Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of Merrill Lynch Bank and Trust Company (Cayman) Limited

We have audited the accompanying consolidated financial statements of Merrill Lynch Bank and Trust Company (Cayman) Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, of comprehensive income, of changes in stockholder's equity, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Merrill Lynch Bank and Trust Company (Cayman) Limited and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 4 and 11 to the consolidated financial statements, the Company, on a recurring basis, enters into significant related party transactions with Bank of America Corporation subsidiaries. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers

March 31, 2016

Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries
Consolidated Balance Sheets
December 31, 2015 and 2014

(in thousands of United States dollars)

		2015		2014
Assets				
Cash and cash equivalents	$	10,514	$	2,297
Investment securities available for sale		777		830
Loans (net of allowance for loan losses of $185 in 2015 and $155 in 2014)		4,571,210		2,118,661
Receivables from affiliates		31,406		22,064
Accrued trust administration fees		8,476		10,037
Accrued interest receivable		6,671		2,978
Other assets		27,168		29,368
Total assets	$	4,656,222	$	2,186,235
Liabilities and Stockholder's Equity				
Liabilities				
Deposits:				
Demand	$	2,165,188	$	1,077,178
Time		62,038		125,580
Total deposits		2,227,226		1,202,758
Intercompany borrowings		1,706,618		320,965
Payables to affiliates		146,320		118,935
Unfunded pension liability		162,517		154,202
Other liabilities		2,431		1,277
Total liabilities		4,245,112		1,798,137
Commitments and contingencies (Note 12)				
Stockholder's equity				
Capital and share premium		337,141		337,141
Retained earnings		110,961		89,558
Accumulated other comprehensive loss		(36,992)		(38,601)
Total stockholder's equity		411,110		388,098
Total liabilities and stockholder's equity	$	4,656,222	$	2,186,235

The accompanying notes are an integral part of these consolidated financial statements.

Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2015 and 2014

(in thousands of United States dollars)

	2015	2014
Interest income		
Loans	$ 45,752	$ 22,217
Interest income on advances to affiliates	756	244
Interest income (expense) on derivatives, net	1,001	(53)
Total interest income	47,509	22,408
Interest expense		
Deposits	4,085	2,360
Intercompany borrowings and advances	7,892	1,134
Total interest expense	11,977	3,494
Net interest income before provision for credit losses	35,532	18,914
Provision for credit losses	30	135
Net interest income after provision for credit losses	35,502	18,779
Non-interest income		
Gain from sale of subsidiaries (see Note 4)	8,427	21,070
Trust administration fees	11,058	12,470
Service fee income from affiliated companies	9,052	6,899
Transaction (loss) gain on foreign currency	(2,641)	1,663
Total non-interest income	25,896	42,102
Total revenues, net of interest expenses	61,398	60,881
Non-interest expenses		
Compensation and benefits	13,610	14,031
Service fee expense with affiliated companies	9,259	4,824
Occupancy and related depreciation	1,176	1,302
Professional fees	1,226	1,439
Communication and technology	289	654
Advertising and market development	168	271
Other	504	380
Total non-interest expenses	26,232	22,901
Net income before income taxes	35,166	37,980
Income tax expense	13,763	14,039
Net income	$ 21,403	$ 23,941

The accompanying notes are an integral part of these consolidated financial statements.

Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2015 and 2014

(in thousands of United States dollars)

	2015	2014
Net income	$ 21,403	$ 23,941
Other comprehensive loss, net of tax		
Foreign currency translation adjustment (1)	1,697	2,498
Net change in unrealized gains on investment securities available for sale (2)	35	15
Defined benefit pension adjustment (3) (Note 9)	(123)	(18,083)
Total other comprehensive gain (loss)	1,609	(15,570)
Comprehensive income	$ 23,012	$ 8,371

(1) Net of Tax Expense of $1,221 and $1,727 for 2015 and 2014, respectively.

(2) Net of Tax (Benefit)/Expense of $(5) and $7 for 2015 and 2014, respectively.

(3) Net of Tax Expense/(Benefit) of $2,111 and $(11,561) for 2015 and 2014, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries
Consolidated Statements of Changes in Stockholder's Equity
Years Ended December 31, 2015 and 2014

(in thousands of United States dollars, except shares and per share amounts)

	Capital and Share Premium [1]	Accumulated Other Comprehensive Loss	Retained Earnings	Total
As of December 31, 2013	$ 337,141	$ (23,031)	$ 65,617	$ 379,727
Foreign currency translation adjustment, net of tax	-	2,498	-	2,498
Unrealized gains on investment securities available for sale, net of tax	-	15	-	15
Defined benefit pension adjustment, net of tax	-	(18,083)	-	(18,083)
Net income	-	-	23,941	23,941
As of December 31, 2014	337,141	(38,601)	89,558	388,098
Foreign currency translation adjustment, net of tax	-	1,697	-	1,697
Unrealized gains on investment securities available for sale, net of tax	-	35	-	35
Defined benefit pension adjustment, net of tax	-	(123)	-	(123)
Net income	-	-	21,403	21,403
As of December 31, 2015	$ 337,141	$ (36,992)	$ 110,961	$ 411,110

(1) Includes $12 of Share Capital (12,000 ordinary shares outstanding with par value $1) at December 31, 2015 and 2014.

The accompanying notes are an integral part of these consolidated financial statements.

Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

(in thousands of United States dollars)

	2015	2014
Cash flows from operating activities		
Net income	$ 21,403	$ 23,941
Noncash items excluded from earnings		
Depreciation and amortization	10	13
Deferred tax expense	1,190	1,741
Provision for credit losses	30	135
Gain from sale of subsidiaries	(8,427)	(21,070)
Changes in operating assets and liabilities		
Receivables from affiliates	(9,342)	(127)
Payables to affiliates	27,385	(18,834)
Unfunded pension liability	8,315	36,068
Other assets	874	(9,923)
Accrued trust administration fees	1,561	1,508
Accrued interest receivable	(3,693)	(554)
Other liabilities	1,154	(645)
Defined benefit pension adjustment	99	(17,977)
Net cash provided by (used in) operating activities	40,559	(5,724)
Cash flows from investing activities		
Purchases of securities available-for-sale	(782)	(5,593)
Maturities of securities available-for-sale	774	5,891
Net cash inflows from sale of subsidiaries	8,427	21,070
Net increase in loans	(2,452,579)	(451,900)
Net cash used in investing activities	(2,444,160)	(430,532)
Cash flows from financing activities		
Proceeds from intercompany borrowings, net	1,385,653	32,277
Net increase in demand deposits	1,088,010	445,173
Net decrease in time deposits	(63,542)	(43,525)
Net cash provided by financing activities	2,410,121	433,925
Effect of exchange rate changes on cash	1,697	2,496
Net increase in cash and due from banks	8,217	165
Cash and due from banks		
Beginning of year	2,297	2,132
End of year	$ 10,514	$ 2,297
Supplemental cash flow information		
Interest paid	$ 11,931	$ 3,533
Income taxes paid	$ 18,315	$ 22,897

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of United States dollars)

1. Description of Business

Merrill Lynch Bank and Trust Company (Cayman) Limited (the "Company"), is a wholly owned subsidiary of Merrill Lynch Cayman Holdings Incorporated, or ("MLCHI"), which in turn is a wholly owned subsidiary of Merrill Lynch International Holdings, Inc., or ("MLIHI"). The Company is an indirect wholly-owned subsidiary of Bank of America Corporation ("Bank of America"). The Company is registered under the laws of the Cayman Islands and holds a Category "A" Banking and Trust License subject to the provisions of the Banks and Trust Companies Law. The Company is regulated and supervised by the Cayman Island Monetary Authority ("CIMA"). The Company holds a Securities Investment Business License pursuant to Section 6 (1) of the Securities Investment Business Law, to act as a Broker-Dealer and Securities Arranger.

The Company conducts banking and trust operations for customers of its affiliates. The Company conducts business with client corporations, high net worth individuals, and other financial institutions. The Company's principal products include secured loans, interbank placements, deposits from private clients, and foreign exchange transactions. The Company maintains branches in the Isle of Man and Singapore, which perform administration duties associated with the Company's trust business. The branches do not engage in deposit taking, lending, or foreign currency trading activities.

During 2013, the Company sold assets related to its subsidiaries located in Uruguay, Spain and Lebanon to an unaffiliated third party. These subsidiaries were part of the International Wealth Management ("IWM") sale of certain businesses located outside of the United States. See Note 4 to the Consolidated Financial Statements for further information.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), which include industry practices. Intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements are presented in U.S. dollars.

During the preparation of the consolidated financial statements, it was determined that during the periods prior to December 31, 2015, current income tax payable to affiliates had been incorrectly recorded. The Company has evaluated the effects of this error and concluded that it is not material to any of the Company's previously issued consolidated financial statements or to the 2015 consolidated financial statements. Accordingly, the Company recorded an adjustment as of December 31, 2013, which resulted in an increase to payable to affiliates and a decrease to retained earnings of $9,054, which had a corresponding effect on payable to affiliates at December 31, 2014.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

Currency Translation

The consolidated financial statements are presented in U.S. dollars. Non-U.S. subsidiaries have a functional currency (i.e., the currency in which activities are primarily conducted) that is other than the U.S. dollar, often the currency of the country in which a subsidiary is domiciled. Subsidiaries' assets and liabilities are translated to U.S. dollars at year-end exchange rates, while revenues and

(in thousands of United States dollars)

expenses are translated using an average of exchange rates during the year. Adjustments that result from translating amounts in a subsidiary's functional currency, net of related tax effects, are reported in stockholder's equity as a component of accumulated other comprehensive income (loss). All other foreign currency adjustments are included in earnings. The Company maintains a matched book in its currency position. As such, changes in the foreign exchange rates for money market transactions are covered daily with an affiliate to avoid any significant fluctuations in net earnings.

Use of Estimates

In presenting the consolidated financial statements, management makes estimates including the following:

- The allowance for credit losses;
- Valuations of assets and liabilities requiring fair value estimates;
- Determination of other-than-temporary impairments for investment securities available-for-sale;
- The ability to realize deferred taxes and the recognition and measurement of uncertain tax positions;
- Incentive-based compensation accruals and valuation of share-based payment compensation arrangements; and
- Other matters, including the pension liability, that affect the reported amounts and disclosure of contingencies in the financial statements.

Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the consolidated financial statements, and it is possible that such changes could occur in the near term.

Fair Value Measurement

The Company's financial instruments are reported in cash and cash equivalents, investment securities available for sale, loans, deposits, receivables from affiliates, payables to affiliates and intercompany borrowings. The Company accounts for certain financial instruments at fair value.

ASC 820, *Fair Value Measurements and Disclosures* ("Fair Value Accounting") defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. See Note 10 to the Consolidated Financial Statements for further information.

Cash and Cash Equivalents

The Company defines cash and cash equivalents as noninterest bearing deposits with banks. The amounts recognized for cash and cash equivalents approximate fair value. For purposes of the fair value hierarchy, cash and cash equivalents are classified as Level 1.

(in thousands of United States dollars)

Investment Securities Available-for-Sale

The Company accounts for all Investment Securities Available-for-Sale ("AFS") at fair value under ASC 320, *Investments – Debt and Equity Securities* ("Investment Accounting"). Securities to be held for unspecified periods of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold in response to changes in interest rates, changes in prepayment risk, or other similar factors, are classified as available-for-sale and are carried at fair value with net unrealized gains and losses included in accumulated other comprehensive income (loss). The fair value of investment AFS securities is based on quoted market prices or pricing models. Realized gains and losses are reclassified into earnings using the specific identification method upon realization.

The Company, at least annually, evaluates each AFS security whose fair value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. In determining whether an impairment is other than temporary, the Company considers the severity and duration of the decline in fair value, the length of time expected for recovery, the financial condition of the issuer, and other qualitative factors, as well as whether the Company either plans to sell the security or it is more-likely-than-not that it will be required to sell the security before recovery of the amortized cost. If the impairment is credit-related, an other-than-temporary impairment ("OTTI") loss is recorded in earnings. The non-credit related impairment loss is recognized in accumulated other comprehensive income (loss). If the Company intends to sell an AFS security or believes it will more-likely-than-not be required to sell a security, the Corporation records the full amount of the impairment loss as an OTTI.

Loans

The Company's loans consist of secured consumer loans which are classified as held for investment. Such loans are carried at their principal amount outstanding, net of the allowance for credit losses which represents the Company's estimate of probable losses inherent in its lending activities. Interest income and fees from loans are recognized as earned, based upon the principal amount outstanding over the term of the loans. The carrying value of the loans approximates fair value. For purposes of the fair value hierarchy, loans are classified as Level 2.

Loan Commitments and Letters of Credit

The Company enters into commitments to extend credit such as loan commitments and commercial and standby letters of credit to meet customer's financing needs. Such commitments are recorded as loans when funded.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of probable losses inherent in the Company's lending activities. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess overall collectability.

The Company's estimate of credit losses includes judgment about collectability based on available information at the balance sheet date, and the uncertainties inherent in those underlying assumptions. While management has based its estimates on the best information available, future adjustments to the allowance for credit losses may be necessary as a result of changes in the economic environment or variances between actual results and the original assumptions.

In general, loans that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired,

(in thousands of United States dollars)

are classified as nonperforming unless well-secured and in the process of collection. Consumer loans, whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties are considered troubled debt restructurings ("TDRs") and are classified as nonperforming until the loans have performed for an adequate period of time under the restructured agreement.

Interest accrued but not collected is reversed when a loan is considered nonperforming and the loan is placed on non-accrual status. Interest collections on consumer loans for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received. Consumer loans may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. As of December 31, 2015 and 2014, there were no TDRs or nonperforming loans held by the Company.

Accrued Trust Administration Fees

Accrued trust administration fees represent amounts accrued and earned for administration of the Company's customer fiduciary trust accounts.

Accrued Interest Receivable

Accrued interest receivable represents interest earned from the customer loan portfolio.

Receivables and Payables from/to Affiliates

The Company's enters into related party transactions, with other affiliates for the benefit of the Company. The carrying value of the receivables from affiliates and payables to affiliates approximates fair value. For purposes of the fair value hierarchy, receivables from affiliates and payables to affiliates are classified as Level 2. See Note 4 to the Consolidated Financial Statements for further information.

Other Assets

Other assets include equipment and facilities, deferred tax assets, other prepaid expenses and other deferred charges.

Equipment and facilities primarily consist of technology hardware, facility and non-technology equipment, and leasehold improvements. The historical cost for equipment and facilities was $51 and $54 as of December 31, 2015 and 2014, respectively, and the accumulated depreciation and amortization was $29 and $19 for 2015 and 2014, respectively. Depreciation and amortization are computed using the straight-line method. Equipment is depreciated over its estimated useful life (which ranges from three to five years), while leasehold improvements are amortized over the lesser of the improvements estimated economic useful life or the term of the lease. Maintenance and repair costs are expensed as incurred.

Included in the occupancy and related depreciation expense category was depreciation and amortization of $10 and $13 for 2015 and 2014, respectively.

Deposits

Demand deposits are interest-bearing accounts that the depositor is entitled to withdraw at any time without prior notice. Time deposits are accounts that have a stipulated maturity and interest

(in thousands of United States dollars)

rate. Depositors holding time deposits may recover their funds prior to the stated maturity but may be required to pay a penalty to do so. The carrying value of the deposits approximates fair value. For purposes of the fair value hierarchy, deposits are classified as Level 2.

Intercompany Borrowings

The Company's enters into intercompany borrowing transactions with Bank of America to meet its lending requirements. The carrying value of the intercompany borrowings approximates fair value. For purposes of the fair value hierarchy, intercompany borrowings are classified as Level 2. See Note 8 to the Consolidated Financial Statements for further information.

Other Liabilities

The Company's other liabilities primarily consist of current income tax payable, incentive compensation and other miscellaneous payables.

Derivatives

The Company enters into derivative contracts with its customers and affiliates, and accounts for all derivatives at fair value under ASC 815, *Derivative and Hedging* ("Derivative Accounting"). Derivative contracts with affiliates are reported within receivables from affiliates and payables to affiliates while derivative contracts with customers are reported within other assets and other liabilities. The Company enters into interest rate swaps ("IRS") and currency forwards for the purpose of managing its overall interest rate and foreign currency risk. IRSs and currency forwards are valued daily with realized and unrealized gains and losses recorded as interest income (expense) on derivatives, net.

The Company enters into foreign currency contracts to facilitate currency conversions for its customers, as well as to minimize its currency exposure. Foreign currency contracts are valued daily with realized and unrealized gains and losses reflected in noninterest income or expense, as appropriate.

Defined Benefit Pension Plan

The Company accounts for its defined benefit pension plans in accordance with ASC 715-20-50, *Compensation-Retirement Benefits, Defined Benefit Plans-General* ("Defined Benefit Plan Accounting"). This guidance requires the recognition of a plan's overfunded or underfunded status as an asset or liability, measured as the difference between the fair value of plan assets and the benefit obligation, with an offsetting adjustment to accumulated other comprehensive income (loss). This guidance also requires determination of the fair value of a plan's assets at a company's year end and recognition of actuarial gains and losses, prior service costs or credits, and transition assets and obligations as a component of accumulated other comprehensive income (loss).

Trust Accounts

Funds held by the Company in fiduciary or agency capacities in the amount of $4,155,011 and $5,033,367 as of December 31, 2015 and 2014, respectively, are not included in the accompanying consolidated financial statements, as such items are not assets of the Company. The Company earned $11,058 and $12,470 in Trust administration fees which is reflected in the Company's consolidated statements of operations for the years ended December 31, 2015 and 2014, respectively. The Trust administration fees reflected in the financial statements are recognized as earned.

(in thousands of United States dollars)

Stock-Based Compensation

The Company accounts for stock-based compensation expense in accordance with ASC 718, *Compensation — Stock Compensation,* ("Stock Compensation Accounting"), under which compensation expense for share-based awards that do not require future service are recorded immediately, while those that do require future service are amortized into expense over the relevant service period. Further, expected forfeitures of share-based compensation awards for nonretirement-eligible employees are included in determining compensation expense.

Income Taxes

The Company is a subsidiary of MLCHI. MLCHI is included in the U.S. Federal income tax return and certain state income tax returns of Bank of America. The Company is treated as a disregarded entity for U.S. tax purposes and as such, all items of the Company's income and expense are treated as the income and expense of MLCHI. Therefore, the Company accrues tax at the MLCHI tax rate. During 2007, the Company received approval from the Cayman Islands government exempting it from all local income, profits and capital gains taxes until February 19, 2028.

The Company provides for incomes taxes on all transactions that have been recognized in the consolidated financial statements in accordance with ASC 740*, Income Taxes* ("Income Tax Accounting"). Accordingly, deferred taxes are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are generally recognized in net earnings in the period during which such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more-likely-than-not to be realized. Pursuant to Income Tax Accounting, the Company may assess various sources of evidence in the conclusion as to the necessity of valuation allowances to reduce deferred tax assets to amounts more-likely-than-not to be realized, including the following: 1) past and projected earnings, including losses of the Company and Bank of America, as certain tax attributes such as U.S. net operating losses ("NOLs"), U.S. capital loss carry forwards and foreign tax credit carry forwards can be utilized by Bank of America in certain income tax returns, 2) tax carry forward periods, and 3) tax planning strategies and other factors of the legal entities, such as the intercompany tax-allocation agreement. The Company has concluded that these deferred tax assets are more likely than not to be fully utilized prior to expiration, based on the projected level of future taxable income of the Company and BAC, which is relevant due to the intercompany tax allocation agreement. For this purpose, future taxable income was estimated base on forecast, historical earnings after adjusting for past market disruptions and the anticipated impact of the differences between pre-tax earnings and taxable income.

(in thousands of United States dollars)

The Company recognizes and measures its unrecognized tax benefits ("UTB") in accordance with Income Tax Accounting. The Company estimates the likelihood, based on their technical merits, that tax positions will be sustained upon examination considering the facts and circumstances and information available at the end of each period. The Company adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. In accordance with Bank of America's intercompany tax allocation agreement, any new or subsequent change in an unrecognized tax benefit related to a Bank of America state consolidated, combined or unitary return in which the Company is a member, generally will not be reflected in the Company's Consolidated Balance Sheet. However, upon Bank of America's resolution of the item, any material impact determined to be attributable to the Company will be reflected in the Company's Consolidated Balance Sheet. The Company accrues income tax-related interest and penalties, if applicable, within income tax expense.

The Company's results of operations are included in the U.S. Federal income tax return and certain combined and unitary state and city income tax returns of Bank of America as described above. The method of allocating income tax expense is determined under the intercompany tax allocation agreement of Bank of America. This agreement specifies that income tax expense will be computed for all Bank of America subsidiaries generally on a separate company method, taking into account the tax position of the consolidated group and the Company. Under this agreement, tax benefits associated with NOLs and other tax attributes of the Company are generally payable to the Company upon utilization in the filing of Bank of America's returns. See Note 13 for further discussion of income taxes.

3. New Accounting Pronouncements

In December 2012, the FASB issued a proposed standard on accounting for credit losses. It would replace multiple existing impairment models, including an "incurred loss" model for loans, with an "expected loss" model. The FASB has indicated a tentative effective date of January 1, 2019, and final guidance is expected to be issued in the second quarter of 2016. The final standard should not materially impact the Company's retained earnings in the period of adoption.

In May 2014, the FASB issued new accounting guidance to clarify the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective January 1, 2018. The Company is currently evaluating the impact of this new accounting guidance on the consolidated financial statements.

In August 2014, the FASB amended existing guidance related to the disclosures about an entity's ability to continue as a going concern. These amendments define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and provide related footnote disclosures. The amendments are effective for annual periods ending after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact of the accounting amendments on the consolidated financial statements.

In January 2016, the FASB issued new accounting guidance on recognition and measurement of financial instruments. The new guidance makes targeted changes to existing GAAP including, among other provisions, requiring certain equity investments to be measured at fair value with changes in fair value reported in earnings and requiring changes in instrument-specific credit risk (i.e., debit valuation adjustments (DVA) for financial liabilities recorded at fair value under the fair

(in thousands of United States dollars)

value option to be reported in other comprehensive income (OCI). The accounting for DVA related to other financial liabilities, for example, derivatives, does not change. The new guidance is effective beginning on January 1, 2018, with early adoption permitted for the provisions related to DVA. The Company does not expect to have any material impact on its consolidated financial statements.

4. Related-Party Transactions

The Company performs services on behalf of certain affiliate entities including the marketing and promotion of products and services for customers of affiliates. The Company receives compensation for performing these activities based on service agreements, recorded as service fee income from affiliated companies. Receivables from affiliates include derivatives and due from affiliated companies. Service fee related balances are non-interest bearing. In addition, the Company holds cash on deposits with affiliates. The Company pays service fee expense to affiliates for services provided related to banking, trust, marketing and promoting the Company's products. As of December 31, 2015 and 2014 the Company had taxes payable to Bank of America of $11,721 and $17,465, respectively.

In 2012, Bank of America entered into an agreement to sell the assets of ML & Co.'s IWM businesses based outside of the United States ("U.S."), including the Company's subsidiaries located in Uruguay, Spain and Lebanon (the "Subsidiaries"). The Subsidiaries, whose primary activities consisted of business development for other affiliated entities, were sold in 2013 to an unaffiliated third party. The assets and liabilities of the Subsidiaries were sold at their net book value. In addition, the unaffiliated third party agreed to pay Bank of America a premium related to the transfer of separately managed accounts and other investment accounts ("client balances") of retail investors that transferred to the unaffiliated third party. The $8,427 and $21,070 gain on sale of subsidiaries for the years ended December 31, 2015 and December 2014, represents cash received by the Company for the portion of premium allocated from Bank of America, related to the Subsidiaries' client balances.

Payables to affiliates include advances from affiliated companies on which interest is accrued at prevailing short-term rates. Also included are derivative transactions, such as swaps and forwards, with affiliates. As of December 31, 2015 and 2014, the Company reported $124,179 and $84,770 of interest bearing advances from affiliates which are included in Payables to affiliates. Interest expense related to interest bearing advances from affiliates in the amounts of $850 and $504 as of December 31, 2015 and 2014, respectively, was included within intercompany borrowings and advances.

See Note 8 for additional disclosures of intercompany borrowings entered into with affiliated companies.

(in thousands of United States dollars)

A summary of balances and transactions with affiliated companies as of and for the years ended December 31, 2015 and 2014 follows:

		2015		2014
Receivables from affiliates	$	28,861	$	21,982
Derivative assets [1]		2,545		82
Total assets	$	31,406	$	22,064
Intercompany borrowings	$	1,706,618	$	320,965
Payables to affiliates		144,526		118,127
Derivative liabilities [1]		1,794		808
Total liabilities	$	1,852,938	$	439,900
Service fee income from affiliated companies	$	9,052	$	6,899
Interest income (expense) on derivatives, net [1]		1,001		(53)
Interest income on advances to affiliates		756		244
Total income	$	10,809	$	7,090
Interest expense related to intercompany borrowings and advances	$	7,892	$	1,134
Service fee expense with affiliated companies		9,259		4,824
Total expense	$	17,151	$	5,958

[1] See Note 11 for additional disclosures of derivative transactions entered into with affiliates.

(in thousands of United States dollars)

5. Investment Securities Available-for-Sale

The carrying amount of securities available-for-sale and their fair value as of December 31, 2015 and 2014 are as follows:

	2015			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Singapore Gov't. Treasury Bills	$ 769	$ 8	$ -	$ 777

	2014			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Singapore Gov't. Treasury Bills	$ 828	$ 2	$ -	$ 830

Investment securities available-for-sale as of December 31, 2015 and December 31, 2014 were in an unrealized gain position.

6. Loans

The Company's secured consumer loan portfolio is comprised of securities-based lending transactions which are re-margined daily. In the normal course of business, the Company enters into consumer loans with customers. These loans are primarily collateralized by diversified marketable securities (equities and bonds) and other financial assets held by affiliates of the Company. These activities expose the Company to risks arising from the potential that customers may fail to satisfy their obligations. In these situations, the Company may be required to sell financial instruments at unfavorable market prices to satisfy obligations of its customers.

These loans are classified as held for investment. The customer is required to post collateral in excess of the value of the loan and the collateral must meet marketability criteria. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess overall collectability through daily re-margining over the life of the loan. Given that these loans are fully collateralized by marketable securities, credit risk is negligible and reserves for credit losses are only required in rare circumstances.

The Company reported $3,233,380 and $1,338,015 in loans outstanding for International and Domestic Loan Management Account ("LMA"), respectively, as of December 31, 2015. The Company reported $918,989 and $1,199,827 in loans outstanding for International and Domestic Loan Management Account ("LMA"), respectively, as of December 31, 2014. There were no

(in thousands of United States dollars)

charge-offs recognized in the Company's consolidated financial statements during the years ending December 31, 2015 and 2014. There were no non-performing loans or TDR's as of December 31, 2015 and 2014.

Loans as of December 31, 2015 and 2014 were all current and consist of the following scheduled maturities:

	2015	2014
Three months or less	$ 4,095,878	$ 1,928,807
Less than six months, greater than three months	125,876	71,778
Less than one year, greater than six months	128,685	34,374
Greater than one year	220,956	83,857
Less allowance for loan losses	(185)	(155)
Loans - net	$ 4,571,210	$ 2,118,661

Activity in the allowance for credit losses is presented below:

	LMA
Ending balances at December 31, 2013	$ 20
Provision	135
Ending balances at December 31, 2014	155
Provision	30
Ending balances at December 31, 2015	$ 185

During the years ended December 31, 2015 and 2014 there was no provision for loan losses required for international loans.

7. Deposits

Substantially all demand and time deposits were in denominations of $100 or more as of December 31, 2015 and 2014, and their scheduled maturities are as follows:

	2015	2014
Three months or less but not repayable on demand	$ 49,181	$ 116,861
One year or less but over three months	12,857	8,719
Repayable on demand	2,165,188	1,077,178
	$ 2,227,226	$ 1,202,758

The effective weighted average interest rates for deposits as of December 31, 2015 and 2014 were 0.33% and 0.26%, respectively.

(in thousands of United States dollars)

The Company has an agreement with third party Julius Baer ("JB") that allows the Company to accept deposits from JB on fixed or demand term on a fiduciary basis at prevailing market rates. The JB fiduciary deposits are expected to continue funding a portion of the Company's loan portfolio. At the end of December 31, 2015 and 2014 these deposits included above, were $978 and $417,315.

8. Debt

The Company has a committed credit facility with Bank of America which provides for a maximum available borrowing of up to $3,000,000 in 2016 and $2,000,000 in 2014.

As of December 31, 2015 and 2014, the Company has an outstanding borrowing of $1,706,618 and $320,965 respectively under the facility which is automatically renewed every six months. The weighted average interest rate during 2015 and 2014 was 0.50% and 0.33% respectively on the credit facility. The Company incurred $7,042 and $630 in interest expense during the years ended December 31, 2015 and 2014. This credit facility does not have any financial or nonfinancial covenants.

9. Employee Benefit Plans

Bank of America provides pension and other post-employment benefits to its employees worldwide through sponsorship of defined contribution and defined benefit pension and other post employment plans.

The Company also participates in an employee compensation plan sponsored by Bank of America, which provides eligible employees stock-based compensation or options to purchase stock. Payables to affiliates included $12,624 in accrued liabilities related to this plan as of December 31, 2015 and 2014.

In connection with a redesign of its retirement plans, Bank of America amended its qualified pension plans to close the plans to new employees effective June 30, 2012. Bank of America continues to offer retirement benefits through its defined contribution plans.

Defined Contribution Pension Plans

The U.S. defined contribution plans sponsored by Bank of America include the Merrill Lynch 401(k) Savings & Investment Plan ("SIP") and the Bank of America 401 (k) Plan. The SIP is closed to new participants with certain exceptions.

Defined Benefit Pension Plans

Employees of certain Non-U.S. subsidiaries participate in various local defined benefit pension plans. These plans provide benefits that are generally based on years of credited service and a percentage of the employee's eligible compensation during the final years of employment. Bank of America's funding policy has been to contribute annually at least the amount necessary to satisfy local funding standards. The Third Country National Defined Benefit Pension Plan (the "TCN Plan") is the responsibility of the Company and serves as the pension plan for various Non-U.S. expatriate employees. The costs of the TCN Plan are ultimately allocated back to affiliates of Bank of America.

(in thousands of United States dollars)

Contributions
There were no participant contributions made to the TCN Plan for the years ended December 31, 2015 and 2014. The Company is the sole contributor to the Plan. During 2015 and 2014, the Company made contributions in the amounts of $2,431 and $2,346 to pay benefits to participants. The Company expects to make contributions to the TCN Plan in the amount of $3,338 for expected benefit payments to participants in 2016.

The accumulated benefit obligation for the TCN Plan was $209,728 and $201,596 at December 31, 2015 and 2014, respectively.

Total net periodic benefit cost for the years ended December 31, 2015 and 2014 included the following components:

	2015	2014
Service costs	$ 3,293	$ 2,841
Interest costs	7,959	7,711
Amortization of actuarial loss	2,774	-
Expected return on plan assets	(1,764)	(1,769)
Total net periodic benefit cost	$ 12,262	$ 8,783

The weighted average assumptions used in calculating the net periodic cost for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Discount rate	3.9 %	4.6 %
Rate of compensation increase	3.5	3.5
Expected long-term return on plan assets	3.5	5.8

Pension expense for the Company amounted to $6,191 and $5,249 for the years ended December 31, 2015 and 2014, respectively, and was fully reimbursed as service-fee income from Merrill Lynch International Incorporated. The remainder of the net periodic benefit cost was allocated to other Bank of America affiliates.

The following table provides the status of the TCN Plan's projected benefit obligations, fair value of the TCN Plan assets, and funded status for the periods ended December 31, 2015 and 2014 and the amounts recognized in the Company's consolidated balance sheets at year-end 2015 and 2014.

(in thousands of United States dollars)

	2015	**2014**
Projected benefit obligation at beginning of year	$ 204,616	$ 165,933
Service cost	3,293	2,841
Interest cost	7,959	7,711
Actuarial (gain) loss	(1,675)	30,477
Benefits paid	(2,431)	(2,346)
Projected benefit obligation at end of year	211,762	204,616
Fair value of plan assets at beginning of year	50,414	47,799
Actual return on plan assets	(1,169)	2,615
Employer contribution	2,431	2,346
Benefits paid	(2,431)	(2,346)
Fair value of plan assets at end of year	49,245	50,414
Unfunded pension liability at end of year	$ 162,517	$ 154,202

The weighted average assumptions used in calculating the projected benefit obligation as of December 31, 2015 and 2014 were as follows:

	2015	**2014**
Discount rate	4.0 %	3.9 %
Rate of compensation increase	3.5	3.5

Amounts recognized in accumulated other comprehensive loss, pre-tax, at year-end 2015 and 2014 consisted of $58,768 and $60,757 in net actuarial losses, respectively. In order to comply with the intercompany tax allocation agreement of Bank of America, the accumulated other comprehensive losses after-tax was $36,730 and $36,607 as of December 31, 2015 and 2014, respectively. There are $2,613 estimated net losses that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year.

The expected long-term rate of return on the TCN Plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The rate reflects estimates by the TCN Plan investment advisors of the expected returns of the asset held by the TCN Plan in light of prevailing economic conditions at the beginning of the fiscal year.

Pension plans can be sensitive to changes in discount rates and expected asset return rates. It is expected that a 25 basis points rate reduction in the discount rate would increase defined benefit plan expenses by approximately $727 for 2016. A 25 basis point decline in the expected rate of return would result in an expense increase for 2016 of approximately $123.

(in thousands of United States dollars)

The assets of the TCN Plan are invested prudently so that the benefits promised to members are provided, having regard to the nature and duration of the TCN Plan's liabilities. Generally, the planned investment strategy is set following an asset-liability study and advice from the Trustee's investment advisors. The asset allocation strategy selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meet the TCN Plan's liabilities.

The TCN Plan assets are solely invested in a Long Duration Bond Mutual Fund which primarily holds debt securities and is considered a Level 1 asset in the fair value hierarchy.

Expected benefit payments associated with the TCN Plan for the next five years, and in the aggregate for five years thereafter are as follows:

Year		**Amount**
2016	$	3,338
2017		3,760
2018		3,892
2019		4,005
2020		4,112
2021 through 2025		24,825

10. Fair Value

Fair Value Hierarchy

In accordance with Fair Value Accounting, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Financial assets and liabilities recorded on the consolidated balance sheets are categorized based on the inputs to valuation techniques as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets.

b. Quoted prices for identical or similar assets or liabilities in nonactive markets.

c. Pricing models whose inputs are observable for substantially the full term of the asset or liability and,

(in thousands of United States dollars)

d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As required by Fair Value Accounting, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

A review of fair value hierarchy classifications is conducted at least on an annual basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities.

There were no transfers between levels for the years ended December 31, 2015 and 2014.

Valuation Processes and Techniques

The Company has various processes and controls in place to ensure that its fair value measurements are reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models by personnel who are independent of the front office and periodic re-assessments to ensure that models are continuing to perform as designed. In addition, detailed reviews of trading gains and losses are analyzed on a daily basis by personnel who are independent of the front office. A price verification group, which is also independent of the front office, utilizes available market information including executed trades, market prices and market observable valuation model inputs to ensure that fair values are reasonably estimated. The Company executes due diligence procedures over third party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During 2015 and 2014, there were no changes to the Company's valuation techniques that had a material impact on its Consolidated Balance Sheet or Consolidated Statement of Operations.

The following outlines the valuation methodologies for the Company's derivatives and investment securities available-for-sale:

Derivatives

The fair value of these instruments is derived using market prices and other market based pricing parameters such as interest rates, currency rates and volatilities that are observed directly in the market or gathered from independent sources such as dealer's consensus pricing services or

(in thousands of United States dollars)

brokers. Where models are used, they are used consistently and reflect the contractual terms of and specific risks inherent in the contracts. Generally, the models do not require a high level of subjectivity since the valuation techniques used in the model do not require significant judgment and inputs to the models are readily observable in active markets. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other instrument-specific factors, where appropriate. See Note 11, Financial Instruments, for additional disclosures related to foreign currency forward contracts, currency swaps, and interest rate swaps.

Investment Securities Available-for-Sale
The fair value of AFS debt securities is generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of AFS.

The Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2015, is as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale	$ -	$ 777	$ -	$ 777
Foreign currency forward contracts and currency swaps	-	5,064	-	5,064
Total assets	$ -	$ 5,841	$ -	$ 5,841
Liabilities				
Foreign currency forward contracts and currency swaps	$ -	$ 3,138	$ -	$ 3,138
Total liabilities	$ -	$ 3,138	$ -	$ 3,138

The Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 were as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale	$ -	$ 830	$ -	$ 830
Foreign currency forward contracts and currency swaps	-	82	-	82
Total assets	$ -	$ 912	$ -	$ 912
Liabilities				
Foreign currency forward contracts and currency swaps	$ -	$ 250	$ -	$ 250
Interest rate swaps	-	558	-	558
Total liabilities	$ -	$ 808	$ -	$ 808

There were no financial or nonfinancial assets or liabilities measured at fair value on a nonrecurring basis at December 31, 2015 and 2014.

(in thousands of United States dollars)

11. Financial Instruments

Market Risk
Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings.

Derivative positions are reported at fair value with changes reflected in income. Derivative positions are subject to various changes in market-based risk factors. The majority of the risk is generated by the Company's activity in the interest rate, foreign exchange and credit. In addition, the value of assets and liabilities could change due to market liquidity, correlations across the market and expectations of market volatility.

The Company uses derivative instruments to mitigate its market exposures. The following discussion describes the types of market risk faced by the Company.

Liquidity Risk
Liquidity Risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support the Company's business and customer needs, under a range of economic conditions. The Company's primary liquidity risk management objective is to meet all contractual and contingent financial obligations at all times, including during periods of stress. To achieve that objective, the Company analyzes and monitors its liquidity risk under expected and stressed conditions, maintain liquidity and access to diverse funding sources and seeks to align liquidity-related incentives and risks. In addition, the Company is supported through unsecured borrowing arrangements with Bank of America.

Interest Rate Risk
Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, debt securities, borrowings and derivatives. Hedging instruments used to mitigate these risks include derivatives such as forwards and swaps. .

Foreign Exchange Risk
Foreign currency risk represents exposures to changes in the values of current holdings and future cash flows denominated in currencies other than the U.S. dollar. The types of instruments exposed to this risk include future cash flows in foreign currencies arising from foreign exchange transactions and various foreign exchange derivatives whose values fluctuate with changes in the level or volatility of foreign exchange rates or non-U.S. interest rates. Hedging instruments used to mitigate this risk include currency forwards and swaps

(in thousands of United States dollars)

Counterparty Credit Risk
The Company is exposed to risk of loss if an individual, counterparty or issuer fails to perform its obligations under contractual terms (“default risk”). The Company’s consumer loans are collateralized by securities that are re-margined daily. The Company has established policies and procedures for mitigating credit risk on lending transactions, including reviewing and establishing limits for credit exposure, maintaining qualifying collateral, and continually assessing the creditworthiness of counterparties.

For derivatives, default risk is limited to the current cost of replacing contracts in a gain position. Default risk exposure varies by type of derivative. The notional or contractual value of derivatives does not represent default risk exposure.

Concentrations of Credit Risk
The Company’s exposure to credit risk, is limited to default risk, and is associated with lending activities which are measured on an individual counterparty basis as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

As of December 31, 2015 and 2014, the Company’s most significant concentration of credit risk is with affiliates. This concentration arises in the normal course of business.

Derivatives
Certain of the Company’s financial instruments have off-balance sheet risk of loss, which may consist of market and/or credit risk in excess of amounts recorded on the consolidated balance sheets. Financial instruments with off-balance sheet market risk include derivatives and certain commitments.

A derivative is an instrument whose value is derived from an underlying instrument or index, such as interest rates, equity security prices, currencies, commodity prices or credit spreads. Derivatives include futures, forwards, swaps, option contracts and other financial instruments with similar characteristics. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (e.g., interest rate swaps or currency forwards,) or to purchase or sell other financial instruments at specified terms on a specified date (e.g., options to buy or sell securities or currencies). All derivatives are accounted for at fair value. The Company enters into foreign exchange forward contracts and currency swaps with affiliates as economic hedges of foreign currency positions including the U.S. dollar costs of future foreign currency requirements. Delayed delivery and forward contracts are transactions in which one party agrees to deliver securities or a currency to counterparty at a specified price on a specified date. The Company is exposed to market risk associated with the possibility of unfavorable changes in currency exchange rates and the market price of the underlying financial instruments.

The Company enters into IRS with affiliates to manage its overall interest rate risk. These agreements generally fix an interest spread between a rate earned and rate paid; any change in actual interest rates results in an amount paid or received under the agreement based on a notional amount. Any amounts paid or received under these rate agreements are recorded as adjustments to interest expense.

(in thousands of United States dollars)

Derivative instruments contain numerous market risks. In particular, most derivatives have interest rate risk, as they contain an element of financing risk which is affected by changes in interest rates. Additionally, derivatives expose the Company to counterparty credit risk with affiliates.

The following table identifies the notional and fair value of outstanding over-the-counter derivative instruments at December 31, 2015 and 2014:

	2015		2014	
	Notional	Fair Value	Notional	Fair Value
Assets				
Foreign currency forward contracts and currency swaps	$ 404,864	$ 5,064	$ 11,400	$ 82
Total assets	$ 404,864	$ 5,064	$ 11,400	$ 82
Liabilities				
Foreign currency forward contracts and currency swaps	$ 155,764	$ 3,138	$ 34,564	$ 250
Interest rate swaps	-	-	73,864	558
Total liabilities	$ 155,764	$ 3,138	$ 108,428	$ 808

The fair value of these instruments that are with affiliates are reported within receivables from affiliates and payables to affiliates while the fair value of these instruments with customers are reported within other assets and other liabilities. The interest income or interest expense impact of these instruments is recorded in the consolidated statement of earnings as interest expense on derivatives, net.

The notional or contractual amounts of these instruments do not represent the Company's exposure under these contracts.

There are no legally enforceable master netting agreements in place for the above derivative transactions. Derivative assets and liabilities are reported on the balance sheet at their gross amounts as of December 31, 2015 and 2014, and are not offset. For each obligation, there is sufficient collateral to offset any potential liability.

The following table, for the years ended December 31, 2015 and 2014, identifies the amount in interest income related to derivative instruments by primary risk:

	Interest Income (Expense)	
	2015	2014
Foreign currency risk	$ 2,803	$ 279
Interest rate risk	(1,802)	(332)
Total, net	$ 1,001	$ (53)

(in thousands of United States dollars)

12. Commitments and Contingencies

Litigation

From time to time, the Company is named as a defendant in legal actions and arbitrations, arising in connection with its normal course of business. Although the ultimate outcome of these actions cannot always be ascertained and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the consolidated financial statements. As of December 31, 2015 and 2014, there was no pending or potentially threatening litigation against the Company.

Leases

The Company has entered into various non-cancelable long-term operating lease agreements for premises and equipment. The Company has also entered into various non-cancelable short-term operating lease agreements that are primarily commitments of less than one year under equipment leases. As of December 31, 2015, future non-cancelable minimum rental commitments under leases with remaining terms exceeding one year are presented below:

Year		
2016	$	327
2017		327
2018		96
	$	750

The Company recorded rent expense of $339 and $377 for the years ended December 31, 2015 and 2014, respectively.

Credit Extension Commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loan commitments, standby and commercial letters of credit. These instruments expose the Company to varying degrees of credit and market risk and are subject to the same credit policies as on-balance-sheet instruments.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company had approximately $34,243 and $0 in irrevocable letters of credit outstanding at December 31, 2015 and 2014, respectively. The Company holds collateral supporting these commitments, as deemed necessary.

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse changes clauses that help to protect the Company against deterioration in the borrower’s ability to pay.

(in thousands of United States dollars)

13. Income Taxes

The component of income tax expense for the years ended December 31, 2015 and 2014 consisted of:

		2015		2014
U.S. federal				
Current	$	11,204	$	6,899
Deferred		1,173		1,616
U.S. state, local, and other				
Current		1,438		2,019
Deferred		14		128
Foreign				
Current		(68)		3,380
Deferred		2		(3)
Total [1]	$	13,763	$	14,039

[1] *Total income tax expense does not reflect the deferred tax effects of items included in accumulated other comprehensive loss. As a result of the tax effects, accumulated other comprehensive loss increased/(decreased) $3,328 and $(9,827) in the years ended December 31, 2015 and 2014, respectively.*

Income tax expense for 2015 and 2014 varied from the amount computed by applying the statutory income tax rate to income before income taxes. A reconciliation of the expected U.S. federal income tax expense, calculated by applying the U.S. statutory rate of 35 percent, to the Company's actual income tax expense and resulting tax rate for 2015 and 2014 are presented in the table below:

		2015		2014
U.S. federal income tax at statutory rate	$	12,308	$	13,293
U.S. state and local income taxes, net		944		1,395
Foreign tax differential		-		11
Other		511		(660)
Total	$	13,763	$	14,039

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amounts in the Consolidated Balance Sheet. These temporary differences result in taxable or deductible amounts in future years.

(in thousands of United States dollars)

Significant components of the Company's deferred tax assets and liabilities at December 31, 2015 and 2014, which are included on the Consolidated Balance Sheet within *Other assets*, are presented below:

	2015	2014
Deferred tax asset		
Pension	$ 22,038	$ 26,349
State tax deduction	1,468	1,899
Deferred compensation	564	432
Other	2,656	1,342
Total deferred tax asset	26,726	30,022
Deferred tax liability		
Foreign currency	(2,073)	(852)
Total deferred tax liability	(2,073)	(852)
Net deferred tax asset	$ 24,653	$ 29,170

The Company files income tax returns in numerous state, local and non-U.S. jurisdictions each year. The Internal Revenue Service and other tax authorities in states, cities and countries in which the Company has significant business operations, examine tax returns periodically (continuously in some jurisdictions). The table below summarizes the status of significant tax examinations, by jurisdiction, for the Company as of December 31, 2015.

Jurisdiction	Years Under Examination [1]	Status at December 31, 2015
U.S. Federal	2010-2011	Appeals
U.S. Federal	2012-2013	Field examination
New York State	2008-2014	Field examination
New York City	2008-2014	Field examination

(1) *All tax years subsequent to the above years remain open to examination*

At December 31, 2015 and 2014, the Company did not have any liabilities for unrecognized tax benefits.

As described in Note 1, any unrecognized tax benefit related to a state consolidated, combined or unitary return in which the Company is a member, is not reflected in the Company's Consolidated Balance Sheet until such time as the tax position is resolved.

While it is reasonably possible that a significant change in unrecognized tax benefits related to certain state consolidated, combined or unitary returns will occur within twelve months of December 31, 2015, quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes.

(in thousands of United States dollars)

The Company is included in the consolidated U.S. federal income tax return, and certain combined and unitary state tax returns of Bank of America. At December 31, 2015 and 2014 the Company had a current tax payable to Bank of America of $11,721 and $17,465, respectively, as a result of its inclusion in consolidated, combined, and unitary tax return filings with Bank of America. These amounts are recorded as a *Payable to affiliate*. See Note 4 Related-Party Transactions. During the years ended December 31, 2015 and 2014, the Company made approximately $15,732 and $22,134 of income tax payments to Bank of America, which was recorded as increases to its *Payable to affiliate*.

14. Regulatory Capital

The Company is subject to capital requirements of the Basel II framework as defined by CIMA, which came into effect January 1, 2011 in the Cayman Islands. The measure of capital strength established by CIMA for the Company is the risk weighted total capital ratio with a minimum of 12% in 2015 and 2014. At December 31, 2015 and 2014, the risk weighted capital ratios were 110% and 145%, respectively.

15. Subsequent Events

ASC 855, Subsequent Events, requires the Company to evaluate whether events, occurring after the Balance Sheet date but before the date the financial statements are available to be issued, require accounting as of the Balance Sheet date, or disclosure in the financial statements. The Company evaluated subsequent events through March 31, 2016, the date the financial statements were available to be issued.

There were not material subsequent events which affected the amounts or disclosures in the Consolidated Financial Statements.