other things, establishing remuneration policies and procedures for the Group. However, the Board's Remuneration Compliance Committee is responsible for exercising oversight with respect to the Group's compliance with regulatory requirements associated with remuneration. The Remuneration Compliance Committee elects a Chairman from amongst its members at each meeting and its membership comprises three directors who are internal appointees to the Board.

REGULATORY DISCLOSURES

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

CHARITABLE AND POLITICAL CONTRIBUTIONS

The total sum donated during the year by the Group to charitable organisations was US$99,462 (2012. US$83,936) The Group provides matched funding of certain contributions made by employees under a Give As You Earn scheme and for donations made by employees to certain specified charities There were no political donations made during the year (2012 US$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 Statutory 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·

Alexander Wilmot-Sitwell *Chairman*	**Peter Keegan** *Chief Executive*	**Corporate Secretary** *Merrill Lynch Corporate Services Limited*	**Jennifer Taylor** *Director*

Date
20 March 2014

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 Financial Reporting Council 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 Company and then apply them consistently,
- make judgements and accounting 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 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 enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2013 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 pwc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERRILL LYNCH INTERNATIONAL BANK LIMITED

We have audited the financial statements of Merrill Lynch International Bank Limited for the year ended 31 December 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company'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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

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Chartered Accountants

pwc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERRILL LYNCH INTERNATIONAL BANK LIMITED - continued

Matters on which we are required to report by the Companies Acts, 1963 to 2013

- 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 parent company.
- The financial statements of the parent company are in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the parent company, as stated in the Parent Company Balance Sheet, 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 2013 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 company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Ronan Doyle

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

20th March 2014

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 2013 and the European Communities (Credit Institutions Accounts) Regulations, 1992 Accounting standards generally accepted in Ireland are those issued by the Financial Reporting Council and published by the Institute of Chartered Accountants in Ireland

Due to the nature of the Group's business and the type of transactions the Group 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 Group'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 2013.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value

CASH FLOW STATEMENT

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

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.

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 method

The effective interest 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

FINANCIAL ASSETS

On initial recognition, financial assets are classified into financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading or designated at fair value through profit or loss at inception

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.

Financial assets are designated at fair value through profit or loss when doing so significantly reduces measurement inconsistencies that would arise if the related liabilities were treated as held for trading and the underlying financial assets were carried at amortised cost. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise

Further details about the Group's financial instruments are included in the risk management section in Note 30 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

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 derivatives 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 instruments.

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 hedging 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 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 method.

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 at 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 model valuation price, which differs from the transaction price The difference between the fair value as represented by the model valuation price and the transaction price 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 instrument, the Group establishes fair value using valuation techniques These include the use of recent arms 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 28.

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 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 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 method

DERECOGNITION

Financial assets are derecognised when the Group either transfers substantially all the risks and rewards of the asset or transfers control over the asset. Financial liabilities are derecognised when the Group legally extinguishes the liability. Where the risks and rewards of financial assets are substantially retained, the Group continues to recognise the asset 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

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

Individually assessed loans

For all loans that are considered individually significant, the Group assesses on a case-by-case basis at each balance sheet date if there is any objective evidence that a loan is impaired.

Impairment provisions are calculated by discounting the expected future cash flows of a loan at 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

Objective evidence of impairment may exist if one or more of the following events have 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 (e g. an increased number of delayed payments); or
  (ii) national or local economic conditions that correlate with defaults on the assets in the group (e g 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)

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 accounts) are normally written off, either partially or in full, when there is no realistic expectation of recovery of these amounts.

IMPAIRMENT OF LOANS AND RECEIVABLES (CONTINUED)

Collectively assessed loans

Impairment is assessed on a collective basis in the following circumstances

- loans that are considered individually insignificant (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 with similar credit risk characteristics,
- the estimated period between impairment occurring and the loss being identified, and
- management's 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 have occurred 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

SHARE BASED PAYMENTS

BAC grants equity and cash settled share based payment awards to employees of the Group under various incentive schemes

As this is a group share based payment arrangement, all awards are treated as equity settled share based payment plans and are measured based on the fair value of those awards at grant date. The fair value determined at the grant date is expensed over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

Expenses relating to share based payments are included within administrative expenses.

PENSIONS

The Group participates in a number of defined benefit and defined contribution pension schemes These schemes are funded with the assets held in separate trustee administered funds

The Group is one of a number of BAC employers that participate in the Bank of America Merrill Lynch (UK) Pension Plan, (the 'Plan', formerly the Merrill Lynch (UK) Pension Plan and the Merrill Lynch (UK) Final Salary Pension 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 is one of a number of BAC employer companies based in the United Kingdom and Ireland which participate in the Plan. Contributions are set for the Plan as a whole rather than reflecting the specific characteristics of the employees of each participating employer of the Plan. Consequently, the Company has been unable to identify its share of the underlying assets and liabilities of the Plan 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.

The major defined contribution schemes that the Group participates in are the Merrill Lynch (UK) Defined Contribution Plan and the Bank of America Merrill Lynch (UK) Pension Plan – Money Purchase Section. The costs of defined contribution schemes are a percentage of each employee's plan salary based on their 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 2013

	Notes	2013 US$'000	2012 US$'000
Interest income	1		
- Other interest receivable and similar income		293,598	426,225
- Interest payable and similar charges		(212,440)	(398,272)
Fees and commissions:	2		
- Receivable		387,301	517,978
- Payable		(741,309)	(668,279)
Dealing profits	3	494,630	285,699
Other operating income	4	35,925	44,856
TOTAL OPERATING INCOME		**257,705**	**208,207**
Administrative expenses	5	496,773	642,412
Depreciation		6,384	9,335
Other operating charges	6	86,942	145,437
Provisions for bad and doubtful debts	30	17,736	122,967
TOTAL OPERATING EXPENSES		**607,835**	**920,151**
NON-OPERATING INCOME	7	**56,634**	**-**
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	8	**(293,496)**	**(711,944)**
Tax on loss on ordinary activities	10	(7,550)	(14,426)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		**(301,046)**	**(726,370)**

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 20 March 2014 and signed on its behalf by:

Alexander Wilmot-Sitwell *Chairman*	**Peter Keegan** *Chief Executive*	**Corporate Secretary** *Merrill Lynch Corporate Services Limited*	**Jennifer Taylor** *Director*

MERRILL LYNCH INTERNATIONAL BANK LIMITED
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 US$'000	2012 US$'000
Loss on ordinary activities after taxation		(301,046)	(726,370)
Dividends	26	-	(20,000)
Exchange differences on translation of foreign operations	26	(55,541)	15,786
Actuarial gains / (losses) relating to retirement schemes	26	800	(22,657)
(Loss) / Gain on revaluation of available-for-sale investments taken to equity	26	(343)	317
Tax effect on revaluation of available-for-sale investments taken to equity	26	97	(97)
Exchange differences on translation of net investment hedge	26	(5,086)	(6,961)
Tax effect on movement of net investment hedge	26	(727)	(994)
Total recognised losses for the period		**(361,846)**	**(760,976)**

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 2013

	Notes	2013	2012
		US$'000	US$'000
ASSETS			
Cash and balances at Central Banks	11	519,905	748,143
Loans and advances to banks	12	3,459,726	3,413,697
Loans and advances to customers	13	14,640,308	18,731,555
Market and client receivables	14	13,578,564	22,745,294
Debt securities and other fixed income securities	16	4,745,552	7,779,941
Trading assets	30	368,950,489	436,836,023
Tangible fixed assets		23,131	35,587
Other assets	18	108,284	197,702
TOTAL ASSETS		**406,025,959**	**490,487,942**
LIABILITIES			
Deposits by banks	19	57,978	117,413
Customer accounts	20	10,575,914	17,190,073
Issued notes	15	-	188,168
Market and client payables	21	16,200,497	20,278,314
Trading liabilities	30	366,040,384	439,130,897
Other liabilities	23	153,970	168,440
Accruals and deferred income		68,281	123,856
Subordinated debt	24	4,647,000	4,647,000
TOTAL LIABILITIES		**397,744,024**	**481,844,161**
SHAREHOLDERS' FUNDS			
Share capital	25	32,067	32,067
Share premium account	26	3,898,359	3,898,359
Capital contribution	26	4,065,875	4,065,875
Available-for-sale reserve	26	136	382
Net investment hedge reserve	26	(7,562)	(1,749)
Retained earnings	26	293,060	648,847
		8,281,935	8,643,781
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**406,025,959**	**490,487,942**
MEMORANDUM ITEMS			
Guarantees, undrawn commitments and assets pledged as collateral security	30	15,619,309	30,639,354

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 20 March 2014 and signed on its behalf by:

A.S. Wilt-Lu

PP Keegan

SMG

Jennifer Taylor

Alexander Wilmot-Sitwell
Chairman

Peter Keegan
Chief Executive

Corporate Secretary
Merrill Lynch Corporate Services Limited

Jennifer Taylor
Director

MERRILL LYNCH INTERNATIONAL BANK LIMITED
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 US$'000	2012 US$'000
ASSETS			
Cash and balances at Central Banks	11	516,668	418,394
Loans and advances to banks	12	3,459,726	3,406,596
Loans and advances to customers	13	14,645,215	17,766,496
Market and client receivables	14	13,576,657	22,721,743
Debt securities and other fixed income securities	16	4,745,552	7,779,941
Trading assets	30	368,950,489	436,830,839
Investment in subsidiaries	36	71,371	92,932
Tangible fixed assets		23,131	34,388
Other assets	18	85,061	181,122
TOTAL ASSETS		**406,073,870**	**489,232,451**
LIABILITIES			
Deposits by banks	19	57,978	108,869
Customer accounts	20	10,702,893	16,208,235
Issued notes	15	-	188,168
Market and client payables	21	16,200,497	20,269,165
Trading liabilities	30	366,040,384	439,130,897
Other liabilities	23	141,322	147,236
Accruals and deferred income		68,227	116,428
Subordinated debt	24	4,647,000	4,647,000
TOTAL LIABILITIES		**397,858,301**	**480,815,998**
SHAREHOLDERS' FUNDS			
Share capital	25	32,067	32,067
Share premium account	26	3,898,359	3,898,359
Capital contribution	26	4,065,875	4,065,875
Available-for-sale reserve	26	136	382
Net investment hedge reserve	26	(7,562)	(1,749)
Retained earnings	26	226,694	421,519
		8,215,569	8,416,453
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**406,073,870**	**489,232,451**
MEMORANDUM ITEMS			
Guarantees, undrawn commitments and assets pledged as collateral security	30	15,619,309	30,630,505

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 20 March 2014 and signed on its behalf by:

Alexander Wilmot-Sitwell *Chairman*	**Peter Keegan** *Chief Executive*	**Corporate Secretary** *Merrill Lynch Corporate Services Limited*	**Jennifer Taylor** *Director*

1. INTEREST INCOME

	2013 US$'000	2012 US$'000
Other interest receivable and similar income		
- Loans and advances to banks	3,202	13,151
- Loans and advances to customers	201,394	301,051
- Debt securities and other fixed income securities	63,629	75,848
- Loans to affiliates	25,373	36,004
- Other assets	-	171
	293,598	426,225
Interest payable and similar charges		
- Deposits by banks	(1,578)	(1,202)
- Customer accounts	(64,927)	(140,132)
- Loans from affiliates	(140,019)	(251,807)
- Other liabilities	(5,916)	(5,131)
	(212,440)	(398,272)

Interest on impaired loans and advances to customers, accrued but not yet received US$3.2 million (2012 US$3 4 million)

2. FEES AND COMMISSIONS

	2013 US$'000	2012 US$'000
Receivable		
- Intercompany service fees	311,716	377,830
- Investment banking fees	22,013	6,886
- Private client fees	18,310	81,065
- Commissions	7,965	31,990
- Other fees	27,297	20,207
	387,301	517,978
Payable		
- Intercompany service fees	(674,071)	(574,602)
- Brokerage fees	(46,030)	(54,849)
- Exchange and clearing house fees	(8,136)	(9,267)
- Other fees	(13,072)	(29,561)
	(741,309)	(668,279)

3. DEALING PROFITS

Dealing profits comprise the gains and losses on financial instruments held for trading It includes 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 30

4. OTHER OPERATING INCOME

	2013 US$'000	2012 US$'000
Foreign exchange revaluation gains	12,285	36,082
Other	23,640	8,774
	35,925	44,856

5. ADMINISTRATIVE EXPENSES

	2013 US$'000	2012 US$'000
Wages and salaries	263,269	353,479
Social welfare	22,764	29,908
Pension costs (Note 22)	30,334	65,102
Professional fees	60,413	53,786
Occupancy and related depreciation	34,943	35,973
Communications and technology	42,037	61,672
Other administrative expenses	43,013	42,492
	496,773	642,412

Average number of persons employed	2013	2012
Sales and trading	201	342
Sales and trading support	151	285
Other support services	839	1,122
	1,191	1,749

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

6. OTHER OPERATING CHARGES

	2013 US$'000	2012 US$'000
Realised loss on sale of loans	86,942	145,437

7. NON-OPERATING INCOME

	2013 US$'000	2012 US$'000
Gain on Global Wealth International Management ("GWIM") business divestiture	263,911	-
Acquisition accounting and other adjustments from previous accounting periods	(207,277)	-
	56,634	-

The gain on GWIM business divestiture includes a gain on sale of the Merrill Lynch Bank (Suisse) S A. ("MLBS") of US$135 million and gains US$129 million relating to other GWIM business sold during the year.

Following the significant group restructuring in 2013, the Group reviewed the ongoing requirements for a number of purchase accounting and other adjustments which originated principally on the acquisition of Merrill Lynch by Bank of America Corporation ("BAC") in 2009. The impact of these amounts on the result for 2013 was a loss of (US$207) million which is included in non operating income The principal items included purchase price adjustments booked directly into MLIB during the 2009 accounting period and certain impairment losses on loan books in place on the date of acquisition There was no material impact on the 2013 or 2012 operating income as a result of these adjustments

8. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013 US$'000	2012 US$'000
Loss on ordinary activities before taxation is stated after charging·		
Depreciation of tangible fixed assets	6,384	9,335
Auditor's remuneration*	4,105	4,223
Directors' remuneration		
Fees paid by the Group	211	282
Other emoluments	5,942	5,435
(Included in 2013 US$95,239 (2012 US$113,081) in respect of pension contributions)		
Operating lease rentals	18,594	25,159
Statutory Auditor's remuneration		
Audit of the Company's accounts	765	813
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	-	-

*Includes remuneration for audit of the Company's accounts

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

Of the consolidated loss after tax for the financial year, losses of US$197 million (2012 loss of US$375 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

	2013 US$'000	2012 US$'000
Taxation on loss on ordinary activities		
Corporation tax	(12,130)	(30,540)
Deferred tax	-	5,734
	(12,130)	(24,806)
Adjustments in respect of prior periods	4,580	10,380
	(7,550)	(14,426)

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% (2012 12 5%) to the loss on ordinary activities The difference is explained below:

	2013 US$'000	2012 US$'000
Loss on ordinary activities before taxation	(293,496)	(711,944)
Tax charge / (credit) at the standard rate of corporation tax of 12 5% (2012:12 5%)	(36,687)	(88,993)
Effects of		
Foreign taxes	11,907	33,359
Timing difference with respect to losses	70,829	89,106
Non-taxable income	(37,494)	-
Other	3,575	(2,932)
Corporation tax charge / (credit)	12,130	30,540

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

Ireland	12.5%	Germany	32 0%
UK	23.25%	Bahrain	0 0%
Singapore	17.0%	Canada	26 5%
Netherlands	25.0%	France	33 3%
Italy	36.0%		

11. CASH AND BALANCES AT CENTRAL BANKS

	2013 US$'000	2012 US$'000
- Group		
Cash in hand	497,803	467,726
Balances with Central Banks other than mandatory reserve deposits	14,022	272,256
Mandatory reserve deposits with Central Banks	8,080	8,161
	519,905	748,143
- Company		
Cash in hand	494,566	400,911
Balances with Central Banks other than mandatory reserve deposits	14,022	12,246
Mandatory reserve deposits with Central Banks	8,080	5,237
	516,668	418,394

12. LOANS AND ADVANCES TO BANKS

	2013 US$'000	2012 US$'000
- Group		
Analysed by remaining maturity		
Repayable on demand	20,854	-
3 months or less but not on demand	2,985,380	2,975,033
1 year or less but over 3 months	139,140	-
5 years or less but over 1 year	183,461	313,444
Over 5 years	130,891	125,220
	3,459,726	3,413,697
- Company		
Analysed by remaining maturity		
Repayable on demand	20,854	-
3 months or less but not on demand	2,985,380	2,967,932
1 year or less but over 3 months	139,140	-
5 years or less but over 1 year	183,461	313,444
Over 5 years	130,891	125,220
	3,459,726	3,406,596

Amounts due from affiliate companies at 31 December 2013 amounted to US$2,909 million (2012. US$2,621 million).

13. LOANS AND ADVANCES TO CUSTOMERS

	2013 US$'000	2012 US$'000
- Group		
Analysed by remaining maturity		
Repayable on demand	9,288,384	6,646,760
3 months or less but not on demand	2,409,132	7,223,455
1 year or less but over 3 months	1,005,863	1,579,337
5 years or less but over 1 year	1,083,449	1,828,089
Over 5 years	853,480	1,453,914
	14,640,308	18,731,555

	2013 US$'000	2012 US$'000
- Company		
Analysed by remaining maturity		
Repayable on demand	9,293,291	6,590,030
3 months or less but not on demand	2,409,132	6,626,220
1 year or less but over 3 months	1,005,863	1,479,657
5 years or less but over 1 year	1,083,449	1,635,270
Over 5 years	853,480	1,435,319
	14,645,215	17,766,496

Included in Loans and advances to customers is Nil (2012 US$185 million) of loans designated at fair value through the profit and loss account

Amounts due from affiliate companies at 31 December 2013 amounted to US$6,922 million (2012: US$4,039 million)

There were provisions for bad and doubtful debts of US$234 million as at 31 December 2013 (2012 US$630 million) against assets in the Group's and Company's portfolio Further information is given in Note 30 under credit risk impairment.

14. MARKET AND CLIENT RECEIVABLES

	2013 US$'000	2012 US$'000
- Group		
Analysed by remaining maturity:		
On demand	13,578,564	22,745,294
- Company		
Analysed by remaining maturity:		
On demand	13,576,657	22,721,743

Market and client receivables mainly relate to cash collateral

15. ISSUED NOTES

In 2012, the Group acquired certain interests in a series of notes issued by the special purpose securitisation vehicle, Newgate Funding Plc, which resulted in the consolidation by the Group of the assets and liabilities relating to that series issuance The notes were sold in March 2013 A gain of US$6 4 million was recognised on sale and is included in Dealing Profits

- Group and Company	2013 US$'000	2012 US$'000
Loans to customers	-	185,371
Other assets	-	11,737
Issued notes	-	(188,168)
Net assets	-	8,940

16. DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES

	2013 US$'000	2012 US$'000
- Group and Company		
Held for trading:		
Listed securities		
- Government securities	4,314,399	6,482,983
- Corporate bonds	61,219	86,717
Unlisted securities		
- Corporate bonds	41,993	14,186
	4,417,611	6,583,886
Available-for-sale		
Listed securities		
- Government securities	130,365	977,927
Unlisted securities		
- Corporate bonds	197,576	218,128
	327,941	1,196,055
Total debt securities and other fixed income securities	4,745,552	7,779,941
Analysed by remaining maturity		
Due within one year	2,496,007	5,268,987
Due one year and over	2,249,545	2,510,954
	4,745,552	7,779,941

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

	2013 US$'000	2012 US$'000
- Group and Company		
At start of the period	1,196,055	1,031,085
Revaluation, exchange and other adjustments	(21,574)	62,806
Additions	2,357,411	3,534,468
Redemptions/disposals	(3,203,951)	(3,432,304)
At end of the period	327,941	1,196,055

The principal risks associated with holdings of debt securities and other fixed income securities are dealt with in detail in Note 30.

17. DEFERRED TAXATION

Movement on deferred taxation:	2013 US$'000	2012 US$'000
- Group		
Balance at start of year	-	-
Charge in profit and loss account relating to current period	-	5,734
Transformation of deferred tax asset	-	(5,734)
Adjustment relating to available-for-sale assets	-	-
Adjustment in respect of previous periods	-	-
Balance at end of year	-	-
- Company		
Balance at start of year	-	-
Charge in profit and loss account relating to current period	-	5,734
Transformation of deferred tax asset	-	(5,734)
Adjustment relating to available-for-sale assets	-	-
Adjustment in respect of previous periods	-	-
Balance at end of year	-	-

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 2013 was US$829 million (2012 US$841 million), principally in relation to brought forward losses

18. OTHER ASSETS

	2013 US$'000	2012 US$'000
- Group		
Prepaid taxation	22,406	19,667
Prepayments, accrued income and other	44,686	116,516
Claims receivable	4,150	9,050
Interest receivable	37,042	52,469
	108,284	197,702
- Company		
Prepaid taxation	22,406	27,665
Prepayments, accrued income and other	21,463	94,501
Claims receivable	4,150	9,050
Interest receivable	37,042	49,906
	85,061	181,122

19. DEPOSITS BY BANKS

	2013 US$'000	2012 US$'000
- Group		
Analysed by remaining maturity:		
Repayable on demand	51,369	103,537
3 months or less but not on demand	-	8,544
1 year or less but over 3 months	-	-
5 years or less but over 1 year	-	-
Over 5 years	6,609	5,332
	57,978	117,413
- Company		
Analysed by remaining maturity		
Repayable on demand	51,369	103,537
3 months or less but not on demand	-	-
1 year or less but over 3 months	-	-
5 years or less but over 1 year	-	-
Over 5 years	6,609	5,332
	57,978	108,869

20. CUSTOMER ACCOUNTS

	2013 US$'000	2012 US$'000
- Group		
Analysed by remaining maturity		
Repayable on demand	9,452,307	12,835,714
3 months or less but not on demand	788,366	3,260,863
1 year or less but over 3 months	197,704	621,929
5 years or less but over 1 year	296	138,818
Over 5 years	137,241	332,749
	10,575,914	17,190,073
- Company		
Analysed by remaining maturity:		
Repayable on demand	9,579,286	11,853,877
3 months or less but not on demand	788,366	3,260,863
1 year or less but over 3 months	197,704	621,928
5 years or less but over 1 year	296	138,818
Over 5 years	137,241	332,749
	10,702,893	16,208,235

Amounts due to affiliate companies at 31 December 2013 amounted to US$5,006 million (2012. US$3,774 million). No amounts are due to the Group's immediate parent, Merrill Lynch UK Capital Holdings (2012 Nil).

21. MARKET AND CLIENT PAYABLES

	2013 US$'000	2012 US$'000
- Group		
Analysed by remaining maturity:		
On demand	16,200,497	20,278,314
- Company		
Analysed by remaining maturity.		
On demand	16,200,497	20,269,165

Market and client payables mainly relates to cash collateral.

22. PENSIONS

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

	2013 US$'000	2012 US$'000
- Group		
Defined contribution schemes	10,453	15,177
Defined benefit schemes	19,881	49,925
	30,334	65,102

The latest draft actuarial valuation of the Bank of America Merrill Lynch UK Pension Plan, ("the Plan") was carried out as at 31 December 2012. That assessment showed that the Plan had a deficit (or shortfall) of GBP£119 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 the following additional contributions

- GBP£33 million paid in March 2013
- GBP£12 million paid in July 2013
- GBP£20 million to be paid by March 2014.
- GBP£10 million to be paid by March 2015
- GBP£10 million to be paid by March 2016.

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

- The agreed contributions for members to the defined contribution 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

22. PENSIONS (CONTINUED)

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 2013 This showed that the deficit in the Plan had decreased to GBP£13 million using consistent funding method and assumptions as those underlying the actuarial valuation as at 31 December 2012 No changes were made to the contribution requirements following this review.

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 2013
Compensation growth	3 00%
Discount rate	3 25%

The German scheme's liabilities at 31 December 2013 were US$79 million (2012 US$69 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

As part of the sale of MLBS to Julius Baer, the related defined benefit assets and liabilities of those employees that were part of MLBS and who participated in the scheme, transferred to Julius Baer during the year

23. OTHER LIABILITIES

	2013 US$'000	2012 US$'000
- Group		
Provision for pensions	79,152	74,415
Corporation tax payable	2,717	300
Other accruals	65,285	80,875
Payroll taxes	5,333	11,896
VAT	1,483	954
	153,970	168,440
- Company		
Provision for pensions	79,152	74,254
Corporation tax payable	2,717	300
Other accruals	52,637	60,909
Payroll taxes	5,333	10,792
VAT	1,483	981
	141,322	147,236

24. SUBORDINATED DEBT

	2013 US$'000	2012 US$'000
- Group and Company		
US$4,680 million subordinated debt repayable 1 February 2019, 3m Libor + 187bps as at 31 December 2013 (2012. Libor + 466bps)	4,647,000	4,647,000

During 2013, facilities with MBNA Funding Company Limited and BofAML Funding Limited were replaced with a facility with Merrill Lynch International, although the total amount of these facilities remained at US$4,680 million (2012 US$4,680 million)

The Group repaid US$4,500 million of subordinated debt to Merrill Lynch International in January 2014, leaving a remaining drawn amount of US$147 million.

25. SHARE CAPITAL

- Group and Company

Authorised	2013 No.	2013 US$	2012 No	2012 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
	45,551,000	55,051,000	45,551,000	55,051,000

Called up, issued and fully paid	2013 No.	2013 US$	2012 No	2012 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
	23,960,812	32,067,010	23,960,812	32,067,010

All shares in issue at 31 December 2013 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.

26. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT IN RESERVES

2013
- Group

(all figures in US$'000)	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2012	32,067	3,898,359	4,065,875	382	648,847	(1,749)	8,643,781
Loss for the period	-	-	-	-	(301,046)	-	(301,046)
Dividends	-	-	-	-	-	-	-
Currency Translation Adjustment	-	-	-	-	(55,541)	-	(55,541)
Actuarial gains / (losses) relating to retirement schemes	-	-	-	-	800	-	800
Net Investment Hedge	-	-	-	-	-	(5,086)	(5,086)
Tax effect on movement of Net Investment Hedge	-	-	-	-	-	(727)	(727)
Movement in Available-for-sale Reserve	-	-	-	(343)	-	-	(343)
Tax effect on movement of Available-for-sale Reserve	-	-	-	97	-	-	97
As at 31 December 2013	32,067	3,898,359	4,065,875	136	293,060	(7,562)	8,281,935

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

2013
- Company

(all figures in US$'000)	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2012	32,067	3,898,359	4,065,875	382	421,519	(1,749)	8,416,453
Loss for the period	-	-	-	-	(197,070)	-	(197,070)
Dividends	-	-	-	-	-	-	-
Currency Translation Adjustment	-	-	-	-	1,445	-	1,445
Actuarial gains / (losses) relating to retirement schemes	-	-	-	-	800	-	800
Net Investment Hedge	-	-	-	-	-	(5,086)	(5,086)
Tax effect on movement of Net Investment Hedge	-	-	-	-	-	(727)	(727)
Movement in Available-for-sale Reserve	-	-	-	(343)	-	-	(343)
Tax effect on movement of Available-for-sale Reserve	-	-	-	97	-	-	97
As at 31 December 2013	32,067	3,898,359	4,065,875	136	226,694	(7,562)	8,215,569

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

2012
- Group

(all figures in US$'000)	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2011	32,067	3,898,359	4,065,875	162	1,402,088	6,206	9,404,757
Loss for the period	-	-	-	-	(726,370)	-	(726,370)
Dividends	-	-	-	-	(20,000)	-	(20,000)
Currency Translation Adjustment	-	-	-	-	15,786	-	15,786
Actuarial gains / (losses) relating to retirement schemes	-	-	-	-	(22,657)	-	(22,657)
Net Investment Hedge	-	-	-	-	-	(6,961)	(6,961)
Tax effect on movement of Net Investment Hedge	-	-	-	-	-	(994)	(994)
Movement in Available-for-sale Reserve	-	-	-	317	-	-	317
Tax effect on movement of Available-for-sale Reserve	-	-	-	(97)	-	-	(97)
As at 31 December 2012	32,067	3,898,359	4,065,875	382	648,847	(1,749)	8,643,781

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

2012

- Company

(all figures in US$'000)	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 31 December 2011	32,067	3,898,359	4,065,875	162	828,749	6,206	8,831,418
Loss for the period	-	-	-	-	(375,211)	-	(375,211)
Dividends	-	-	-	-	(20,000)	-	(20,000)
Currency Translation Adjustment	-	-	-	-	10,638	-	10,638
Actuarial gains / (losses) relating to retirement schemes	-	-	-	-	(22,657)	-	(22,657)
Net Investment Hedge	-	-	-	-	-	(6,961)	(6,961)
Tax effect on movement of Net Investment Hedge	-	-	-	-	-	(994)	(994)
Movement in Available-for-sale Reserve	-	-	-	317	-	-	317
Tax effect on movement of Available-for-sale Reserve	-	-	-	(97)	-	-	(97)
As at 31 December 2012	32,067	3,898,359	4,065,875	382	421,519	(1,749)	8,416,453

27. FINANCIAL INSTRUMENTS

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

2013

(all figures in US$'M)	Held for trading	Loans and receivables	Available-for-sale	Other financial liabilities	Designated at FV through P&L	Total
ASSETS						
Cash and balances at Central Banks	-	520	-	-	-	520
Loans and advances to banks	-	3,460	-	-	-	3,460
Loans and advances to customers	-	14,640	-	-	-	14,640
Market and client receivables	-	13,579	-	-	-	13,579
Debt securities and other fixed income securities	4,418	-	328	-	-	4,746
Trading assets	368,950	-	-	-	-	368,950
	373,368	**32,199**	**328**	-	-	**405,895**
LIABILITIES						
Deposits by banks	-	-	-	58	-	58
Customer accounts	-	-	-	10,576	-	10,576
Issued notes	-	-	-	-	-	-
Market and client payables	-	-	-	16,200	-	16,200
Trading liabilities	366,040	-	-	-	-	366,040
Subordinated debt	-	-	-	4,647	-	4,647
	366,040	-	-	**31,481**	-	**397,521**

27. 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

2012

(all figures in US$'M)	Held for trading	Loans and receivables	Available-for-sale	Other financial liabilities	Designated at FV through P&L	Total
ASSETS						
Cash and balances at Central Banks	-	748	-	-	-	748
Loans and advances to banks	-	3,414	-	-	-	3,414
Loans and advances to customers	-	18,547	-	-	185	18,732
Market and client receivables	-	22,745	-	-	-	22,745
Debt securities and other fixed income securities	6,584	-	1,196	-	-	7,780
Trading assets	436,836	-	-	-	-	436,836
	443,420	**45,454**	**1,196**	-	**185**	**490,255**
LIABILITIES						
Deposits by banks	-	-	-	117	-	117
Customer accounts	-	-	-	17,190	-	17,190
Issued notes	-	-	-	-	188	188
Market and client payables	-	-	-	20,278	-	20,278
Trading liabilities	439,131	-	-	-	-	439,131
Subordinated debt	-	-	-	4,647	-	4,647
	439,131	-	-	**42,232**	**188**	**481,551**

27. 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

2013

(all figures in US$'M)	Held for trading	Loans and receivables	Available-for-sale	Other financial liabilities	Designated at FV through P&L	Total
ASSETS						
Cash and balances at Central Banks	-	517	-	-	-	517
Loans and advances to banks	-	3,460	-	-	-	3,460
Loans and advances to customers	-	14,645	-	-	-	14,645
Market and client receivables	-	13,577	-	-	-	13,577
Debt securities and other fixed income securities	4,418	-	328	-	-	4,746
Trading assets	368,950	-	-	-	-	368,950
	373,368	**32,199**	**328**	**-**	**-**	**405,895**
LIABILITIES						
Deposits by banks	-	-	-	58	-	58
Customer accounts	-	-	-	10,703	-	10,703
Issued notes	-	-	-	-	-	-
Market and client payables	-	-	-	16,200	-	16,200
Trading liabilities	366,040	-	-	-	-	366,040
Subordinated debt	-	-	-	4,647	-	4,647
	366,040	**-**	**-**	**31,608**	**-**	**397,648**

27. 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

2012

(all figures in US$'M)	Held for trading	Loans and receivables	Available-for-sale	Other financial liabilities	Designated at FV through P&L	Total
ASSETS						
Cash and balances at Central Banks	-	418	-	-	-	418
Loans and advances to banks	-	3,407	-	-	-	3,407
Loans and advances to customers	-	17,581	-	-	185	17,766
Market and client receivables	-	22,722	-	-	-	22,722
Debt securities and other fixed income securities	6,584	-	1,196	-	-	7,780
Trading assets	436,836	-	-	-	-	436,836
	443,420	**44,128**	**1,196**	-	**185**	**488,929**
LIABILITIES						
Deposits by banks	-	-	-	109	-	109
Customer accounts	-	-	-	16,208	-	16,208
Issued notes	-	-	-	-	188	188
Market and client payables	-	-	-	20,269	-	20,269
Trading liabilities	439,131	-	-	-	-	439,131
Subordinated debt	-	-	-	4,647	-	4,647
	439,131	-	-	**41,233**	**188**	**480,552**

28. 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		**2013**		**2012**
(all figures in US$'M)	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and balances at Central Banks	520	520	748	748
Loans and advances to banks	3,460	3,463	3,414	3,418
Loans and advances to customers	14,640	14,514	18,547	18,305
Market and client receivables	13,579	13,579	22,745	22,745
Financial Liabilities				
Deposits by banks	58	58	117	117
Customers accounts	10,576	10,576	17,190	17,190
Market and client payables	16,200	16,200	20,278	20,278
Subordinated debt	4,647	4,780	4,647	5,150

- Company		**2013**		**2012**
(all figures in US$'M)	Carrying amount	Fair Value	Carrying amount	Fair value
Financial Assets				
Cash and balances at Central Banks	517	517	418	418
Loans and advances to banks	3,460	3,463	3,407	3,411
Loans and advances to customers	14,645	14,519	17,581	17,339
Market and client receivables	13,577	13,577	22,722	22,722
Financial Liabilities				
Deposits by banks	58	58	109	109
Customers accounts	10,703	10,703	16,208	16,208
Market and client payables	16,200	16,200	20,269	20,269
Subordinated debt	4,647	4,780	4,647	5,150

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

28. 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 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 and the transaction price, less any subsequent release, is as follows

	2013 US$'000	2012 US$'000
At start of the period	24,288	32,386
New trades deemed unobservable	7,903	(1,098)
Less· Buybacks/defeasements	(4,690)	(3,355)
Less. Released due to subsequent observability	(1,642)	(3,645)
At end of the period	25,859	24,288

28. 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, certain 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 Furthermore, 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.

There were no transfers between Level 1 and Level 2 for the year ended 31 December 2013.

28. FAIR VALUE INFORMATION (CONTINUED)

Valuation techniques

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

Government securities

Government securities 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 Government 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

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

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

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

28. FAIR VALUE INFORMATION (CONTINUED)

Fair Value Hierarchy

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 2013.

2013 (all figures in US$'M)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Loans and advances to customers				
- Residential mortgage loans	-	-	-	-
Debt securities and other fixed income securities				
- Government securities	4,309	6	-	4,315
- Corporate bonds	-	103	-	103
Trading assets				
- Derivative contracts	-	367,454	1,179	368,633
- Corporate loans and commitments	-	182	135	317
Financial Assets available for sale				
Debt securities and other fixed income securities				
- Government securities	130	-	-	130
- Corporate debt	-	198	-	198
	4,439	367,943	1,314	373,696
Financial Liabilities at fair value through profit and loss				
Issued notes	-	-	-	-
Trading liabilities				
- Derivative contracts	-	364,001	658	364,659
- Government securities	1,381	-	-	1,381
	1,381	364,001	658	366,040

Level 3 derivative contracts primarily relate to interest rate, foreign exchange and inflation-linked 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.

28. FAIR VALUE INFORMATION (CONTINUED)

Fair Value Hierarchy (continued)

2012

(all figures in US$'M)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Loans and advances to customers				
- Residential mortgage loans	-	-	185	185
Debt securities and other fixed income securities				
- Government securities	6,178	305	-	6,483
- Corporate bonds	-	87	14	101
Trading assets				
- Derivative contracts	-	434,788	1,232	436,020
- Corporate loans and commitments	-	656	160	816
Financial Assets available for sale				
Debt securities and other fixed income securities				
- Government securities	978	-	-	978
- Corporate debt	-	218	-	218
	7,156	436,054	1,591	444,801
Financial Liabilities at fair value through profit and loss				
Issued notes	-	188	-	188
Trading liabilities:				
- Derivative contracts	-	436,709	800	437,509
- Government securities	1,622	-	-	1,622
	1,622	436,897	800	439,319

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, foreign exchange and inflation-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

28. 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 2013.

2013
(all figures in US$'M)

	Loans & Advances to Customers	**Debt securities & other fixed income securities**	**Trading assets**	**Trading assets**	**Trading liabilities**
	Residential Mortgage Loans	Corporate bonds	Derivative contracts	Corporate loans and commitments	Derivative contracts
At 1 January 2013	185	14	1,232	160	800
Total gains/(losses) recognised in the profit and loss account	-	-	237	10	118
- Dealing profits	-	-	237	10	118
- Other revenue	-	-	-	-	-
Purchases	-	-	11	89	19
New issuances	-	-	-	14	-
Sales	(185)	(6)	-	(162)	3
Settlements	-	-	(449)	(33)	(316)
Transfers out	-	(8)	(38)	(84)	(88)
Transfers in	-	-	186	141	122
At 31 December 2013	-	-	1,179	135	658
Total gains/(losses) recognised in the P&L account relating to those assets and liabilities held on 31 December 2013	-	-	225	8	110

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

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

28. 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 2012.

2012
(all figures in US$'M)

	Loans & Advances to Customers	**Debt securities & other fixed income securities**	**Trading assets**	**Trading assets**	**Trading liabilities**
	Residential Mortgage Loans	Corporate bonds	Derivative contracts	Corporate loans and commitments	Derivative contracts
At 1 January 2012	-	18	1,223	204	597
Total gains/(losses) recognised in the profit and loss account.	-	1	80	(1)	54
- Dealing profits	-	1	80	(1)	54
- Other revenue	-	-	-	-	-
Purchases	185	-	503	37	144
New issuances	-	-	-	-	-
Sales	-	-	-	(54)	92
Settlements	-	-	(725)	(16)	(163)
Transfers out	-	(5)	(113)	(20)	(128)
Transfers in	-	-	264	10	204
At 31 December 2012	185	14	1,232	160	800
Total gains/(losses) recognised in the P&L account relating to those assets and liabilities held on 31 December 2012	-	2	171	(12)	108

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

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

28. FAIR VALUE INFORMATION (CONTINUED)

Sensitivity analysis of unobservable inputs

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 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$117 million for the Group or to decrease the fair values by up to US$132 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

29. 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 comprised interest rate swaps that were 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 These fixed rate loans were repaid and the related hedging instruments were terminated in 2012

Gains or losses arising from fair value hedges	2013 US$'000	2012 US$'000
Gains/(losses):		
- on hedging instruments	-	828
- on the hedged items attributable to the hedged risk	-	(904)
Total ineffectiveness	-	(76)

(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 2013, the Group had derivatives equivalent to US$153 million (2012: US$146 million) hedging overseas net assets, the amount of ineffectiveness was negligible Changes in the US dollar value of the derivatives were taken to equity during the year, matching gains and losses of overseas operations upon consolidation

30. RISK MANAGEMENT

Legal Entity Risk Governance

The Group ensures suitable risk management and controls through the MLIB Risk Oversight Committee ("ROC") which is a sub-committee of the MLIB Board of Directors ("the Board") The ROC has been delegated responsibility for reviewing the Group's risk-taking activities, confirming that risk-taking activities are prudently managed within acceptable risk tolerance levels, reviewing the adequacy of the Group's capital, stress testing, risk policies and controls, and, providing reporting and recommendations to the Board on risk matters. In undertaking these responsibilities, the ROC is assisted by a number of MLIB management committees including the Asset and Liability Committee ("ALCO"), Credit Committee, Operational Risk Committee and New Products Committee

Legal entity risk governance in MLIB is built on the BAC approach to risk management as documented in the BAC Risk Framework. BAC take a comprehensive approach to risk management by fully integrating risk management with strategic, financial and customer/client planning so that goals and responsibilities align.

The risk management approach has five components

- Risk culture;
- Risk appetite and philosophy,
- Risk governance and organisation,
- Risk transparency reporting, and
- Risk management processes

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are market, credit, operational, liquidity, reputational, strategic and compliance risks

Set out below is a summary of the Group's approach to its key risk types

30. RISK MANAGEMENT (CONTINUED)

(a) Market risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest, currency exchange rates, and credit spreads or other risks

The Group seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate, price and spread movements of trading inventories and related financing and hedging activities The Group uses a combination of cash instruments and derivatives to manage its market risk exposures The following discussion describes the types of market risk faced by the Group

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 many different 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.

Equity Risk The potential for loss due to adverse changes in equity markets Equity shares, futures and options are the instruments used to manage this risk

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 Bonds and CDS on single name corporates and indices are used to manage this risk

To evaluate risk in the Group's trading activities, the focus is on the actual and potential volatility of individual positions as well as portfolios Value at Risk ("VaR") is a key statistic used to measure market risk. In order to manage day-to-day risks, VaR is subject to trading limits both for the BAC Group's overall trading portfolio and within individual businesses. All limit excesses are communicated to management for review

A VaR model simulates the value of a portfolio under a range of scenarios in order to generate a distribution of potential gains and losses The VaR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence VaR depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated Within any VaR model, there are significant and numerous assumptions that will differ from one institution to another. In addition, the accuracy of a VaR model depends on the availability and quality of historical data for each of the positions in the portfolio. A VaR model may require additional modelling assumptions for new products which do not have extensive historical price data, or for illiquid positions for which accurate daily prices are not consistently available

30. RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

For management purposes, the BAC Group's VaR model uses a historical simulation approach based on three years of historical data, a one day holding period and an expected shortfall methodology equivalent to a 99 percent confidence level (average of worst 19 days in the three year's P&L simulation). Statistically, this means that losses will exceed VaR, on average, one out of 100 trading days, or two to three times each year.

A VaR model is an effective tool in estimating ranges of potential gains and losses on the BAC Group's trading portfolios. There are, however, many limitations inherent in a VaR model as it utilises historical results over a defined time period to estimate future performance. Historical results may not always be indicative of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VaR model To ensure that the VaR model reflects current market conditions, the historical data underlying the BAC Group's VaR model is updated on a bi-weekly basis, and the assumptions underlying the model are regularly reviewed

The table that follows presents VaR analysis independently for each risk category for 2013 and 2012

99% Daily VaR in US$'000	Year End 2013	Daily Average	High	Low	Year End 2012
Group (Total)	**18,864**	**22,246**	**37,215**	**14,454**	**28,443**
Risk factor					
FX	11,231	14,450	25,376	7,466	16,944
Rates	14,818	17,228	28,070	11,127	19,614
Credit	2,558	4,424	14,995	1,562	14,926

99% Daily VaR in US$'000	Year End 2012	Daily Average	High	Low	Year End 2011
Group (Total)	**28,443**	**34,377**	**50,814**	**22,768**	**35,392**
Risk factor					
FX	16,944	19,167	31,212	10,064	14,157
Rates	19,614	26,886	45,443	17,342	26,723
Credit	14,926	19,772	24,710	14,722	24,518

In addition to VaR measures, the market risk department utilise a range of other risk measures including sensitivity analysis and stress testing to monitor exposures and to manage them using a robust set of limits

30. RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group defines credit risk as the loss arising from the inability or failure of a borrower, issuer or counterparty (collectively "counterparty") to meet its obligations Credit risk can also arise from operational failures that result in an erroneous advance, commitment or investment of funds The credit exposure to a counterparty is defined as the potential loss arising from all product classifications including loans and leases, derivatives, other extensions of credit Credit risk arising from changes in credit spreads is discussed in the market risk section

In line with the BAC Risk Framework, 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 primary credit risks of the Group relate to its derivatives and commercial lending activities:

The Group enters into International Swaps and Derivatives Association, Inc master agreements or their equivalent ("master netting agreements") with 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.

The Group's commercial lending activities consist primarily of corporate and institutional lending, in addition to certain asset-backed and secured lending 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

The Group typically provides drawn and committed but undrawn 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 and other secured finance facilities are typically secured by assets such as commercial mortgages, residential 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 performance of the collateral and/or associated cash flows are the expected source of repayment.

The Group also has loans to Global Wealth and Investment Management ("GWIM") clients which are collateralised with liquid securities held in client accounts the carrying value of such loans amounted to US$4,109 million at 31 December 2013 (2012 US$7,565 million)

30. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Additionally, the Group holds a portfolio of residential mortgage loans which are secured on residential property in the UK. The carrying value of such loans amounted to US$854 million at 31 December 2013 (2012. US$1,376 million).

The following is a summary of counterparty credit ratings, based on credit rating agency credit ratings, for the Group and Company's financial assets as at 31 December 2013 and 31 December 2012.

2013
Group

(all figures in US$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	6,559	206,278	1,754	305,314	519,905
Loans and advances to banks	75,898	2,909,482	462,132	12,214	3,459,726
Loans and advances to customers	-	9,010,597	664,973	4,964,738	14,640,308
Market and client receivables	73,381	13,255,397	203,287	46,499	13,578,564
Debt securities and other fixed income securities	3,020,834	1,711,159	5,832	7,727	4,745,552
Trading assets	901,710	365,340,005	2,708,774	-	368,950,489
Total financial assets	4,078,382	392,432,918	4,046,752	5,336,492	405,894,544
Guarantees, undrawn commitments and assets pledged as collateral security	203,045	2,657,001	724,058	12,035,205	15,619,309
Maximum credit exposure	4,281,427	395,089,919	4,770,810	17,371,697	421,513,853

2012
Group

(all figures in US$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	290,620	440,572	16,951	-	748,143
Loans and advances to banks	11,510	2,963,523	438,664	-	3,413,697
Loans and advances to customers	220	7,395,445	2,317,433	9,018,457	18,731,555
Market and client receivables	2,122,782	16,523,997	3,976,320	122,195	22,745,294
Debt securities and other fixed income securities	6,468,645	1,311,296	-	-	7,779,941
Trading assets	2,859,562	417,747,725	16,219,040	9,696	436,836,023
Total financial assets	11,753,339	446,382,558	22,968,408	9,150,348	490,254,653
Guarantees, undrawn commitments and assets pledged as collateral security	23,385	4,399,000	2,120,513	24,096,456	30,639,354
Maximum credit exposure	11,776,724	450,781,558	25,088,921	33,246,804	520,894,007

30. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

2013
Company

(all figures in US$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	6,559	203,041	1,754	305,314	516,668
Loans and advances to banks	75,898	2,909,482	462,132	12,214	3,459,726
Loans and advances to customers	-	9,017,006	664,973	4,963,236	14,645,215
Market and client receivables	73,381	13,253,490	203,287	46,499	13,576,657
Debt securities and other fixed income securities	3,020,834	1,711,159	5,832	7,727	4,745,552
Trading assets	901,710	365,340,005	2,708,774	-	368,950,489
Total financial assets	4,078,382	392,434,183	4,046,752	5,334,990	405,894,307
Guarantees, undrawn commitments and assets pledged as collateral security	203,045	2,657,001	724,058	12,035,205	15,619,309
Maximum credit exposure	4,281,427	395,091,184	4,770,810	17,370,195	421,513,616

2012
Company

(all figures in US$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Banks	24,784	379,168	14,442	-	418,394
Loans and advances to banks	4,409	2,963,523	438,664	-	3,406,596
Loans and advances to customers	-	7,465,634	2,317,433	7,983,429	17,766,496
Market and client receivables	2,120,574	16,516,905	3,972,186	112,078	22,721,743
Debt securities and other fixed income securities	6,468,645	1,311,296	-	-	7,779,941
Trading assets	2,859,405	417,686,197	16,256,702	28,535	436,830,839
Total financial assets	11,477,817	446,322,723	22,999,427	8,124,042	488,924,009
Guarantees, undrawn commitments and assets pledged as collateral security	23,385	4,559,602	2,120,513	23,927,005	30,630,505
Maximum credit exposure	11,501,202	450,882,325	25,119,940	32,051,047	519,554,514

*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.

30. 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$16,826 million (2012 US$21,769 million). The fair value of financial assets accepted as collateral that have been sold or repledged is US$16,704 million (2012 US$21,452 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$13,577 million (2012 US$20,492 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.

2013 (all figures in US$'000)	**Group** Maximum exposure to credit risk	Mitigated credit risk	**Company** Maximum exposure to credit risk	Mitigated credit risk
Cash and balances at Central Banks	519,905	-	516,668	-
Loans and advances to banks	3,459,726	268,671	3,459,726	268,671
Loans and advances to customers	14,640,308	7,053,494	14,645,215	7,053,494
Market and client receivables	13,578,564	13,578,564	13,576,657	13,576,657
Debt securities and other fixed income securities	4,745,552	1,702,167	4,745,552	1,702,167
Trading assets	368,950,489	365,112,352	368,950,489	365,112,352
Guarantees, undrawn commitments and assets pledged as collateral security	15,619,309	12,849,985	15,619,309	12,849,985

30. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

2012 (all figures in US$'000)	**Group** Maximum exposure to credit risk	Mitigated credit risk	**Company** Maximum exposure to credit risk	Mitigated credit risk
Cash and balances at Central Banks	748,143	-	418,394	-
Loans and advances to banks	3,413,697	257,029	3,406,596	257,029
Loans and advances to customers	18,731,555	13,272,276	17,766,496	12,308,288
Market and client receivables	22,745,294	22,745,294	22,721,743	22,721,743
Debt securities and other fixed income securities	7,779,941	1,552,305	7,779,941	1,552,305
Trading assets	436,836,023	430,051,779	436,830,839	430,046,595
Guarantees, undrawn commitments and assets pledged as collateral security	30,639,354	28,295,675	30,630,505	28,295,675

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.

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, equities, bonds, mutual funds, letters of credit, demand guarantees, insurance policies, other assets and charges over commercial and residential properties. Loans and advances to customers also includes a pool of unsecured third party loans that were 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.

30. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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 credit support annex's ("CSA") and master netting agreements as detailed above.

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 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 The credit risk mitigation balance for trading assets accordingly reflects the netting available for derivative instruments under the terms of master netting agreements and the value of any collateral, generally in the form of cash, held against derivative assets Further credit risk mitigation is provided on the derivatives portfolio through the purchase of both index linked and single name CDS protection however the financial effect of this has not been quantified. 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

The Group's off balance sheet exposure to credit risk is principally comprised of undrawn loan facilities for private clients 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 undrawn private client facilities that are required to be fully collateralised on drawdown It also includes the value of fully collateralised undrawn loan commitments, the notional value of CDS protection on certain undrawn 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

30. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Past due, but not impaired assets

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

2013

(all figures in 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	805,435	276	3	28	328	75
Loans and advances to customers	14,460	17,309	5,764	230	258	718
Fair value of associated collateral	13,312	15,703	5,831	304	572	1,477

2012

(all figures in 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	744,634	56,902	-	-	-	68,477
Loans and advances to customers	21,775	20,725	8,643	899	123	1,827
Fair value of associated collateral	19,556	17,971	7,829	1,356	182	2,602

Market and client receivables include amounts due from affiliates under derivative transactions Past due loans and advances to customers 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.

30. 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 during the period. 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 2012	572,480	16,045	41,283	629,808
Realised losses transferred to Other Operating Charges	(407,722)	(95)	(5,419)	(413,236)
Provision for bad and doubtful debts	31,269	(12,159)	(1,374)	17,736
At 31 December 2013	196,027	3,791	34,490	234,308
Gross loans in US$'000	440,204	102,129	17,792,009	18,334,342

- Company

	Individual impairment US$'000	Collective impairment US$'000	Latent impairment US$'000	Total impairment charges US$'000
At 31 December 2012	572,480	16,045	41,283	629,808
Realised losses transferred to Other Operating Charges	(407,722)	(95)	(5,419)	(413,236)
Provision for bad and doubtful debts	31,269	(12,159)	(1,374)	17,736
At 31 December 2013	196,027	3,791	34,490	234,308
Gross loans in US$'000	440,204	102,129	17,796,916	18,339,249

30. RISK MANAGEMENT (CONTINUED)

(c) 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 seven operational loss event categories: internal fraud, external fraud, employment practices, clients, products and business 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 is managed through independent functions consisting of: Corporate Operational Risk, Independent Line of Business ("LOB") Risk, Enterprise Control Functions ("ECF"), 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 Identify, Mitigate, Monitor, Report ("IMMR") model

Enterprise operational risk policies applicable to the Group include:

- 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

30. RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The Group's liquidity objective is to meet contractual and contingent financial obligations through market cycles and periods of liquidity stress, while maintaining compliance with all applicable regulatory requirements. The Group manages this risk by holding cash and unencumbered assets, which can be readily realised for cash, by maintaining committed credit facilities, and by appropriately matching the liquidity profile of its assets and liabilities

The Board has ultimate responsibility for the Group's liquidity risk management framework, as well as compliance with internal and regulatory liquidity adequacy requirements. The ROC has responsibility for liquidity risk issues, and reviews applicable limits and policies, reporting issues to the Boards where appropriate. Key components of the Group's liquidity risk management framework include

- A clear liquidity risk appetite established by the Board, based on net modelled outflows under an internally-developed severe stress scenario and regulatory requirements,
- An integrated liquidity governance framework, involving key functions and businesses,
- Comprehensive liquidity risk policies and contingency funding plans, and
- A robust framework of limits, guidelines and early warning indicators, monitored and reported to ensure ongoing compliance with internal and regulatory liquidity requirements

As a result, the Group maintains sufficient liquidity, both amount and quality, to meet day-to-day funding requirements of the business, withstand a range of stress scenarios, and comply with both current and forecast internal and regulatory requirements

30. RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table shows the liability maturity profile of the Group at 31 December 2013 and 31 December 2012:

2013

- Group (all figures in US$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	51,369	-	-	6,609
Customers accounts	9,452,307	986,070	296	137,241
Issued notes	-	-	-	-
Market and client payables	16,200,497	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	821,527	14,527,567	170,057	100,158
Trading liabilities*				
Trading liabilities	366,040,384	-	-	-

2012

- Group (all figures in US$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	103,537	8,544	-	5,332
Customers accounts	12,835,714	3,882,792	138,818	332,749
Issued notes	-	-	-	188,168
Market and client payables	20,278,314	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	2,859,429	24,885,188	2,857,322	37,415
Trading liabilities*				
Trading liabilities	439,130,897	-	-	-

*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 Company 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

30. RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table shows the liability maturity profile of the Company at 31 December 2013 and 31 December 2012:

2013

- Company (all figures in US$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	51,369	-	-	6,609
Customers accounts	9,579,286	986,070	296	137,241
Issued notes	-	-	-	-
Market and client payables	16,200,497	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	821,527	14,527,567	170,057	100,158
Trading liabilities*				
Trading liabilities	366,040,384	-	-	-

2012

- Company (all figures in US$'000)	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	103,537	-	-	5,332
Customers accounts	11,853,877	3,882,791	138,818	332,749
Issued notes	-	-	-	188,168
Market and client payables	20,269,165	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	2,935,502	24,800,266	2,857,322	37,415
Trading liabilities*				
Trading liabilities	439,130,897	-	-	-

*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

30. RISK MANAGEMENT (CONTINUED)

(e) Reputational risk

Reputational risk is the potential that negative perceptions of BAC's conduct or business practices will adversely affect its profitability, operations or customers and clients.

The Group manages reputational risk through BAC's established policies and controls in the business and risk management processes, programs and approaches to reacting to reputational risks in a timely manner and proactive monitoring and identification of potential reputational risk events

(f) Strategic risk

Strategic risk is the risk that results from adverse business decisions, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the macroeconomic environment, such as business cycles, competitor actions, changing customer preferences, product obsolescence, technology developments and regulatory environment BAC manage strategic risk through setting strategic risk appetite as part of the overall risk appetite, assessing strategic risk in connection with strategic, financial operating and recovery and resolution plans and by assessing earnings and risk profile throughout the year

At the enterprise level, significant strategic actions, such as material acquisitions, capital actions and recovery and resolution plans are reviewed and approved by the BAC Board Executive management approves and the BAC Board reviews the strategic plan every year. Also annually, executive management develops a financial operating plan and the BAC Board reviews and approves the plan Recovery and resolution plans are approved annually by the BAC Board, and risk and obstacles to an effective recovery or resolution are identified and mitigated in advance.

At the Business level, Committees exist to discuss the strategic risk and reward implications of new business and product entries, and provide approvals where appropriate Management Routines also play an important role in developing recommendations for Committees and executive management Global Control Functions provide key input and oversight to Business level strategic assessments

(g) Compliance risk

Compliance risk is the risk of legal or regulatory sanctions arising from the failure of BAC and its enterprise subsidiaries (which include the Group) to comply with requirements of banking and financial services laws, rules and regulations

The businesses are the primary risk takers and are responsible for managing risks in their day-to-day activities. They receive support in risk analysis from the Governance and Control Functions including Global Compliance ("GC"), which are collectively responsible for overseeing the Group's compliance with applicable laws, rules, and regulations. GC is separate from the Businesses and other Global Control Functions ("GCF") with governance routines and executive reporting distinct from those of the businesses and other control functions

30. RISK MANAGEMENT (CONTINUED)

Compliance risk (continued)

While GCFs collectively responsible for overseeing BAC's overall compliance with applicable laws, rules and regulations, GC assumes responsibility for compliance risks The Global Compliance Executive oversees and manages Corporate Compliance and Business/Enterprise Compliance functions that are responsible for identifying and mitigating compliance risks, escalating compliance awareness items, risks and issues and providing ongoing, objective compliance oversight for BAC globally. The Global Compliance Framework is an addendum to the Risk Framework which describes how GC oversees compliance risk across BAC and its enterprise subsidiaries. The Global Compliance Framework establishes elements, and related high level requirements for GC, as well as the roles and responsibilities related to implementation, execution and oversight of the Global Compliance Program

Basel II Pillar 3 disclosures

The Pillar 3 disclosures, required under the 2006 Basel Capital Accord in the form of the 'International convergence of Capital Measurement and Capital Standards' (commonly known as 'Basel II'), can be obtained via http //investor bankofamerica.com

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 2013, the Group applied the Standardised Approach for all of its business units

30. RISK MANAGEMENT (CONTINUED)

Transfers of financial assets

a) Transferred financial assets that continue to be recognised

Historically, the Group transferred certain assets in the ordinary course of business where the transfers failed to meet the derecognition criteria

Assets, primarily government bonds, were transferred under repurchase and securities lending agreements with affiliates However, during 2013 these assets were migrated to an affiliate, Merrill Lynch International, and the related repurchase and securities lending agreements were unwound.

2013
(all figures in US$'000)

	Assets	Related Liability
- Group and Company		
Debt Securities and other fixed income securities	-	-

2012
(all figures in US$'000)

	Assets	Related Liability
- Group and Company		
Debt Securities and other fixed income securities	655,997	657,992

b) Derecognised assets with ongoing continuing involvement

In prior years the Group transferred certain assets where the transfers met the derecognition criteria; however, the Group has retained continuing involvement in some form in the transferred assets.

The Group entered into securitisation transactions in which the Group sold certain residential mortgage loans to a third party vehicle. Certain Group subsidiaries entered into servicing arrangements with the securitisation vehicle in return for a market based fee. In addition, the Group also provides a liquidity facility arrangement to one securitisation vehicle The servicing arrangements and the liquidity facility represent the Group's continuing involvement in the transferred assets

The Group also transferred certain assets to independent third parties and provided financing for up to 75% of the purchase price under asset backed financing arrangements The assets concerned were derecognised and a secured loan to the third party recognised.

30. RISK MANAGEMENT (CONTINUED)

Transfers of financial assets (continued)

The following disclosures provide further information about the Group's ongoing exposure in relation to the transferred assets as a result of the continuing involvement and other transactions

2013
(all figures in US$'000)

	Carrying amount	Fair value	Maximum loss[1]
- Group & Company			
Loans and advances to customers	244,335	248,561	248,561
Other assets	12,728	12,728	12,728

2012
(all figures in US$'000)

	Carrying amount	Fair value	Maximum loss[1]
- Group & Company			
Loans and advances to customers[2]	535,648	533,553	359,218
Other assets	9,912	9,912	12,728

[1] Maximum loss has been determined as a default by the securitisation vehicle on derivative contracts, facility fees and servicing arrangements Maximum loss on consolidated assets is limited to the net financial assets held by the Group
[2] Includes the loans associated with a securitisation vehicle in which the Group acquired certain interests during the year ended 31 December 2012, which resulted in consolidation of that vehicle at the year end

There is no contractual requirement that could require the Group to repurchase the derecognised financial assets in relation to any of the above activity nor are there any amounts payable to the transferee in respect of the transferred assets

The following tables show information about gains and losses for these transactions·

2013
(all figures in US$'000)

	Gain or loss at date of transfer	Income (expense) in the year	Cumulative income (expense)
- Group & Company			
Loans and advances to customers	-	9,631	26,463
Other assets	-	10,802	89,973

2012
(all figures in US$'000)

	Gain or loss at date of transfer	Income (expense) in the year	Cumulative income (expense)
- Group & Company			
Loans and advances to customers	-	8,013	16,832
Other assets	-	11,835	79,171

31. NON-TRADING BOOK ACTIVITIES

The primary non-trading book activities of the Group comprise 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 re-pricing mismatches on the Group's and the Company's non-trading book as at 31 December 2013 and 31 December 2012. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date

31. NON-TRADING BOOK ACTIVITIES (CONTINUED)

2013 - 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
Assets							
Cash and balances at Central Banks	520	-	-	-	-	-	520
Loans and advances to banks	3,007	-	139	183	131	-	3,460
Loans and advances to customers	11,698	492	514	1,083	853	-	14,640
Market and client receivables	13,579	-	-	-	-	-	13,579
Other assets	-	-	-	-	-	108	108
Total assets	28,804	492	653	1,266	984	108	32,307
Liabilities							
Deposits by banks	51	-	-	-	7	-	58
Customer accounts	10,241	32	166	-	137	-	10,576
Market and client payables	16,200	-	-	-	-	-	16,200
Other liabilities	-	-	-	-	-	154	154
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	8,282	8,282
Total Liabilities and Shareholders' funds	26,492	32	166	-	4,791	8,436	39,917
Interest rate sensitivity gap	2,312	460	487	1,266	(3,807)	(8,328)	(7,610)
Cumulative gap	2,312	2,772	3,259	4,525	718	(7,610)	-

2012 - 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
Assets							
Cash and balances at Central Banks	736	-	12	-	-	-	748
Loans and advances to banks	2,975	-	-	314	125	-	3,414
Loans and advances to customers	13,871	-	1,579	1,828	1,269	-	18,547
Market and client receivables	22,745	-	-	-	-	-	22,745
Other assets	-	-	-	-	-	198	198
Total assets	40,327	-	1,591	2,142	1,394	198	45,652
Liabilities							
Deposits by banks	112	-	5	-	-	-	117
Customer accounts	16,096	-	622	139	333	-	17,190
Market and client payables	20,278	-	-	-	-	-	20,278
Other liabilities	-	-	-	-	-	168	168
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	8,644	8,644
Total Liabilities and Shareholders' funds	36,486	-	627	139	4,980	8,812	51,044
Interest rate sensitivity gap	3,841	-	964	2,003	(3,586)	(8,614)	(5,392)
Cumulative gap	3,841	3,841	4,805	6,808	3,222	(5,392)	-

31. NON-TRADING BOOK ACTIVITIES (CONTINUED)

2013 - 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	517	-	-	-	-	-	517
Loans and advances to banks	3,007	-	139	183	131	-	3,460
Loans and advances to customers	11,703	492	514	1,083	853	-	14,645
Market and client receivables	13,577	-	-	-	-	-	13,577
Other assets	-	-	-	-	-	85	85
Total assets	28,804	492	653	1,266	984	85	32,284
Liabilities							
Deposits by banks	51	-	-	-	7	-	58
Customer accounts	10,368	32	166	-	137	-	10,703
Market and client payables	16,200	-	-	-	-	-	16,200
Other liabilities	-	-	-	-	-	142	142
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	8,216	8,216
Total Liabilities and Shareholders' funds	26,619	32	166	-	4,791	8,358	39,966
Interest rate sensitivity gap	2,185	460	487	1,266	(3,807)	(8,273)	(7,682)
Cumulative gap	2,185	2,645	3,132	4,398	591	(7,682)	-

2012 - 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	406	-	12	-	-	-	418
Loans and advances to banks	2,968	-	-	314	125	-	3,407
Loans and advances to customers	13,216	-	1,480	1,635	1,250	-	17,581
Market and client receivables	22,722	-	-	-	-	-	22,722
Other assets	-	-	-	-	-	181	181
Total assets	39,312	-	1,492	1,949	1,375	181	44,309
Liabilities							
Deposits by banks	104	-	5	-	-	-	109
Customer accounts	15,114	-	622	139	333	-	16,208
Market and client payables	20,269	-	-	-	-	-	20,269
Other liabilities	-	-	-	-	-	147	147
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	8,416	8,416
Total Liabilities and Shareholders' funds	35,487	-	627	139	4,980	8,563	49,796
Interest rate sensitivity gap	3,825	-	865	1,810	(3,605)	(8,382)	(5,487)
Cumulative gap	3,825	3,825	4,690	6,500	2,895	(5,487)	-

31. NON-TRADING BOOK ACTIVITIES (CONTINUED)

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

	2013	2012
	US$'000	US$'000
Swiss Franc	-	100,813
Euro	(22,007)	14,862
Canadian Dollar	74,278	64,520
Bahraini Dinar	9,418	2,486
Pounds Sterling	79,767	74,438
	141,456	257,119

32. CONTINGENT LIABILITIES AND COMMITMENTS

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, the Group is involved in civil proceedings in which damages are or may be sought against it for allegedly misselling derivatives to public sector entities. No reliable estimate can be made as to any financial effect of these investigations.

BAC, as an active participant in the international capital markets, is subject to a number of investigations and/or enquires impacting the global banking industry It is BAC policy to co-operate fully in relation to these matters Many of these investigations are in progress at the time of approval of these accounts and as a result, the outcomes of these matters cannot be predicted At this time, the directors do not consider it necessary to make any provisions within the financial statements

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.

Following the acquisition, grants with respect to BAC 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") The ESPP was discontinued with effect from 31 March 2012 Total pre-tax compensation expense recognised by the Group for share based compensation plans for 2013 was US$47 million (2012· US$48 million). Fair market value was determined using the BAC share price of 31 December 2013 $15 57 (2012 was $11 61)

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. There were no shares granted under this plan during 2013 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 instalments 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 was 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 for grant under the KASP

33. SHARE BASED PAYMENTS (CONTINUED)

Financial Advisor Capital Accumulation Award Plans ("FACAAP")

The FACAAP is no longer an active plan and no awards were granted in the years 31 December 2009 to 2013 Prior to 2009, the FACAAP provided for awards to eligible employees in Merrill Lynch's Global Wealth Management division 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 BAC 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 BAC 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 There were no cash payments made in lieu of shares in the year ended 31 December 2013.

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 2013 and 2012 is as follows

	Restricted Shares	Restricted Units
Outstanding, beginning of 2012	1,288	7,923,899
Granted – 2012	2,642,653	5,840,372
Paid, forfeited, or released from contingencies	(2,643,941)	(4,667,057)
Outstanding, end of 2012	-	9,097,214
Granted – 2013	-	2,577,144
Impact of GWIM Sale	-	(413,424)
Paid, forfeited, or released from contingencies	-	(5,209,236)
Outstanding, end of 2013	-	6,051,698

33. SHARE BASED PAYMENTS (CONTINUED)

Non-qualified Stock options

All options outstanding as of 31 December 2013 are fully vested or are expected to vest.

The activity for non-qualified stock options under LTIC Plans for 2013 is as follows

	Options outstanding	Weighted average exercise price
Outstanding at 1 January 2013	224,233	50.26
Granted – 2013	-	-
Transfers In/(Out) 2013	(690)	69 63
Impact of GWIM Sale	(6,040)	47 58
Forfeited	(116,815)	40.10
Outstanding at 31 December 2013	100,688	62 07
Exercisable at 31 December 2013	100,688	62.07

At 31 December 2013, the weighted-average remaining contractual term of options outstanding and exercisable was less than 1.0 year (2012. 1 0 year) There were no stock options granted between 2009 and 2013 The weighted-average fair value of options granted in 2008 was US$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 2013.

Range of exercise prices	2013 Number	Weighted average remaining contractual life 2013	2012 Number	Weighted average remaining contractual life 2012
$30 00-$40.00	-	-	38,400	0 02
$40 00-$50.00	23,919	0 74	107,147	0 46
$50.00-$60 00	8,750	0 27	8,750	0 16
$60 00-$70 00	68,019	0 05	69,936	0 33
	100,688		224,233	

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$17 8 million (2012 US$23 6 million) in respect of operating leases in 2014.

	2013 US$'000		2012 US$'000	
Maturity of lease:	Land and Buildings	Other	Land and Buildings	Other
1 year to 5 years	2,355	485	7,759	873
Over 5 years	14,923	-	15,017	-
	17,278	485	22,776	873

35. PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Merrill Lynch UK Capital Holdings and the ultimate parent company and controlling party is BAC, a company organised and existing under the laws of 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 i_r@bankofamerica com The parent undertaking of the smallest group, including the Company, which prepares group financial statements is Merrill Lynch UK Holdings, a company incorporated in the United Kingdom Copies of the group financial statements of Merrill Lynch UK Holdings are available from the Company Secretary, 2 King Edward Street, London, EC1A 1HQ.

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

There were no transactions with directors or people who were officers of the Company at any time during the financial year. At 31 December 2012, the amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in the Group were US$1,186,947 in respect of loans to persons who were directors of the Company (or persons connected with them) at any time during the financial year The director resigned in October 2012 No balances were outstanding to people who were officers of the Group at any time during the financial year

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 2013
Majestic Acquisitions*	Investment holding company	United Kingdom	100%	29,276
Wave Holding*	Mortgage lending	United Kingdom	100%	16,624
Merrill Lynch Financial Services Ltd	Financial services	Ireland	100%	25,471
				71,371

The Company performed an impairment review of its subsidiaries and it was determined the net book value did not exceed the recoverable amount

37. SEGMENTAL REPORTING

The segmental analysis of the Group's results and financial position is set out below However, from a Group perspective, 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

2013 (all figures in US$'000)	**Global Markets**	**Global Wealth and Investment Management**
Net interest income	(46,961)	128,119
Net fees and commissions (paid) / received	(543,065)	189,057
Other operating income	502,794	27,761
TOTAL OPERATING INCOME	**(87,232)**	**344,937**
TOTAL OPERATING EXPENSES	**(392,535)**	**(215,300)**
NON OPERATING INCOME	(213,028)	269,662
(LOSS) / PROFIT BEFORE TAX	**(692,795)**	**399,299**
Total assets	401,839,915	4,186,044
Total liabilities	388,934,577	8,809,447

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

37. SEGMENTAL REPORTING (CONTINUED)

BUSINESS SEGMENTS

2012 (all figures in US$'000)	**Global Markets**	**Global Wealth and Investment Management**
Net interest income	(157,988)	185,941
Net fees and commissions (paid) / received	(431,865)	281,564
Other operating income	294,345	36,210
TOTAL OPERATING INCOME	**(295,508)**	**503,715**
TOTAL OPERATING EXPENSES	**(617,035)**	**(303,116)**
(LOSS) / PROFIT BEFORE TAX	**(912,543)**	**200,599**
Total assets	483,173,819	7,314,123
Total liabilities	471,778,469	10,065,692

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

38. POST BALANCE SHEET EVENTS

The Group's market risk on Global Markets derivatives was transferred to an affiliate in January 2014

The Group repaid most of its subordinated debt to Merrill Lynch International in January 2014

HEAD OFFICE, BRANCHES AND SUBSIDIARIES
FOR THE YEAR ENDED 31 DECEMBER 2013

Ireland
Central Park
Leopardstown
Dublin 18
Tel 353 1 243 8500

United Kingdom
2 King Edward Street
London, EC1A 1HQ
Tel: 44 20 7628 1000

Singapore
50 Collyer Quay
#14-01 OUE Bayfront
Singapore 049321
Tel: 65 6678 0000

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

France
112 Avenue Kleber
1st Floor
CS11682
75773 Paris Cedex 16
Tel: 33 1 5365 5555

Bahrain
Bahrain Middle East Bank Building
Office 42, Building 135
Road 1702, Block 317
Diplomatic Area
Manama

Netherlands
Rembrandt Tower, 27th Floor
Amstelplein 1
1096 HA Amsterdam
Or Postbus 95232
1090 HE Amsterdam
Tel: 31 20 5925 777

Germany
Main Tower
Neue Mainzer Strasse 52
60311 Frankfurt
Tel: 49 69 5899 0

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

Italy
Largo Fontanella Borghese 19
00186 Rome
Tel 39 06 6840 1824

In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

FC 26157

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

Companies House

✓ **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 r
an alteration of manner of co
with accounting requirement

A05 09/01/2015 #70
COMPANIES HOUSE

Part 1 Corporate company name

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

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	Merrill Lynch International Bank Limited
UK establishment number	B R 0 0 8 3 3 9

❶ 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 ❷ COMPANIES ACTS, 1963 to 2013 AND THE EUROPEAN COMMUNITIES (CREDIT INSTITUTIONS : ACCOUNTS) REGULATIONS, 1992

❷ 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**

Name of organisation or body ❸ FINANCIAL REPORTING COUNCIL AND PUBLISHED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

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

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 ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	FINANCIAL REPORTING COUNCIL AND PROMULGATED 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 ☐ **No** ☑ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature	Signature **X** [signature] FOR AND ON BEHALF OF MERRILL LYNCH CORPORATE SERVICES LIMITED, SECRETARY **X**

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 Services 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