REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

MERRILL LYNCH INTERNATIONAL BANK LIMITED

FOR THE PERIOD ENDED 31 DECEMBER 2009

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DIRECTORS AND OTHER INFORMATION

DIRECTORS	Jonathan Moulds – Chairman (UK national) Peter Keegan - Chief Executive Andrew Briski (UK national) Gavin Caldwell Kevin Cox (US national) Michael J D'Souza (UK national) Robert Everett (UK national) David Gu (US national) Robert G Murphy (US national) Liam O'Reilly Gordon Sangster (UK national) Price Sloan (US national) Paddy Teahon
REGISTERED OFFICE	Treasury Building Lower Grand Canal Street Dublin 2
SECRETARY	Merrill Lynch Corporate Services Limited 2 King Edward Street London EC1A 1HQ
AUDITORS	PricewaterhouseCoopers Chartered Accountants and Registered Auditors One Spencer Dock North Wall Quay Dublin 1

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 period ended 31 December 2009.

On 1 January 2009, the ultimate parent company and controlling party of the Company, Merrill Lynch & Co. Inc ("ML&Co") was acquired by Bank of America Corporation ("BAC"). Upon completion of the acquisition, a wholly owned subsidiary of Bank of America Corporation merged with and into ML&Co with ML&Co continuing as the surviving corporation and a wholly owned subsidiary of Bank of America Corporation. Upon completion of the acquisition, each outstanding share of ML&Co common stock was converted into 0.8595 shares of Bank of America Corporation common stock. On the same date, MLIB adopted calendar year-end reporting periods to coincide with those of BAC, consequently these financial statements cover the period from 27 December 2008 to 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is a non-US banking entity of BAC. The Group has its head office in Ireland with branch offices in Amsterdam, Bahrain, Frankfurt, London, Madrid, Milan, Dubai, Singapore, Seoul, Toronto, Paris and Brussels. During the period, the Company opened a new branch in Rome.

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

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

RESULTS AND DIVIDENDS

The Group's profit for the period on ordinary activities after taxation was US$92 million (2008: Loss of US$1,542 million) as set out in the consolidated profit and loss account. Operating income increased to US$1,728 million (2008: US$1,525 million) due in part to a gain of $272million on the repurchase of Newgate Funding Plc non-recourse financing notes from affiliate. Also included in operating income is a loss of US$375 million (2008: US$86 million) in relation to two incidents in which traders failed to appropriately value their positions. The Group promptly notified the Financial Regulator in respect of the incidents and commissioned full investigations. The Group took complete remedial action to fully rectify the breaches. The Financial Regulator required the Group to pay a monetary penalty in the sum of €2,750,000 which is included in the results. Operating expenses declined to US$1,663 million (2008: US$3,000 million). The key elements of this are further loan impairments of US$296 million (2008: US$715 million), realised losses on loan sales of US$728 million (2008 US$940 million) and general administrative expenses of $622 million (2008: US$825 million).

The Group's balance sheet decreased to US$477 billion (2008: US$674 billion) due principally to a reduction in trading assets to US$418 billion (2008: US$603 billion). This reduction is attributable to a decrease in both the number and mark-to-market value of derivative financial instruments in the trading portfolio which, in accordance with FRS 25: Financial instruments - Presentation ("FRS 25"), are 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 is largely offset by a decrease in trading liabilities to US$422 billion (2008 US$603 billion) and does not represent a significant change to the market risk in the Group as discussed in Note 30, Financial Risk Management.

RESULTS AND DIVIDENDS (CONTINUED)

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

	2009 US$'000	2008 US$'000	Movement %
Dealing profit	935,208	1,143,033	(18%)
Profit / (loss) on ordinary activities before taxation	64,134	(1,475,038)	N/M*
Profit / (loss) on ordinary activities after taxation	92,307	(1,541,692)	N/M
Shareholders' funds	10,572,869	8,423,891	26%
Trading Assets	417,604,654	603,206,633	(31%)

*Not meaningful

The directors have recommended that no dividends be declared (2008: US$Nil).

The Group's capital ratio at 31 December 2009, as reported to the Financial Regulator, was above the minimum requirement at 11.50% (2008: 11.68%) and its financial resources were US$14,924 million (2008: US$11,078 million), exceeding the minimum requirement by US$2,442 million (2008: US$1,496 million).

Capital Type	2009 US$ M	2008 US$ M
Tier One	10,200	7,453
Tier Two	4,424	3,025
Tier Three	300	600

Tier One capital is the Group's core capital and includes its equity capital, share premium and retained earnings. Tier Two and Tier Three capital consists of the Group's subordinated debt which it has received from its ultimate parent BAC. In addition, Tier Three capital can include the Group's unaudited trading book profits. Tier Two capital has a maturity profile of no less than five years, Tier Three a maturity profile of no less than two years.

GOING CONCERN

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

BUSINESS ENVIRONMENT

Capital market conditions showed some signs of improvement during 2009, and the Group's Rates and Currencies businesses benefited from both trading opportunities and client trading activity. Central Banks globally continued to take policy actions to stimulate economic activity. The European Central Bank lowered its benchmark interest rate from 2.5% to 1%. The Bank of England reduced its official bank rate to 0.5% at the same time as the Federal Reserve System kept the federal funds rate at a target rate of 0% to 0.25%. In the US, the Standard & Poors 500 Index increased 20% and the UK FTSE 100 index increased 19%.

BUSINESS ENVIRONMENT (CONTINUED)

However, during the year credit quality declined further as challenges remained in the global economy. The continued weakness has negatively impacted the valuation of the Group's net exposures to non-conforming related assets and other residential and commercial real estate related loans. This has resulted in a further impairment charge of US$296 million (2008: US$715 million) for the period. The Group also realised losses of US$728 million (2008 US$940 million) on the sale of loans as part of its continuing policy of reducing aggregate exposures to the above sectors.

Market dislocations that occurred throughout 2008 continued to impact the Group's results in 2009 and the Group's Global Wealth and Investment Management business was affected by the market downturn, which has adversely impacted fees and commissions.

OUTLOOK

The above conditions, together with continued weakness in the overall economy, will continue to affect many of the markets in which the Group does business and may adversely impact results for the foreseeable future. The degree of the impact depends on the duration and severity of such conditions and while these conditions appear to be stabilising, we do not expect them to significantly improve in the near future. A continuation or worsening of these difficult business or economic conditions would likely exacerbate the adverse effects on the Group.

In light of the continuing challenging credit conditions, the Group continues to focus on reducing its aggregate exposures, monitoring the underlying fundamentals of these positions and exercising prudent underwriting discipline with respect to any new financing commitments.

Global capital market conditions are expected to provide opportunities for the Group's trading businesses to increase client trading activity as well as provide additional trading opportunities. The directors expect that with the Group's regional and product diversification, future growth will be achieved by focusing on those business areas generating profits, whilst continuing to review and monitor the cost base.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business is exposed to a variety of risks that are inherent to the financial services industry. The most significant risks that the Group faces relate to market risk, credit risk, liquidity risk and operational risk. A more detailed description of these risks and how the Group manages them is provided in Note 30 to the financial statements.

BOOKS OF ACCOUNT

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

DIRECTORS AND SECRETARY

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

Jonathan Moulds – Chairman	Appointed 19 March 2009
Robert Wigley – ex Chairman	Resigned 31 December 2008
Peter Keegan – Chief Executive	Appointed 11 June 2009*
Michael G Ryan – ex Chief Executive	Resigned 30 October 2009
Andrew Briski	
Terry Winder	Resigned 19 March 2009
Andrew Chan	Resigned 31 January 2009
Gavin Caldwell	
Eva Castillo	Resigned 9 November 2009
Kevin Cox	
Michael J D'Souza	
David Gu	
Chris Hayward	Resigned 3 March 2009
Robert G Murphy	
Liam O'Reilly	
Paddy Teahon	
Robert Everett	Appointed 19 March 2009
Gordon Sangster	Appointed 19 March 2009
Price Sloan	Appointed 19 March 2009

*Appointed to the board 11 June 2009 and appointed Chief Executive 3 December 2009.

Merrill Lynch Corporate Services Limited continues to be 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 period.

CORPORATE GOVERNANCE

The Group's Board of Directors ('the Board') is responsible for approving the corporate strategy for the Group, monitoring and reviewing performance and providing oversight of major initiatives for the Group. The Board meets at least quarterly, to review the Group's business. In the course of conducting its business operations, the Group is exposed to a variety of risks including market, credit, liquidity and operational risks that are material and require comprehensive controls and ongoing oversight. To properly identify, measure, monitor and manage these risks, the Group has established a governance and risk management process to ensure that its risk-taking is consistent with its business strategy, capital structure and current and anticipated market conditions. The Board formally reviews its corporate governance on an annual basis to ensure that it meets industry best practice.

The Board has delegated day-to-day control and management of the Group's activities to management and various Board approved management committees. The Chief Executive and other members of the management team report at least quarterly to the various committees. The charters and composition of the various committees are reviewed annually and approved by the Board.

These committees perform an important oversight function for the Group.

The Risk Policy and Oversight Committee (the 'Risk Committee') is chaired by Mr. Robert G Murphy and its membership includes six additional directors. The Risk Committee is responsible for reviewing the Group's risk-taking activities and ensuring that such activities are prudently managed and within acceptable risk tolerance levels. The Credit Committee, the Asset and Liability Committee, the New Transactions Committee and the Operational Risk Committee report to the Risk Committee quarterly. These 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 also chaired by Mr. Robert G Murphy and its membership comprises three other non-executive directors. The Audit Committee monitors and reports to the Board on all audit and compliance matters affecting the Group. The Compliance Committee reports to the Audit Committee on all matters of a compliance, legal or regulatory nature affecting the Group.

REGULATORY DISCLOSURES

Under the guidance of the Financial Regulator, MLIB is required to provide certain regulatory disclosures. Copies of these disclosures can be obtained via email directly from: CompaniesSecretariesOfficeLondon@ml.com.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The total sum donated during the period by the Group to charitable organisations was US$141,387 (2008: US$127,288). The Group provides matched funding of certain contributions made by employees under a Give As You Earn scheme and donations made by employees to certain specified charities. There were no political donations made during the period (2008: US$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

During the period, Deloitte & Touche, Chartered Accountants, resigned as auditors in accordance with section 185 of the Companies Act, 1990. PricewaterhouseCoopers, Chartered Accountants, were appointed as auditors during the period and will continue in office in accordance with Section 160(2) of the Companies Act 1963.

Signed on behalf of the Board:

		ML Corp Services Ltd	
Jonathan Moulds	**Peter Keegan**	**Company Secretary**	**Robert Everett**
Chairman	*Chief Executive*	*Merrill Lynch Corporate Services Limited*	*Director*

Date
30 March 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies for the Group and the parent company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors confirm that they have complied with the above requirements.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the group and company financial statements on pages 20 to 71. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 12 to 19.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the 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.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

PRICEWATERHOUSECOOPERS

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the group's and company's affairs as at 31 December 2009 and of the group's profit and cash flows for the period then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

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

The net assets of the company, as stated in the company balance sheet on page 23 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

30 March 2010

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

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland are those issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value and are denominated in US Dollars (US$). Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. Comparative figures are shown “as restated” where affiliate balances have been re-classed from other assets and other liabilities to loans and advances to customers and customer accounts respectively.

FINANCIAL REPORTING STANDARDS

The Group adopted the amendment to FRS 26 - Financial instruments: recognition and measurement ("FRS 26") with effect from 27 December 2008. The amendment allows the reclassification of certain financial assets previously classified as ‘held for trading’ or ‘available for sale’ to another category under limited circumstances. The Group has not made any reclassifications under this amendment.

The amendment to FRS 29 - Financial Instruments: Disclosures (“FRS 29”) has not been applied in preparing these financial statements as it is effective for annual reporting periods beginning on or after 1 January 2009. The amendment will be relevant to the Group and increases the disclosure requirements about fair value measurement, introducing a three-level hierarchy for fair value measurement disclosure, with some specific quantitative disclosures required for financial instruments in the lowest level in the hierarchy.

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.

GROUP ACCOUNTS (CONTINUED)

Certain Group undertakings have entered into securitisation transactions in order to finance specific loans and receivables.

All financial assets subject to securitisation continue to be held on the Group's balance sheet and a liability is recognised for the proceeds of the funding received, unless:

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

INTEREST INCOME AND EXPENSE

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

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or liabilities) and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions 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 held for trading, loans and receivables or available-for-sale financial assets.

(a) Financial assets held for trading

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

Long and short inventory positions, including debt securities and other fixed income securities, held for trading purposes are recorded on a trade date basis and are valued at market price at the close of business on the balance sheet date. The net changes in fair values are reflected in the profit and loss account for the current period. 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 financial assets are not quoted in an active market, appropriate valuation techniques are used including recent market transactions, discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial assets.

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

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

(a) Fair value hedge

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

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

(b) Net investment hedge

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

FINANCIAL LIABILITIES

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

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

FAIR VALUE

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

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

The fair values of quoted investments in active markets are based on current prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm’s-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. More detailed information in relation to the fair value of financial instruments is included in Note 28.

MARKET AND CLIENT RECEIVABLES AND PAYABLES

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

SALE AND REPURCHASE AGREEMENTS

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

DERECOGNITION

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

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

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

(a) Individually assessed loans

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

Objective evidence of impairment exists if one or more of the following events have occurred:

- the borrower is in significant difficulty;
- actual breach of contract, such as default or delinquency, in interest or principal payments;
- the lender grants concessions to the borrower, for reasons relating to the borrower's financial difficulty, that are more favourable conditions than the lender would otherwise consider;
- there is a high probability that the borrower will undergo bankruptcy or other financial reorganisation;
- there is deterioration in the value of collateral for the loan; or
- there is a downgrading of assets below investment grade.

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

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The reversal is recognised in the profit and loss account.

Loans (and the related impairment allowance account) are normally written off, either partially or in full, when there is no realistic expectation of recovery of these amounts.

(b) Collectively assessed loans

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

IMPAIRMENT OF LOANS AND RECEIVABLES (CONTINUED)

The collective impairment allowance is determined after taking into account:

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

GOODWILL

Goodwill arising on acquisition of subsidiary undertakings is defined as the excess of the cost of investment over the fair value of the Group's share of separable net assets at the date of acquisition. Recognised goodwill is capitalised and amortised on a straight line basis over a 20 year period reflecting its estimated useful life. Impairment testing is performed by comparing the present value of the expected future cash flows from a business with the carrying amount of its net assets, including attributable goodwill. Goodwill is stated at amortised cost less accumulated impairment losses which are charged to the profit and loss account.

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 period comprises current tax and deferred tax.

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

Deferred tax is recognised as a liability or an asset if, prior to the balance sheet date, the Group or Company has entered into transactions or events that have occurred and that give rise to timing differences giving the Group or Company an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that they are considered recoverable by management and are reviewed at each balance sheet date. 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.

SHARE BASED PAYMENTS

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

PENSIONS

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

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

The Group also operates a defined benefit scheme in both Germany and Switzerland; all other schemes operated by the Group are defined contribution schemes. The major defined contribution scheme in Ireland is the Merrill Lynch Employee Benefit Plan. The costs of defined contribution schemes are calculated as a percentage of each employee's annual salary based on their age and length of service with the Group and are charged to the profit and loss account in the period in which they fall due.

LEASES

All leases are operating leases and the annual rentals are charged to the profit and loss account 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 PERIOD ENDED 31 DECEMBER 2009

	Notes	2009 US$'000	2008 US$'000
Interest income:	2		
- Other interest receivable and similar income		1,037,277	2,252,080
- Interest payable and similar charges		(519,844)	(1,573,496)
Fees and commissions:	3		
- Receivable		498,911	831,221
- Payable		(521,691)	(1,143,425)
Dealing profits	4	935,208	1,143,033
Other operating income	5	297,746	15,831
TOTAL OPERATING INCOME		**1,727,607**	**1,525,244**
Administrative expenses	6	622,433	825,017
Depreciation		17,331	11,396
Amortisation and impairment of goodwill		-	104,641
Other operating charges	7	728,117	1,344,644
Provisions for bad and doubtful debts	30	295,592	714,584
TOTAL OPERATING EXPENSES		**1,663,473**	**3,000,282**
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	8	**64,134**	**(1,475,038)**
Tax on profit / (loss) on ordinary activities	10	28,173	(66,654)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		**92,307**	**(1,541,692)**

All gains and losses arise from continuing activities. Notes 1 to 40 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 30 March 2010 and signed on its behalf by:

		ML Corp Services Ltd	
Jonathan Moulds *Chairman*	**Peter Keegan** *Chief Executive*	**Company Secretary** *Merrill Lynch Corporate Services Limited*	**Robert Everett** *Director*

MERRILL LYNCH INTERNATIONAL BANK LIMITED
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 DECEMBER 2009

	2009	2008
	US$'000	US$'000
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit / (loss) on ordinary activities after taxation	92,307	(1,541,692)
Losses on revaluation of available-for-sale investments taken to equity	(680)	-
Tax effect on revaluation of available-for-sale investments taken to equity	122	-
Exchange differences on translation of foreign operations	83,704	(27,448)
Exchange differences on translation of net investment hedge	(26,475)	52,201
Total recognised gains / (losses) for the period	148,978	(1,516,939)

Notes 1 to 40 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 2009

	Notes	2009	2008
		US$'000	US$'000
ASSETS			as restated
Cash and balances at Central Bank	11	1,040,751	1,783,406
Loans and advances to banks	12	3,341,504	8,696,219
Loans and advances to customers	13	30,235,594	41,508,238
Market and client receivables	14	22,118,882	16,068,949
Debt securities and other fixed income securities	16	2,342,684	1,443,624
Trading assets	30	417,604,654	603,206,633
Deferred taxation	17	74,718	28,116
Tangible fixed assets		44,217	41,489
Other assets	18	350,046	1,123,536
TOTAL ASSETS		**477,153,050**	**673,900,210**
LIABILITIES			
Deposits by banks	19	460,792	2,251,994
Customer accounts	20	17,727,705	22,828,201
Non-recourse financing	15	955,369	1,950,703
Market and client payables	21	19,850,453	31,521,953
Trading liabilities	30	422,163,120	602,654,072
Other liabilities	23	551,790	491,837
Accruals and deferred income		223,952	530,559
Subordinated debt	24	4,647,000	3,247,000
TOTAL LIABILITIES		466,580,181	665,476,319
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	2,065,875
Available-for-sale reserve	26	(558)	-
Net investment hedge reserve	26	(5,648)	20,827
Retained earnings	26	2,582,774	2,406,763
		10,572,869	8,423,891
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**477,153,050**	**673,900,210**
MEMORANDUM ITEMS			
Guarantees, undrawn commitments and assets pledged as collateral security	30	32,105,894	41,191,191

Notes 1 to 40 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 30 March 2010 and signed on its behalf by:

ML Corp Services Ltd

Jonathan Moulds
Chairman

Peter Keegan
Chief Executive

Company Secretary
Merrill Lynch Corporate Services Limited

Robert Everett
Director

MERRILL LYNCH INTERNATIONAL BANK LIMITED
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009	2008
		US$'000	US$'000
ASSETS			as restated
Cash and balances at Central Bank	11	834,633	1,353,814
Loans and advances to banks	12	3,085,853	8,665,478
Loans and advances to customers	13	28,936,519	41,332,183
Market and client receivables	14	21,882,517	15,819,171
Debt securities and other fixed income securities	16	2,342,684	1,443,624
Trading assets	30	420,823,257	601,613,343
Deferred taxation	17	72,040	25,138
Investment in subsidiaries	38	268,641	268,641
Tangible fixed assets		37,386	33,964
Other assets	18	333,478	891,359
TOTAL ASSETS		**478,617,008**	**671,446,715**
LIABILITIES			
Deposits by banks	19	421,459	2,106,561
Customer accounts	20	16,484,377	22,460,034
Non-recourse financing	15	955,369	1,950,703
Market and client payables	21	19,828,021	31,195,663
Trading liabilities	30	422,149,002	601,056,786
Other liabilities	23	493,455	444,695
Accruals and deferred income		3,497,076	938,039
Subordinated debt	24	4,647,000	3,247,000
TOTAL LIABILITIES		468,475,759	663,399,481
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	2,065,875
Available-for-sale reserve	26	(558)	-
Net investment hedge reserve	26	(5,648)	20,827
Retained earnings	26	2,151,154	2,030,106
		10,141,249	8,047,234
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**478,617,008**	**671,446,715**
MEMORANDUM ITEMS			
Guarantees, undrawn commitments and assets pledged as collateral security	30	32,563,626	41,093,297

Notes 1 to 40 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 30 March 2010 and signed on its behalf by:

ML Corp Services Ltd

Jonathan Moulds	**Peter Keegan**	**Company Secretary**	**Robert Everett**
Chairman	*Chief Executive*	*Merrill Lynch Corporate Services Limited*	*Director*

1. ACCOUNTING PERIOD

The Company's financial year consisted of a fifty-three (2008: fifty-two) week period ending on 31 December (2008: 26 December). The Company has aligned its financial year with that of its ultimate parent company BAC following the completion of the all-stock acquisition of ML&Co by BAC on 1 January 2009.

2. INTEREST INCOME

	2009 US$'000	2008 US$'000
Other interest receivable and similar income		
- Loans and advances to banks	52,595	288,829
- Loans and advances to customers	771,680	1,629,158
- Debt securities and other fixed income securities	111,576	157,212
- Loans to affiliates	99,011	173,577
- Other assets	2,415	3,304
	1,037,277	2,252,080
Interest payable and similar charges		
- Deposits by banks	(20,705)	(242,433)
- Customer accounts	(328,039)	(601,393)
- Non-recourse financing	(25,110)	(131,725)
- Loans from affiliates	(116,873)	(593,869)
- Other liabilities	(29,117)	(4,076)
	(519,844)	(1,573,496)

Included in interest receivable is US$76.8 million (2008: US$29.4 million) of interest on impaired loans and advances to customers, accrued but not yet received.

3. FEES AND COMMISSIONS

	2009 US$'000	2008 US$'000
Receivable		
- Intercompany service fees	339,957	592,911
- Investment banking fees	16,986	72,514
- Private client fees	99,713	134,576
- Commissions	28,372	20,839
- Other fees	13,883	10,381
	498,911	831,221
Payable		
- Intercompany service fees	(410,385)	(930,151)
- Brokerage fees	(56,174)	(90,582)
- Exchange and clearing house fees	(9,152)	(18,974)
- Other fees	(45,980)	(103,718)
	(521,691)	(1,143,425)

4. DEALING PROFITS

Dealing profit includes the gains and losses on financial instruments held for trading. It comprises the gains and losses arising from the purchase and sale of these instruments, the interest income receivable and interest expense payable 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 and interest rate swaps and options.

5. OTHER OPERATING INCOME

	2009 US$'000	2008 US$'000
Repurchase of Newgate funding Plc non-recourse financing notes from affiliate	271,636	-
FX revaluation gains	21,145	-
Other	4,965	15,831
	297,746	15,831

6. ADMINISTRATIVE EXPENSES

	2009 US$'000	2008 US$'000
Wages and salaries	362,592	511,402
Social welfare*	41,932	31,379
Pension costs (Note 22)	21,578	24,103
Professional fees	28,061	66,061
Occupancy and related depreciation	43,853	46,744
Communications and technology	41,732	60,008
Other administrative expenses	82,685	85,320
	622,433	825,017

*In December 2009 the UK government announced proposed legislation that will lead to a tax in respect of certain bonuses payable by banks and banking groups. The proposed tax, a liability of the employer, is expected to be levied at a rate of 50% and is expected to apply to bank bonuses of more than £25,000, whether in cash or shares, over a certain period. Although the proposed legislation has not yet been enacted, the estimated impact has been accrued and a charge of US$13.8 million taken in the current period, which is included in social welfare costs above, with any additional amounts deferred until future years in accordance with the terms of the underlying awards.

Average number of persons employed:	2009	2008
Sales and trading	446	609
Sales and trading support	291	226
Other support services	1,249	1,657
	1,986	2,492

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

7. OTHER OPERATING CHARGES

	2009 US$'000	2008 US$'000
Realised loss on sale of loans to customers	728,117	939,615
FX revaluation losses	-	405,029
	728,117	1,344,644

The FX revaluation losses include amounts relating to economic hedges of certain fair value movements on the Group's loan portfolio. These movements are recognised in the ultimate parent company's accounts under US Generally Accepted Accounting Practice ("GAAP"), but are not in the Group's accounts under Irish GAAP in the same period of accounts. Thus although the Group is economically hedged against foreign exchange movements on these fair value movements, the hedges will give rise to foreign exchange volatility in the Group's profit and loss account under Irish GAAP.

8. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2009 US$'000	2008 US$'000
Profit / (loss) on ordinary activities before taxation is stated after (charging):		
Depreciation of tangible fixed assets	(17,331)	(11,396)
Directors' remuneration:		
Fees paid by the Group	(348)	(398)
Other emoluments	(13,500)	(11,957)
(Included in 2009: US$91,000 (2008: US$73,000) in respect of pension contributions)		
Operating lease rentals (Note 36)	(26,765)	(27,318)
Auditors' remuneration	(3,570)	(3,570)

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

Of the consolidated profit after tax for the financial period, profits of US$76 million (2008: loss of US$1,384 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. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES	2009 US$'000	2008 US$'000
Taxation on profit / (loss) on ordinary activities:		
Corporation tax charge	(20,577)	(42,162)
Deferred tax credit	42,741	(2,170)
	22,164	(44,332)
Adjustments in respect of prior periods	6,009	(22,322)
	28,173	(66,654)

The effective tax rate for 2009 is (43.93%) (2008: 4.52%).

10. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the tax charge for the period:

The current tax charge for the period differs from the current credit / charge that would result from applying the standard rate of Irish Corporation tax (2009: 12.5% and 2008: 12.5%) to the profit / (loss) on ordinary activities. The difference is explained below:

	2009 US$'000	2008 US$'000
Profit / (loss) on ordinary activities before tax	64,134	(1,475,038)
Tax charge at the standard rate of corporation tax of 12.5%	8,017	(184,380)
Effects of:		
Foreign taxes	(8,368)	(232,973)
Timing difference with respect to losses	372,741	-
Tax losses surrendered to affiliates for no payment	-	99,420
(Expense) / Income generated from undertakings with affiliated companies*	(368,480)	375,060
Other	16,667	(14,965)
Corporation tax charge	20,577	42,162

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

Ireland	12.5%	Germany	15.0%
UK	28.0%	Switzerland	8.5%
Singapore	18.0%	Belgium	33.0%
Netherlands	25.5%	Dubai	0.0%
Spain	30.0%	France	33.3%
Bahrain	0.0%	Korea	25.0%
Italy	27.5%	Canada	19.0%

*In 2008, the UK branch of the Company entered into transactions with other ML&Co group companies which utilised 2008 UK tax losses which would otherwise have been denominated in Pounds Sterling, totalling US$1,316 million. In 2009, as a consequence of a change in UK tax law which redenominated the tax losses of the UK Branch into US Dollars, these foreign exchange management transactions were terminated and tax losses of US$1,316 million were reinstated.

11. CASH AND BALANCES AT CENTRAL BANK

	2009 US$'000	2008 US$'000
- Group		
Cash in hand	627,740	1,375,245
Balances with central banks other than mandatory reserve deposits	16,429	36,852
Mandatory reserve deposits with Central Banks	396,582	371,309
	1,040,751	1,783,406
- Company		
Cash in hand	424,222	948,149
Balances with central banks other than mandatory reserve deposits	16,429	36,852
Mandatory reserve deposits with Central Banks	393,982	368,813
	834,633	1,353,814

12. LOANS AND ADVANCES TO BANKS

	2009 US$'000	2008 US$'000
- Group		
Analysed by remaining maturity:		
Repayable on demand	184,684	41,970
3 months or less but not on demand	2,951,643	6,919,777
1 year or less but over 3 months	2,191	1,342,952
5 years or less but over 1 year	280	-
Over 5 years	202,706	391,520
	3,341,504	8,696,219
- Company		
Analysed by remaining maturity:		
3 months or less but not on demand	2,882,867	6,931,006
1 year or less but over 3 months	-	1,342,952
5 years or less but over 1 year	280	-
Over 5 years	202,706	391,520
	3,085,853	8,665,478

13. LOANS AND ADVANCES TO CUSTOMERS

	2009 US$'000	2008 US$'000 as restated
- Group		
Analysed by remaining maturity:		
Repayable on demand	8,376,608	13,065,668
3 months or less but not on demand	10,133,501	11,635,689
1 year or less but over 3 months	2,080,160	5,242,463
5 years or less but over 1 year	4,563,116	5,312,829
Over 5 years	5,082,209	6,251,589
	30,235,594	41,508,238

13. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2009 US$'000	2008 US$'000 as restated
- Company		
Analysed by remaining maturity:		
Repayable on demand	8,333,352	13,498,193
3 months or less but not on demand	9,581,577	10,992,875
1 year or less but over 3 months	1,682,815	4,707,808
5 years or less but over 1 year	4,509,459	5,216,273
Over 5 years	4,829,316	6,917,034
	28,936,519	41,332,183

Amounts due from affiliate companies at 31 December 2009 amounted to US$9,026 million (2008: US$11,359 million).

There were provisions for bad and doubtful debts of US$1,139 million as at 31 December 2009 (2008: US$844 million) against assets in the Group's portfolio. Further information is given in Note 30 under credit risk impairment charges. Provisions for bad and doubtful debts in respect of assets in the Company's portfolio amounted to US$1,139 million as at 31 December 2009 (2008: US$806 million).

14. MARKET AND CLIENT RECEIVABLES

	2009 US$'000	2008 US$'000
- Group		
Analysed by remaining maturity:		
On demand	22,118,882	16,068,949
	22,118,882	16,068,949
- Company		
Analysed by remaining maturity:		
On demand	21,882,517	15,819,171
	21,882,517	15,819,171

Market and client receivables mainly relates to cash collateral.

15. NON-RECOURSE FINANCING

Loans and advances to customers include mortgage loans which are subject to non-recourse finance arrangements. These loans have been transferred to special purpose securitisation companies, Mortgages No. 6 Plc, Mortgages No. 7 Plc, Newgate Funding Plc, Ludgate Funding Plc, Scannan Finance Ltd and Moorgate Funding Ltd which are ultimately beneficially owned by charitable trusts and have been funded primarily through the issuance of floating rate notes. No gain or loss has been recognised as a result of these transfers. The special purpose securitisation companies are consolidated as legal subsidiaries, under FRS 2: ‘Accounting for Subsidiary Undertakings’ and the Companies Acts 1963 to 2009. A list of all of the Group’s principal subsidiaries is included in Note 38.

Holders of the floating rate notes are only entitled to obtain payment of principal and interest to the extent that the resources of the securitisation companies are sufficient to support such payments and the holders of the floating rate notes have no recourse in any other form. The priority and amount of claims on the proceeds generated by the assets are determined in accordance with a strict priority of payments.

The Group has no obligation or intention to repurchase any securitised loans unless certain representations and warranties given by the Group at the time of transfer are breached. The Group also has no obligation or intention to financially support any of the securitisation companies. The special purpose securitisation companies are as follows:

- Group and Company		**2009**	**2009**	**2008**	**2008**
Securitisation Company	Date of Securitisation	Gross Assets Securitised US$’000	Non-recourse finance US$’000	Gross Assets Securitised US$’000	Non-recourse finance US$’000
Mortgages No. 6 Plc	Dec 2004	142,372	142,931	150,796	144,737
Mortgages No. 7 Plc	Aug 2005	328,263	332,123	349,775	342,715
Taurus CMBS No. 2 Srl	Dec 2005	-	-	170,952	213,654
Newgate Funding Plc (2007-03)	Dec 2007	1,199,558	46,429	1,193,799	809,151
Ludgate Funding Plc (2008-W1)	Jan 2008	564,860	433,886	534,208	440,446
Scannan Finance Ltd	Feb 2009	638,461	-*	-	-
Moorgate Funding Ltd	Mar 2009	1,364,774	-*	-	-
		4,238,288	955,369	2,399,530	1,950,703

*No notes have been sold to third parties

16. DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES

	2009 US$'000	2008 US$'000
- Group and Company		
Held for Trading:		
Listed securities		
- Government securities	1,032,128	973,829
- Corporate bonds	368,744	310,555
	1,400,872	1,284,384
Available-for-sale:		
Unlisted securities		
- Short term government securities	941,812	159,240
	941,812	159,240
Total debt securities and other fixed income securities	2,342,684	1,443,624
Analysed by remaining maturity:		
Due within one year	1,251,187	294,295
Due one year and over	1,091,497	1,149,329
	2,342,684	1,443,624

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

- Group and Company	2009 US$'000	2008 US$'000
At 26 December 2008	159,240	90,039
Revaluation, exchange and other adjustments	(676)	-
Additions	2,934,847	159,240
Redemptions	(2,151,599)	(90,039)
At 31 December 2009	941,812	159,240

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

17. DEFERRED TAXATION

	2009 US$'000	2008 US$'000
- Group		
Timing differences related to:		
- Accelerated capital allowances	402	1,665
- Compensation and social security costs	9,169	7,911
- Other timing differences	65,147	18,540
	74,718	28,116
- Company		
Timing differences related to:		
- Accelerated capital allowances	402	1,665
- Compensation and social security costs	9,169	7,911
- Other timing differences	62,469	15,562
	72,040	25,138

Movement on deferred taxation:	2009 US$'000	2008 US$'000
- Group		
Balance at start of period	28,116	43,020
Deferred tax charge in profit and loss account relating to current period	42,741	(2,170)
Adjustment relating to available-for-sale assets	122	-
Adjustment relating to change in future tax rate	-	65
Adjustment in respect of previous periods	3,739	(12,799)
Balance at end of period	74,718	28,116
- Company		
Balance at start of period	25,138	39,670
Deferred tax charge in profit and loss account relating to current period	42,902	(2,248)
Adjustment relating to available-for-sale assets	122	-
Adjustment relating to change in future tax rate	-	65
Adjustment in respect of previous periods	3,878	(12,349)
Balance at end of period	72,040	25,138

Management is of the opinion that the Company and the Group will be able to generate future taxable income to recover the deferred tax asset recognised at the balance sheet date, having considered historic performance. The amount of deferred tax asset not recognised by the Company for the period ended 31 December 2009 was US$369m (2008: US$Nil), principally in relation to tax losses.

18. OTHER ASSETS

	2009 US$'000	2008 US$'000 as restated
- Group		
Prepaid taxation	23,332	26,371
Prepayments, accrued income & other	14,060	509,579
Claims receivable*	204,951	382,615
Interest receivable	107,703	204,971
	350,046	1,123,536
- Company		
Prepaid taxation	16,920	26,921
Prepayments, accrued income & other	13,782	296,061
Claims receivable*	204,951	384,326
Interest receivable	97,825	184,051
	333,478	891,359

*Claims receivable relate to derivative counterparty bankruptcies in 2008.

19. DEPOSITS BY BANKS

	2009 US$'000	2008 US$'000
- Group		
Analysed by remaining maturity:		
Repayable on demand	286,282	501,155
3 months or less but not on demand	143,908	712,547
1 year or less but over 3 months	30,602	1,038,292
	460,792	2,251,994
- Company		
Analysed by remaining maturity:		
Repayable on demand	246,949	355,722
3 months or less but not on demand	143,908	712,547
1 year or less but over 3 months	30,602	1,038,292
	421,459	2,106,561

20. CUSTOMER ACCOUNTS

	2009 US$'000	2008 US$'000 as restated
- Group		
Analysed by remaining maturity:		
Repayable on demand	7,560,106	10,807,240
3 months or less but not on demand	7,597,865	10,875,522
1 year or less but over 3 months	2,460,883	893,291
5 years or less but over 1 year	94,499	199,953
Over 5 years	14,352	52,195
	17,727,705	22,828,201
- Company		
Analysed by remaining maturity:		
Repayable on demand	6,223,061	10,395,733
3 months or less but not on demand	7,691,583	10,918,862
1 year or less but over 3 months	2,460,883	893,291
5 years or less but over 1 year	94,499	199,953
Over 5 years	14,351	52,195
	16,484,377	22,460,034

Amounts due to affiliate companies at 31 December 2009 amounted to US$2,447 million (2008: US$5,234 million) which includes an amount of US$6.6 million (2008: US$0.6 million) due to the Group's immediate parent, Merrill Lynch Group Holdings Limited.

21. MARKET AND CLIENT PAYABLES

	2009 US$'000	2008 US$'000
- Group		
Analysed by remaining maturity:		
On demand	19,850,453	31,521,953
	19,850,453	31,521,953
- Company		
Analysed by remaining maturity:		
On demand	19,828,021	31,195,663
	19,828,021	31,195,663

Market and client payables mainly relates to cash collateral.

22. PENSIONS

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

- Group	2009 US$'000	2008 US$'000
Defined contribution scheme	14,037	16,689
Defined benefit scheme	7,541	7,414
	21,578	24,103

The latest formal triennial actuarial valuation of the Merrill Lynch (UK) Pension Plan, ("the Plan", formerly the Merrill Lynch (UK) Final Salary Plan) was carried out as at 31 December 2008. That assessment showed that the Plan had a deficit (or shortfall) of £263.7 million relative to the technical provisions (i.e. the level of assets agreed by the Trustee and the Company 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 Company.

Following discussions and on the basis of actuarial advice, it was agreed that to fund the deficit the employing Companies would pay an additional contribution of £23.7 million in the period to 31 December 2009 (as had previously been agreed and this was paid in March 2009), followed by contributions of £32.6 million per year paid by 31 March in each calendar year for six years from 2010 to 2015, and a further additional contribution of £29.2 million by 31 March 2016.

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

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

The contribution requirement is monitored following each annual funding review and any contribution payments may be adjusted accordingly. The next informal funding review of the Plan has been carried out as at 31 December 2009. Contributions to the Plan are recorded in the Company's accounts as 'defined contribution' in line with accounting rules on multi-employer schemes.

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

Date of latest valuation	31 December 2009
Salary growth	3.00%
Discount rate	5.25%

The German scheme's liabilities at 31 December 2009 were US$50 million (2008: US$43 million) and are provided in the accounts.

22. PENSIONS (CONTINUED)

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

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

Date of latest valuation	31 December 2009
Compensation growth	2.50%
Discount rate	2.75%

The Swiss scheme's liabilities including MLIB at 31 December 2009 were US$24 million (2008: US$47m).

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

23. OTHER LIABILITIES

	2009 US$'000	2008 US$'000 as restated
- Group		
Provision for pensions	46,084	43,448
Corporation tax payable	34,175	59,616
Other accruals	447,783	365,570
Payroll taxes	23,664	15,161
VAT	84	8,042
	551,790	491,837
- Company		
Provision for pensions	46,080	43,448
Corporation tax payable	5,817	28,200
Other accruals	418,959	350,724
Payroll taxes	22,515	14,281
VAT	84	8,042
	493,455	444,695

24. SUBORDINATED DEBT

	2009 US$'000	2008 US$'000
- Group and Company		
US$ 4,680 million subordinated debt repayable 01 February 2015, Libor + 100bps	4,647,000	3,247,000
	4,647,000	3,247,000

During 2009, the facility with ML&Co remained at US$4,680 million (2008: US$4,680 million). The Group also retains a second facility with ML&Co of US$2.5 billion maturing on 1 February 2013 at Libor + 665bps (2008: US$500 million maturing on 1 February 2010 at Libor + 100bps) which remained undrawn throughout the period.

25. SHARE CAPITAL

- Group and Company

Authorised	2009 No.	2009 US$	2008 No.	2008 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	2009 No.	2009 US$	2008 No.	2008 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 2009 rank 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. All others rank as pari passu. 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

- Group (all in US$'000)	Share Capital	Share Premium	Capital Contribution	Available -for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 26 December 2008	32,067	3,898,359	2,065,875	-	2,406,763	20,827	8,423,891
Capital contribution	-	-	2,000,000	-	-	-	2,000,000
Profit for the period	-	-	-	-	92,307	-	92,307
Currency translation adjustment	-	-	-	-	83,704	-	83,704
Net investment hedge	-	-	-	-	-	(26,475)	(26,475)
Movement in available-for-sale reserve	-	-	-	(680)	-	-	(680)
Tax effect on movement of available-for-sale reserve	-	-	-	122	-	-	122
As at 31 December 2009	32,067	3,898,359	4,065,875	(558)	2,582,774	(5,648)	10,572,869

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

- Company (all in US$'000)	Share Capital	Share Premium	Capital Contribution	Available-for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 26 December 2008	32,067	3,898,359	2,065,875	-	2,030,106	20,827	8,047,234
Capital contribution	-	-	2,000,000	-	-	-	2,000,000
Profit for the period	-	-	-	-	75,550	-	75,550
Currency translation adjustment	-	-	-	-	45,498	-	45,498
Net investment hedge	-	-	-	-	-	(26,475)	(26,475)
Movement in available-for-sale reserve	-	-	-	(680)	-	-	(680)
Tax effect on movement of available-for-sale reserve	-	-	-	122	-	-	122
As at 31 December 2009	32,067	3,898,359	4,065,875	(558)	2,151,154	(5,648)	10,141,249

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

- Group (all in US$'000)	Share Capital	Share Premium	Capital Contribution	Available-for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 28 December 2007	32,067	3,898,359	790,875	39	3,975,903	(31,374)	8,665,869
Capital contribution	-	-	1,275,000	-	-	-	1,275,000
Loss for the period	-	-	-	-	(1,541,692)	-	(1,541,692)
Currency translation adjustment	-	-	-	-	(27,448)	-	(27,448)
Net investment hedge	-	-	-	-	-	52,201	52,201
Movement in available-for-sale reserve	-	-	-	(39)	-	-	(39)
As at 26 December 2008	32,067	3,898,359	2,065,875	-	2,406,763	20,827	8,423,891

- Company (all in US$'000)	Share Capital	Share Premium	Capital Contribution	Available-for-sale Reserve	Retained Earnings	Net Investment Hedge	Total
As at 28 December 2007	32,067	3,898,359	790,875	39	3,488,054	(31,374)	8,178,020
Capital contribution	-	-	1,275,000	-	-	-	1,275,000
Loss for the period	-	-	-	-	(1,384,337)	-	(1,384,337)
Currency translation adjustment	-	-	-	-	(73,611)	-	(73,611)
Net investment hedge	-	-	-	-	-	52,201	52,201
Movement in available-for-sale reserve	-	-	-	(39)	-	-	(39)
As at 26 December 2008	32,067	3,898,359	2,065,875	-	2,030,106	20,827	8,047,234

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:

2009
All figures in US$'M

ASSETS	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	**Total**
Cash and balances at Central Bank	-	1,041	-	-	-	1,041
Loans and advances to banks	-	3,342	-	-	-	3,342
Loans and advances to customers	-	30,236	-	-	-	30,236
Market and client receivables	-	22,119	-	-	-	22,119
Debt securities and other fixed income securities	1,401	-	-	942	-	2,343
Trading assets	417,605	-	-	-	-	417,605
	419,006	**56,738**	**-**	**942**	**-**	**476,686**
LIABILITIES						
Deposits by banks	-	-	461	-	-	461
Customer accounts	-	-	17,728	-	-	17,728
Non-recourse financing	-	-	955	-	-	955
Market and client payables	-	-	19,850	-	-	19,850
Trading liabilities	422,158	-	-	-	5	422,163
Subordinated debt	-	-	4,647	-	-	4,647
	422,158	**-**	**43,641**	**-**	**5**	**465,804**

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:

2008 as restated
All figures in US$'M

	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	Total
ASSETS						
Cash and balances at Central Bank	-	1,783	-	-	-	1,783
Loans and advances to banks	-	8,696	-	-	-	8,696
Loans and advances to customers	-	41,508	-	-	-	41,508
Market and client receivables	-	16,069	-	-	-	16,069
Debt securities and other fixed income securities	1,285	-	-	159	-	1,444
Trading assets	603,207	-	-	-	-	603,207
	604,492	**68,056**	**-**	**159**	**-**	**672,707**
LIABILITIES						
Deposits by banks	-	-	2,252	-	-	2,252
Customer accounts	-	-	22,828	-	-	22,828
Non-recourse financing	-	-	1,951	-	-	1,951
Market and client payables	-	-	31,522	-	-	31,522
Trading liabilities	602,646	-	-	-	8	602,654
Subordinated debt	-	-	3,247	-	-	3,247
	602,646	**-**	**61,800**	**-**	**8**	**664,454**

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:

2009
All figures in US$'M

	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	Total
ASSETS						
Cash and balances at Central Bank	-	835	-	-	-	835
Loans and advances to banks	-	3,086	-	-	-	3,086
Loans and advances to customers	-	28,937	-	-	-	28,937
Market and client receivables	-	21,883	-	-	-	21,883
Debt securities and other fixed income securities	1,401	-	-	942	-	2,343
Trading assets	420,823	-	-	-	-	420,823
	422,224	**54,741**	**-**	**942**	**-**	**477,907**
LIABILITIES						
Deposits by banks	-	-	421	-	-	421
Customer accounts	-	-	16,484	-	-	16,484
Non-recourse financing	-	-	955	-	-	955
Market and client payables	-	-	19,828	-	-	19,828
Trading liabilities	422,144	-	-	-	5	422,149
Subordinated debt	-	-	4,647	-	-	4,647
	422,144	**-**	**42,335**	**-**	**5**	**464,484**

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:

2008 as restated

All figures in US$'M

	Held for trading	Loans and receivables	Other financial liabilities	Available-for-sale	Derivatives designated as hedges	Total
ASSETS						
Cash and balances at Central Bank	-	1,354	-	-	-	1,354
Loans and advances to banks	-	8,665	-	-	-	8,665
Loans and advances to customers	-	41,332	-	-	-	41,332
Market and client receivables	-	15,819	-	-	-	15,819
Debt securities and other fixed income securities	1,285	-	-	159	-	1,444
Trading assets	601,613	-	-	-	-	601,613
	602,898	**67,170**	-	**159**	-	**670,227**
LIABILITIES						
Deposits by banks	-	-	2,107	-	-	2,107
Customer accounts	-	-	22,460	-	-	22,460
Non-recourse financing	-	-	1,951	-	-	1,951
Market and client payables	-	-	31,196	-	-	31,196
Trading liabilities	601,049	-	-	-	8	601,057
Subordinated debt	-	-	3,247	-	-	3,247
	601,049	-	**60,961**	-	**8**	**662,018**

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		2009		2008
All figures in US$'M	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and balances at Central Bank	1,041	1,041	1,783	1,783
Loans and advances to banks	3,342	3,023	8,696	8,615
Loans and advances to customers	30,236	28,764	41,508	38,821
Market and client receivables	22,119	22,119	16,069	16,069
Financial Liabilities				
Deposits by banks	461	461	2,252	2,252
Customers accounts	17,728	17,728	22,828	22,828
Non-recourse financing	955	810	1,951	1,754
Market and client payables	19,850	19,850	31,522	31,522
Subordinated debt	4,647	4,467	3,247	3,015

- Company		2009		2008
All figures in US$'M	Carrying amount	Fair value	Carrying amount as restated	Fair value
Financial Assets				
Cash and balances at Central Bank	835	835	1,354	1,354
Loans and advances to banks	3,086	2,768	8,665	8,584
Loans and advances to customers	28,937	27,465	41,332	39,235
Market and client receivables	21,883	21,883	15,819	15,819
Financial Liabilities				
Deposits by banks	421	421	2,107	2,107
Customers accounts	16,484	16,484	22,460	22,460
Non-recourse financing	955	810	1,951	1,754
Market and client payables	19,828	19,828	31,196	31,196
Subordinated debt	4,647	4,467	3,247	3,015

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.

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.

28. FAIR VALUE INFORMATION (CONTINUED)

Day one profits

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

	2009 US$'000	2008 US$'000
At start of the period	126,120	118,832
New trades deemed unobservable	(2,653)	77,960
Less: Buybacks/defeasements	(59,036)	(69,668)
Less: Released due to subsequent observability	(6,037)	(1,004)
At end of the period	58,394	126,120

29. HEDGE ACCOUNTING

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

(a) Fair value hedges

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

Gains or losses arising from fair value hedges	2009 US$'000	2008 US$'000
Gains/(losses):		
- on hedging instruments	4,878	(5,198)
- on the hedged items attributable to the hedged risk	(4,250)	4,584
Total ineffectiveness	628	(614)

The notional amount of financial instruments held to manage interest rate risk as a fair value hedge at 31 December 2009 was the same as the notional of the loans being hedged and amounted to US$36.4 million (2008: US$121.2 million). The fair value of derivatives used as a fair value hedge amounted to US$3.1 million (2008: (US$8.0 million)) at 31 December 2009.

(b) Net investment hedges

The Group's consolidated balance sheet is affected by exchange differences between the US dollar and all 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 2009, the Group had derivatives equivalent to US$179 million hedging overseas net assets; the amount of ineffectiveness was negligible. Changes in US dollar value of the borrowings were taken to equity during the period, matching gains and losses of overseas operations upon consolidation.

30. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

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

The main elements of market risk relevant to the Group are:

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

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

- Credit Spread Risk: the potential for loss due to changes in credit spreads. Credit spreads represent the credit risk premiums required by market participants for a given credit quality. Credit default swaps are commonly used credit spread risk management tools.

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

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

To calculate VaR, the Group aggregates sensitivities to market risk factors and combines them with a database of historical market factor movements to simulate a series of profits and losses. The level of loss that is exceeded in that series 5% of the time is used as the estimate for the 95% confidence level VaR. The overall total VaR amounts are presented across major risk categories, which include exposure to volatility risk found in certain products, such as options.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

The table that follows presents the Group's average and year-end VaR for trading and non-trading portfolios for 2009 and 2008. Additionally, high and low VaR for 2009 is presented independently for each risk category and overall. Because high and low VaR numbers for these risk categories may have occurred on different days, high and low numbers for diversification benefit would not be meaningful.

95% Daily (scaled) VaR in US$'000	Year End 2009	Daily Average	High	Low	Year End 2008
Group (Total)	**36,431**	**36,729**	**49,718**	**25,741**	**26,194**
of which:					
FX	10,483	6,991	13,708	2,716	5,283
Rates	13,969	16,491	22,594	11,261	14,142
Credit	25,570	28,410	36,678	20,788	24,484
Commodity	197	154	1,351	0	-
Equity	1,391	1,410	1,851	0	-

95% Daily (scaled) VaR in US$'000	Year End 2008	Daily Average	High	Low	Year End 2007
Group (Total)	**26,194**	**24,043**	**36,482**	**14,598**	**24,155**
of which:					
FX	5,283	5,949	12,807	1,177	3,504
Rates	14,142	10,960	27,773	5,032	4,770
Credit	24,484	25,649	35,610	14,642	8,782
Commodity	0	0	0	0	0
Equity	0	496	2,133	0	0

GMRM applies an enhanced historical simulation methodology, using the most recent four years of historical observations, updated fortnightly. To this historical observation set we add a hypothetical observation set consisting of the opposite of the historical movements. Together, the historical data and the simulated observations comprise the total observation set. Since there are typically 209 weeks in a four-year historical period, the total observation set for the weekly VaR typically consists of 418 observations.

The aim of the enhanced historical simulation methodology is to increase the number of potential observations and to reduce potential biases in the historical data by including states of the world that reverse any longer-term trends evident in benchmark time series over the historical observation period. All scenario submissions are mapped to a benchmark time series in the total observation set.

To calculate VaR, the profits or losses for each submission are calculated for all dates in the total observation set. For a given scenario and benchmark observation, if the shift in the benchmark time series falls between two scenario shocks, then profit and loss ('P&L') is calculated using linear interpolation from the two scenario points that straddle the shift. If the shift exceeds the range of the scenario shocks, then linear extrapolation is applied to the two extreme scenario points closest to that shift.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

P&L results are calculated independently for each scenario and for each observation in the total observation set. The results for each draw are then summed across all scenarios. The aggregate draws are each ranked by P&L.

For 95% confidence level VaR, the VaR is defined as the 5% order statistic of the aggregate draws. In the case of weekly observations, since there are typically 418 observations in the total observation set, the 5% order statistic is 21st- ranked observation.

The VaR metric reported for Year-End 2008 was a “general market risk model”, so called because it captured general movements in broad market indices. This model has been supplemented by additional volatility surface VaR measures designed to capture those risks inherent within the interest rate and foreign exchange rate volatility surfaces.

With effect from 4 January 2010, certain modifications were made to the VaR calculation parameters in order to conform with the VaR model utilised by BAC.

(b) Credit risk

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

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

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

Lending activities

The Group's commercial lending activities consist primarily of corporate and institutional lending, asset-backed finance and commercial real estate related activities. In evaluating certain potential commercial lending transactions, a risk adjusted return on capital model is used in addition to other methodologies. 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 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 expect repayment through other sources including cash flow and/or recapitalisation. Asset-backed finance facilities are typically secured by financial assets such as mortgages, auto loans, leases, consumer loans and other receivables. Credit assessment for these facilities relies primarily on the amount, asset type, quality, and liquidity of the supporting collateral, as the collateral is the expected source of repayment. The Group's other commercial real estate related activities consist of commercial mortgage originations and other extensions of credit connected to the financing of commercial properties or portfolios of properties. The Group's assessment of creditworthiness and credit approval is highly dependent upon the anticipated performance of the underlying property and/or associated cash flows. The Group had historically originated residential mortgage loans through its subsidiary operations. The loans are secured on residential property and advances are made subject to underwriting guidelines. The carrying value of such loans amounted to US$4,906 million at 31 December 2009 (2008: US$4,730 million).

Derivative activities

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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 following is a summary of counterparty credit ratings, which are the credit rating agency equivalent of internal credit ratings, for the Group's financial assets as at 31 December 2009 and 26 December 2008:

2009 Group (all figures US$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Bank	847,307	193,444	-	-	1,040,751
Loans and advances to banks	409,188	2,846,389	84,026	1,901	3,341,504
Loans and advances to customers	50,490	14,164,168	5,237,663	10,783,273	30,235,594
Market and client receivables	1,813,511	16,989,526	2,017,604	1,298,241	22,118,882
Debt securities and other fixed income securities	2,059,290	283,394	-	-	2,342,684
Trading assets	3,889,230	354,085,781	58,979,172	650,471	417,604,654
Total financial assets	9,069,016	388,562,702	66,318,465	12,733,886	476,684,069
Guarantees, undrawn commitments and assets pledged as collateral security	1,835,918	2,877,847	765,160	26,626,969	32,105,894
Maximum credit exposure	10,904,934	391,440,549	67,083,625	39,360,855	508,789,963

2008 as restated Group (all figures US$'000)	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Bank	1,462,204	93,214	6,871	221,117	1,783,406
Loans and advances to banks	6,187,469	2,462,430	-	46,320	8,696,219
Loans and advances to customers	11,790,545	10,279,427	8,639,618	10,798,648	41,508,238
Market and client receivables	9,403,712	5,570,674	179,592	914,971	16,068,949
Debt securities and other fixed income securities	1,228,175	198,024	17,425	-	1,443,624
Trading assets	472,063,560	126,108,614	3,300,375	1,734,084	603,206,633
Total financial assets	502,135,665	144,712,383	12,143,881	13,715,140	672,707,069
Guarantees, undrawn commitments and assets pledged as collateral security	5,467,082	6,011,390	971,790	28,740,929	41,191,191
Maximum credit exposure	507,602,747	150,723,773	13,115,671	42,456,069	713,898,260

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The following is a summary of counterparty credit ratings, which are the credit rating agency equivalent of internal credit ratings, for the Company's financial assets as at 31 December 2009 and 26 December 2008 which is deemed to be the most appropriate measure of geographical and sector concentrations:

2009 **Company** **(all figures US$'000)**	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Bank	721,800	112,833	-	-	834,633
Loans and advances to banks	409,188	2,676,385	-	280	3,085,853
Loans and advances to customers	50,490	14,335,416	5,237,663	9,312,950	28,936,519
Market and client receivables	1,813,511	16,989,525	2,017,604	1,061,877	21,882,517
Debt securities and other fixed income securities	2,059,290	283,394	-	-	2,342,684
Trading assets	3,889,230	357,467,166	58,979,172	487,689	420,823,257
Total financial assets	8,943,509	391,864,720	66,234,439	10,862,796	477,905,464
Guarantees, undrawn commitments and assets pledged as collateral security	1,835,918	3,418,660	765,160	26,543,888	32,563,626
Maximum credit exposure	10,779,427	395,283,380	66,999,599	37,406,684	510,469,090

2008 as restated **Company** **(all figures US$'000)**	AAA to AA	A to BBB	BB and lower	Not Rated*	Total
Cash and balances at Central Bank	1,058,878	66,948	6,871	221,117	1,353,814
Loans and advances to banks	6,176,768	2,488,696	-	14	8,665,478
Loans and advances to customers	14,602,872	10,595,484	8,663,250	7,470,577	41,332,183
Market and client receivables	9,403,712	5,570,711	179,592	665,156	15,819,171
Debt securities and other fixed income securities	1,228,175	198,024	17,425	-	1,443,624
Trading assets	470,470,270	126,108,614	3,300,375	1,734,084	601,613,343
Total financial assets	502,940,675	145,028,477	12,167,513	10,090,948	670,227,613
Guarantees, undrawn commitments and assets pledged as collateral security	5,467,082	6,011,390	971,790	28,643,035	41,093,297
Maximum credit exposure	508,407,757	151,039,867	13,139,303	38,733,983	711,320,910

*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. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Collateral

The Group applies the various methods available to reduce the risk on individual transactions, including 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$26,458 million (2008: US$39,359 million). The fair value of financial assets accepted as collateral that have been sold or repledged is US$25,313 million (2008: US$39,106 million).

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$21,326 million (2008: US$14,598 million) of its financial assets, as collateral for liabilities.

Past due, but not impaired assets

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

2009 **(All figures US$'000)**	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	180 days +
Market and client receivables	802,571	6,347	-	-	1,556	4,250
Loans and advances to customers	-	72,057	51,592	20,394	13,648	41,049
Fair value of associated collateral	-	85,019	54,523	25,532	21,402	59,993

2008 **(All figures US$'000)**	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	180 days +
Market and client receivables	820,646	14,311	229	12,043	3,308	-
Loans and advances to customers	100,289	51,163	40,385	22,323	8,393	14,173
Fair value of associated collateral	122,885	65,342	49,051	28,352	11,743	17,618

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Impairment charges

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

- Group	Individual impairment US$'000	Collective impairment US$'000	Latent impairment US$'000	Total impairment charges US$'000
At 26 December 2008	496,689	255,992	91,123	843,804
Charge to profit and loss account	107,266	80,971	107,355	295,592
Provision for bad and doubtful debts	107,266	80,971	107,355	295,592
At 31 December 2009	603,955	336,963	198,478	1,139,396
Gross loans in US$'000	1,360,727	4,110,362	28,106,009	33,577,098

- Company	Individual impairment US$'000	Collective impairment US$'000	Latent impairment US$'000	Total impairment charges US$'000
At 26 December 2008	496,689	219,387	90,227	806,303
Charge to profit and loss account	107,266	117,576	108,251	333,093
Provision for bad and doubtful debts	107,266	117,576	108,251	333,093
At 31 December 2009	603,955	336,963	198,478	1,139,396
Gross loans in US$'000	1,360,727	4,110,362	26,551,283	32,022,372

Interest accrued on individually impaired assets during the period was US$18.5 million (2008: US$9.7 million). The Group holds collateral in respect of certain loans and advances to customers that are past due or impaired. Such collateral includes mortgages over both residential and commercial property.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

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

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

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the liability maturity profile of the Group at 31 December 2009 and 26 December 2008:

2009 **- Group** **(all figures US$'000)**	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	286,282	174,510	-	-
Customers accounts	7,560,106	10,058,748	94,499	14,352
Non-recourse financing	-	-	-	955,369
Market and client payables	19,850,453	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	3,075,963	27,553,635	1,437,015	39,281
Trading liabilities*				
Trading liabilities	422,163,120	-	-	-

2008 – as restated **- Group** **(all figures US$'000)**	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	501,155	1,750,839	-	-
Customers accounts	10,807,240	11,768,813	199,953	52,195
Non-recourse financing	-	-	-	1,950,703
Market and client payables	31,521,953	-	-	-
Subordinated debt	-	-	-	3,247,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	6,923,316	31,531,806	2,140,528	595,541
Trading liabilities*				
Trading liabilities	602,654,072	-	-	-

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the liability maturity profile of the Company at 31 December 2009 and 26 December 2008:

2009 **- Company** **(all figures US$'000)**	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	246,949	174,510	-	-
Customers accounts	6,223,061	10,152,466	94,499	14,351
Non-recourse financing	-	-	-	955,369
Market and client payables	19,828,021	-	-	-
Subordinated debt	-	-	-	4,647,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	3,533,696	27,553,634	1,437,015	39,281
Trading liabilities*				
Trading liabilities	422,149,002	-	-	-

2008 – as restated **- Company** **(all figures US$'000)**	On demand	Due within 1 year	Due between 1 and 5 years	Due after 5 years
Non-trading liabilities				
Deposits by banks	355,722	1,750,839	-	-
Customers accounts	10,395,733	11,812,153	199,953	52,195
Non-recourse financing	-	-	-	1,950,703
Market and client payables	31,195,663	-	-	-
Subordinated debt	-	-	-	3,247,000
Off-balance sheet				
Guarantees, undrawn commitments and assets pledged as collateral security	6,825,422	31,531,806	2,140,528	595,541
Trading liabilities*				
Trading liabilities	601,056,786	-	-	-

*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. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operating risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business.

Under the Basel II Rules, an operational loss event is an event that results in loss and is associated with any of the following seven operational loss event categories: internal fraud; external fraud; employment practices; damage to physical assets; business disruption and systems failures; and execution, delivery and process management. Losses in these categories are captured and mapped to four overall risk categories: people, process, systems and external events. Specific examples of loss events include robberies, internal fraud, processing errors and physical losses from natural disasters.

The Group approaches operational risk management from two perspectives: the enterprise and line of business. The Operational Risk Committee, which reports to the Risk Policy and Oversight Committee of the board, is responsible for operational risk policies, measurement and management, and control processes. Within Global Risk Management, Global Operational Risk Management develops and guides the strategies, policies, practices, control and monitoring tools for assessing and managing operational risk across the organisation.

For selected risks, specialised support groups are used, such as Enterprise Information Management and Supply Chain Management to develop risk management practices, such as an information security program and a supplier program to ensure that suppliers adopt appropriate policies and procedures when performing work on the Group’s behalf. These specialised groups also assist the lines of business in the development and implementation of risk management practices specific to the needs of the individual businesses. These groups also work with line of business executives and risk executives to develop and guide appropriate strategies, policies, practices, control and monitoring tools for each line of business.

Additionally, where appropriate, insurance policies are purchased to mitigate the impact of operational losses when and if they occur. These insurance policies are explicitly incorporated in the structural features of the Group’s operational risk evaluation. As insurance recoveries, especially given recent market events, are subject to legal and financial uncertainty, the inclusion of these insurance policies are subject to reductions in the mitigating benefits expected within the Group’s operational risk evaluation.

The lines of business are responsible for all the risks within the business line, including operational risks. Operational risk executives, working in conjunction with senior line of business executives, have developed key tools to help identify, measure, mitigate and monitor risk in each line of business. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis, business recovery planning and new product introduction processes. In addition, the lines of business are responsible for monitoring adherence to corporate practices. Line of business management uses a self-assessment process, which helps to identify and evaluate the status of risk and control issues, including mitigation plans, as appropriate. The goal of the self-assessment process is to periodically assess changing market and business conditions, to evaluate key risks impacting each line of business and assess the controls in place to mitigate the risks. In addition to information gathered from the self-assessment process, key operational risk indicators have been developed and are used to identify trends and issues on both an enterprise and a line of business level.

31. CAPITAL RISK MANAGEMENT

It is the Group's policy 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 Financial Regulator. The Group is required to meet minimum regulatory capital requirements under European Union ('EU') banking law as implemented in Ireland and supervised by the Financial Regulator.

The Group's policy is to hold capital in excess of its regulatory capital requirements. Compliance with this policy is monitored daily and reported to appropriate governance forums monthly and quarterly, and to the Financial Regulator 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 2009, the Group applied the Standardised Approach for all of its business units.

32. NON-TRADING BOOK ACTIVITIES

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

Interest rate sensitivity gap analysis

Part of the Group's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The tables below summarises these repricing mismatches on the Group's and the Company's non-trading book as at 31 December 2009 and at 26 December 2008. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

2009 - 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	1,041	-	-	-	-	-	1,041
Loans and advances to banks	3,137	-	2	-	203	-	3,342
Loans and advances to customers	18,510	-	2,080	4,564	5,082	-	30,236
Market and client receivables	22,119	-	-	-	-	-	22,119
Other assets	-	-	-	-	-	350	350
Total assets	44,807	-	2,082	4,564	5,285	350	57,088
Liabilities							
Deposits by banks	430	-	31	-	-	-	461
Customer Accounts	15,158	-	2,461	95	14	-	17,728
Non-recourse finance	-	-	-	-	955	-	955
Market and client payables	19,850	-	-	-	-	-	19,850
Other liabilities	-	-	-	-	-	552	552
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders' funds	-	-	-	-	-	10,573	10,573
Total Liabilities	35,438	-	2,492	95	5,616	11,125	54,765
Interest rate sensitivity gap	9,369	-	(410)	4,469	(331)	(10,775)	2,322
Cumulative Gap	9,369	9,369	8,959	13,428	13,097	2,322	

32. NON-TRADING BOOK ACTIVITIES (CONTINUED)

2008 **- Group** as restated	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 Bank	1,783	-	-	-	-	-	1,783
Loans and advances to banks	6,962	-	1,343	391	-	-	8,696
Loans and advances to customers	24,701	-	5,242	5,313	6,252	-	41,508
Market and client receivables	16,069	-	-	-	-	-	16,069
Other assets	248	-	-	-	-	876	1,124
Total assets	49,763	-	6,585	5,704	6,252	876	69,180
Liabilities							
Deposits by banks	1,214	-	1,038	-	-	-	2,252
Customer Accounts	21,683	-	893	200	52	-	22,828
Non-recourse finance	-	-	-	-	1,951	-	1,951
Market and client payables	31,522	-	-	-	-	-	31,522
Other liabilities	-	-	-	-	-	492	492
Subordinated debt	-	-	-	3,247	-	-	3,247
Shareholders’ funds	-	-	-	-	-	8,424	8,424
Total Liabilities	54,419	-	1,931	3,447	2,003	8,916	70,716
Interest rate sensitivity gap	(4,656)	-	4,654	2,257	4,249	(8,040)	(1,536)
Cumulative Gap	(4,656)	(4,656)	(2)	2,255	6,504	(1,536)	

2009 **- 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	835	-	-	-	-	-	835
Loans and advances to banks	2,883	-	-	-	203	-	3,086
Loans and advances to customers	17,915	-	1,683	4,510	4,829	-	28,937
Market and client receivables	21,883	-	-	-	-	-	21,883
Other assets	-	-	-	-	-	333	333
Total assets	43,516	-	1,683	4,510	5,032	333	55,074
Liabilities							
Deposits by banks	390	-	31	-	-	-	421
Customer Accounts	13,914	-	2,461	95	14	-	16,484
Non-recourse finance	-	-	-	-	955	-	955
Market and client payables	19,828	-	-	-	-	-	19,828
Other liabilities	-	-	-	-	-	493	493
Subordinated debt	-	-	-	-	4,647	-	4,647
Shareholders’ funds	-	-	-	-	-	10,141	10,141
Total Liabilities	34,132	-	2,492	95	5,616	10,634	52,969
Interest rate sensitivity gap	9,384	-	(809)	4,415	(584)	(10,301)	2,105
Cumulative Gap	9,384	9,384	8,575	12,990	12,406	2,105	

32. NON-TRADING BOOK ACTIVITIES (CONTINUED)

2008 - Company as restated	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 Bank	1,354	-	-	-	-	-	1,354
Loans and advances to banks	6,931	-	1,343	391	-	-	8,665
Loans and advances to customers	24,491	-	4,708	5,216	6,917	-	41,332
Market and client receivables	15,819	-	-	-	-	-	15,819
Other assets	248	-	-	-	-	643	891
Total assets	48,843	-	6,051	5,607	6,917	643	68,061
Liabilities							
Deposits by banks	1,068	-	1,038	-	-	-	2,106
Customer Accounts	21,315	-	893	200	52	-	22,460
Non-recourse finance	-	-	-	-	1,951	-	1,951
Market and client payables	31,196	-	-	-	-	-	31,196
Other liabilities	-	-	-	-	-	445	445
Subordinated debt	-	-	-	3,247	-	-	3,247
Shareholders' funds	-	-	-	-	-	8,047	8,047
Total Liabilities	53,579	-	1,931	3,447	2,003	8,492	69,452
Interest rate sensitivity gap	(4,736)	-	4,120	2,160	4,914	(7,849)	(1,391)
Cumulative Gap	(4,736)	(4,736)	(616)	1,544	6,458	(1,391)	

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:

	2009 US$'000	2008 US$'000
Swiss Franc	402,130	547,442
Euro	45,866	(76,967)
Korean Won	8,851	72,446
Canadian Dollar	26,197	14,290
Bahraini Dinar	1,098	2,031
Pounds Sterling	(225,108)	373,964
	259,034	933,206

33. CONTINGENT LIABILITIES AND COMMITMENTS

In 1998, MLIB acted as manager for a US$284 million issuance of notes for an Italian library of movies, backed by the future flow of receivables to such movie rights. Mediafiction S.p.A (Mediafiction) was responsible for collecting payments in connection with the rights to the movies and forwarding the payments to MLIB for distribution to note holders. Mediafiction failed to make the required payments to MLIB and subsequently filed for protection under the bankruptcy laws of Italy. MLIB filed claims in the Mediafiction bankruptcy proceeding for amounts that Mediafiction failed to pay on the notes and Mediafiction filed a counterclaim alleging that the agreement between MLIB and Mediafiction is null and void and seeking return of the payments previously made by Mediafiction to MLIB. In October 2008, the Court in Rome granted Mediafiction S.p.A.'s counter-claim against MLIB in the amount of US$137 million. In February 2009, the Court in Rome, suspended the enforcement of this judgment against MLIB pending appeal to the Court of Appeals. Due to the continuing uncertainty over the date of this appeal and the possible outcome, the Group has not made any provision for this amount.

34. SUBSEQUENT EVENTS

In February 2010, an affiliate of the Group, Merrill Lynch International ("MLI") was notified that it is under investigation by the Public Prosecutor in Bari, Puglia, Italy on the grounds that it might be liable for the alleged fraudulent conduct of an employee against the Region of Puglia in connection with two separate bond issuances by Region of Puglia in 2003 and 2004. MLIB was the swap counterparty on the first issuance and on a related restructuring of the original swap transaction. In March 2010, a €64 million deposit was provided to the Public Prosecutor split equally between MLIB and MLI. The Public Prosecutor has ordered MLI to appear at a hearing and MLI intends to contest the allegations made against it. Due to the continuing uncertainty over MLIB's involvement in and the possible outcome of this hearing, the Group has not made any provision for this amount.

35. 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 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 Bank of America common stock may be made to eligible legacy Merrill Lynch associates under the ESCP as well as the BAC 2003 Key Associate Stock Plan ("KASP"), and eligible Merrill Lynch employees may participate in the ESPP. Total pre-tax compensation income recognised in the profit and loss account for share based compensation plans for 2009 was US$3 million (2008: US$32 million expense).

35. SHARE BASED PAYMENTS (CONTINUED)

Equity Compensation Plans

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

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

Awards to Merrill Lynch employees may also be made under the KASP effective as of 1 January 2009. BAC shareholders approved the KASP to be effective 1 January 2003. These shares of restricted stock generally vest in three equal annual installments beginning one year from the grant date with the exception of financial advisor awards that vest eight years from grant date. 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 to grant under the KASP.

Financial Advisor Capital Accumulation Award Plans ("FACAAP")

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

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. In December 2007, Merrill Lynch modified the vesting schedule of certain previously-granted stock bonus awards. As a result, all outstanding stock bonus awards held by employees other than current or former executive officers that were scheduled to vest on 31 January 2009, vested on 31 January 2008.

35. SHARE BASED PAYMENTS (CONTINUED)

The activity for restricted shares and units under these plans during 2009 and 2008 is as follows:

	Restricted Shares	Restricted Units
Outstanding, beginning of 2008*	908,929	934,521
Granted – 2008*	4,548	1,224,290
Paid, forfeited, or released from contingencies*	220,455	(178,795)
Outstanding, end of 2008*	1,133,932	1,980,016
Granted – 2009	-	3,309,156
Paid, forfeited, or released from contingencies	179,294	317,878
Outstanding, end of 2009	1,313,226	5,607,050

*Upon completion of BAC's acquisition of ML&Co, each outstanding ML&Co share based award was converted into 0.8595 shares of Bank of America.

Non-qualified stock options

All options outstanding as of 31 December 2009 are fully vested or expected to vest.

The activity for non-qualified stock options under LTIC Plans for 2009 and 2008 is as follows:

	Options outstanding	Weighted average exercise price	Weighted average share price at date of exercise
Outstanding, beginning of 2008*	1,521,094	63.9	
Granted – 2008*	288,957	64.6	
Exercised*	(128,948)	43.8	72.54
Forfeited*	(115,472)	70.3	
Outstanding, end of 2008*	1,565,631	65.2	
Granted – 2009	-	-	
Exercised	-	-	-
Forfeited	(138,464)	69.3	
Outstanding, end of 2009	1,427,167	68.6	
Exercisable, end of 2009	1,427,167	68.6	

* BAC's options pursuant to the 1 January 2009 acquisition of Merrill Lynch by Bank of America. Upon completion of the acquisition, each outstanding ML&Co option was converted into 0.8595 shares of Bank of America options.

All options outstanding at 31 December 2009 are fully vested or are expected to vest.

At 31 December 2009, the weighted-average remaining contractual terms of options outstanding and exercisable was 2.15 years (2008: 3.37 years). There were no stock options granted in 2009. The weighted-average fair value of options granted in 2008 was $15.47 per option. The table below summarises the range of exercise prices and the weighted average remaining contractual life for all options outstanding at 31 December 2009.

35. SHARE BASED PAYMENTS (CONTINUED)

Range of exercise prices	2009 Number	Weighted average remaining contractual life - 2009	2008 Number (Restated)*	Weighted average remaining contractual life – 2008 (Restated)*
$30.00-$40.00	-	-	-	-
$40.00-$50.00	123,496	3.08	309,668	2.75
$50.00-$60.00	191,302	0.07	181,654	1.09
$60.00-$70.00	661,826	3.28	637,835	4.29
$70.00-$80.00	6,202	0.58	6,202	1.59
$80.00-$90.00	13,737	1.06	17,173	2.08
$90.00-$100.00	426,780	1.06	409,275	2.08
$100.00-$110.00	-	-	-	
$110.00-$120.00	3,824	2.06	3,825	3.07

* BAC's options pursuant to the 1 January 2009 acquisition of Merrill Lynch by Bank of America. Upon completion of the acquisition, each outstanding ML&Co option was converted into 0.8595 shares of Bank of America options.

Prior to BAC's acquisition of Merrill Lynch, the fair value of option awards with vesting based solely on service requirements is 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.

The weighted average assumptions used to determine the fair value of these options in 2008 and 2007 were as follows:

	2008
Risk free interest rate	3.14%
Expected life (in years)	6.6
Expected volatility	39.42%
Expected dividend yield	3.2%

36. LEASE COMMITMENTS

During the period, the Group is committed to pay US$22.2 million (2008: US$27.0 million) in respect of operating leases as follows:

	2009 US$'000		2008 US$'000	
Maturity of lease:	Land and Building	Other	Land and Building	Other
1 year to 5 years	12,044	1,214	16,760	4,464
Over 5 years	8,950	-	5,773	-
	20,994	1,214	22,533	4,464

37. PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Merrill Lynch Group Holdings Limited and the ultimate parent company and controlling party is BAC, a company incorporated in the State of Delaware in the United States of America. The parent company of the largest group that includes the Company and for which group financial statements are prepared is BAC. Copies of the group financial statements of BAC are available from the Investor Relations area of the Bank of America website at http://investor.bankofamerica.com or by contacting the Investor Relations Group by mail at Bank of America Investor Relations, NC1-007-56-70, 100 N. 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 Group Holdings Limited, a company incorporated in Ireland. Copies of the group financial statements of Merrill Lynch Group Holdings Limited are available at the Companies Registration Office, Parnell House, 14 Parnell Square, Dublin 1.

With effect from 1 January 2009, as referenced in the Directors' Report, the Company's ultimate parent company and controlling party became BAC, a company incorporated in the State of Delaware in the United States of America.

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

Regarding transactions with Directors, officers and others;

(a) At 31 December 2009, the amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in the Group were US$Nil in respect of loans to persons who were Directors of the Group (or persons connected with them) at any time during the financial period and no balances outstanding to people who were officers of the Group at any time during the financial period.

(b) There were no amounts outstanding at 31 December 2009 (2008: US$Nil) in respect of loans made to Directors by the Bank or its subsidiary undertakings.

(c) For the purposes of FRS 8 "Related Party Disclosures", key management comprise Directors of the Group and members of the Executive Management Committee. The captions in the primary financial statements include the following amounts attributable, in aggregate, to key management.

Loans to Directors				
Name	Aggregate amount outstanding at the end of 2009	Repaid during 2009	Number of Directors	Number of connected persons
	US $'000	US $'000		
Andrew Chan	-	26	1	-
Total	-	26	1	-

37. PARENT COMPANY AND RELATED PARTY TRANSACTIONS (CONTINUED)

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.

38. 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	Book Value of Ordinary Shareholding US$'000
Merrill Lynch Bank (Suisse) SA*	Private client banking	Switzerland	100%	21,561
Majestic Acquisitions*	Mortgage lending	United Kingdom	100%	161,542
Mortgages Plc	Mortgage lending	United Kingdom	100%	-
Mortgages No. 1 Ltd	Mortgage lending	United Kingdom	0%	-
Mortgages No. 6 Plc	Securitisation vehicle	United Kingdom	0%	-
Mortgages No. 7 Plc	Securitisation vehicle	United Kingdom	0%	-
Wave Lending Limited*	Mortgage lending	United Kingdom	100%	60,067
Newgate Funding Plc (2007-03)	Securitisation vehicle	United Kingdom	0%	-
Ludgate Funding Plc (2008-W1)	Securitisation vehicle	United Kingdom	0%	-
Merrill Lynch Financial Services Ltd*	Financial services	Ireland	100%	25,471
Blue Motor Loans Ltd	Securitisation vehicle	United Kingdom	0%	-
Scannan Finance Ltd	Securitisation vehicle	Ireland	0%	-
Moorgate Funding Ltd	Securitisation vehicle	Ireland	0%	-
				268,641

Mortgages No. 1 Ltd, Mortgages No. 6 Plc, Mortgages No. 7 Plc, Newgate Funding Plc (2007-03), Ludgate Funding Plc (2008-W1), Blue Motor Loans Ltd, Scannan Finance Ltd and Moorgate Funding Ltd are not owned by the Group but their results are consolidated, as they meet the definition of legal subsidiaries for these accounts under FRS 2: 'Accounting for Subsidiary Undertakings', the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

39. CASH FLOW STATEMENT

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

40. SEGMENTAL REPORTING

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

The Group has two business classes, 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

2009 (all figures US$'000)	Global Markets	Global Wealth and Investment Management
Net interest income	458,325	59,108
Net fees and commissions (paid) / received	(269,900)	247,120
Other operating income	1,203,540	29,414
TOTAL OPERATING INCOME	**1,391,965**	**335,642**
TOTAL OPERATING EXPENSES	**1,354,972**	**308,501**
PROFIT BEFORE TAX	**36,993**	**27,141**
Total assets	468,459,182	8,693,868
Total liabilities	452,015,002	14,565,179

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

40. SEGMENTAL REPORTING (CONTINUED)

BUSINESS SEGMENTS

2008 (all figures US$'000)	**Global Markets**	**Global Wealth and Investment Management**
Net interest income / (expense)	806,259	(127,675)
Net fees and commissions (paid) / received	(692,733)	380,529
Other operating income	1,135,728	23,136
TOTAL OPERATING INCOME	**1,249,254**	**275,990**
TOTAL OPERATING EXPENSES	**2,610,457**	**389,825**
(LOSS) BEFORE TAX	**(1,361,203)**	**(113,835)**
Total assets	666,399,912	7,500,298
Total liabilities	653,694,631	11,781,688

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