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

Consolidated Financial Statements
December 31, 2018 and 2017

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Report of Independent Auditors

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 Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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.

Auditors' 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 Subsidiaries as of December 31, 2018 and 2017, 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.

PricewaterhouseCoopers

March 29, 2019

Merrill Lynch Bank and Trust Company (Cayman) Limited and Subsidiaries
Consolidated Balance Sheets
December 31, 2018 and 2017

(in thousands of dollars, except share amounts)	2018	2017
Assets		
Cash and cash equivalents	$ 2,479	$ 11,317
Loans	2,864,570	4,008,092
Accrued interest receivable	6,924	7,944
Receivables from affiliates	367	2,743
Accrued trust administration fees	68	2,644
Derivative assets	17,871	2,328
Other assets	27,035	35,961
Total assets	$ 2,919,314	$ 4,071,029
Liabilities and Stockholder's Equity		
Liabilities		
Deposits		
Demand	$ 1,586,347	$ 1,827,278
Time	135,769	96,617
Total deposits	1,722,116	1,923,895
Intercompany borrowings	549,918	1,547,609
Unfunded pension liability	201,673	228,048
Payables to affiliates	29,026	39,182
Derivative liabilities	17,307	2,187
Other liabilities	3,009	6,554
Total liabilities	2,523,049	3,747,475
Commitments and contingencies (Note 13)		
Stockholder's equity		
Common Stock, par value $1 per share; 50,000 shares authorized, 12,000 shares issued and outstanding	12,000	12,000
Share premium	324,716	324,716
Retained earnings	115,794	55,705
Accumulated other comprehensive loss	(56,245)	(68,867)
Total stockholder's equity	396,265	323,554
Total liabilities and stockholder's equity	$ 2,919,314	$ 4,071,029

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, 2018 and 2017

(in thousands of dollars)	2018	2017
Interest income		
Loans	$ 111,522	$ 89,712
Interest income on advances to affiliates and Other	-	52
Total interest income	111,522	89,764
Interest expense		
Deposits	19,487	9,054
Intercompany borrowings and advances	25,646	19,469
Total interest expense	45,133	28,523
Net interest income before provision for credit losses	66,389	61,241
Recoveries on credit losses	-	(29)
Net interest income after provision for credit losses	66,389	61,270
Non-interest income		
Service fee income from affiliated companies	4,178	7,226
Trust administration fees	1,061	4,820
Gain on derivatives	5,483	1,776
Transaction gain (loss) on foreign currency	83	216
Total non-interest income	10,805	14,038
Total revenues, net of interest expenses	77,194	75,308
Non-interest expenses		
Compensation and benefits	5,972	11,568
Service fee expense with affiliated companies	9,833	8,587
Occupancy and related depreciation	190	759
Professional fees	597	609
Communication and technology	277	262
Advertising and market development	1	85
Other	178	469
Total non-interest expenses	17,048	22,339
Net income before income taxes	60,146	52,969
Income tax expense	14,243	39,726
Net income	$ 45,903	$ 13,243

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, 2018 and 2017

(in thousands of dollars)	2018	2017
Net income	$ 45,903	$ 13,243
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment [(1)]	27	355
Net change in unrealized gains on investment securities available for sale [(2)]	-	37
Defined benefit pension adjustment [(3)] (Note 8)	26,781	(2,178)
Other, Net	(14,186)	-
Total other comprehensive loss	12,622	(1,786)
Comprehensive income	$ 58,525	$ 11,457

(1) Net of Tax Expense of $365 and $351 for 2018 and 2017, respectively.

(2) Net of Tax Expense of $0 for 2018 and 2017, respectively.

(3) Net of Tax Expense/(Benefit) of $8,457 and $(687) for 2018 and 2017, 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, 2018 and 2017

(in thousands of dollars)	Capital and Share Premium	Accumulated Other Comprehensive (Loss) / Income	Retained Earnings	Total
As of December 31, 2016	$ 336,716	$ (67,081)	$ 42,462	$ 312,097
Foreign currency translation adjustment, net of tax	-	355	-	355
Unrealized gains on investment securities available for sale, net of tax	-	37	-	37
Defined benefit pension adjustment, net of tax	-	(2,178)	-	(2,178)
Dividends paid	-	-	-	-
Contribution of non-controlling interest to parent	-	-	-	-
Net income	-	-	13,243	13,243
As of December 31, 2017	336,716	(68,867)	55,705	323,554
Foreign currency translation adjustment, net of tax	-	27	-	27
Defined benefit pension adjustment, net of tax	-	26,781	-	26,781
Net income	-	-	45,903	45,903
Other, Net	-	(14,186)	14,186	-
As of December 31, 2018	$ 336,716	$ (56,245)	$ 115,794	$ 396,265

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, 2018 and 2017

(in thousands of dollars)	2018	2017
Cash flows from operating activities		
Net income	$ 45,903	$ 13,243
Noncash items excluded from earnings		
Depreciation and amortization	-	6
Deferred tax expense	399	901
(Recovery of) provision for credit losses	-	29
Changes in operating assets and liabilities		
Receivables from affiliates	2,376	(46)
Payables to affiliates	(10,156)	14,238
Unfunded pension liability	(26,375)	10,235
Other assets	8,526	50
Accrued trust administration fees	2,576	3,659
Accrued interest receivable	1,019	(1,102)
Other liabilities	(3,545)	4,573
Defined benefit pension adjustment	26,781	(2,193)
Net cash provided by (used in) operating activities	47,504	43,593
Cash flows from investing activities		
Purchases of securities available-for-sale	-	(2,585)
Maturities of securities available-for-sale	-	3,467
Net increase (decrease) in derivative assets	(15,542)	9,703
Net (decrease) increase in derivative liabilities	15,120	(9,382)
Net decrease in loans	147,735	160,703
Net cash provided by (used in) investing activities	147,313	161,906
Cash flows from financing activities		
Net cash (outflow) from intercompany borrowings, net	(1,903)	(97,400)
Net (decrease) in demand deposits	(240,931)	(101,723)
Net (decrease) increase in time deposits	39,152	(684)
Net cash (used in) provided by financing activities	(203,682)	(199,807)
Effect of exchange rate changes on cash	27	355
Net increase (decrease) in cash and due from banks	(8,838)	6,047
Cash and due from banks		
Beginning of year	11,317	5,270
End of year	$ 2,479	$ 11,317
Supplemental cash flow information		
Interest paid	$ 48,657	$ 23,070
Income taxes paid	36,981	16,287

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

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 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.

On September 29, 2017, the Company transferred financial assets and liabilities to an affiliated entity which was subsequently sold in 2017 to an unaffiliated third party in connection with Bank of America's sale of its international trust and wealth structuring business. This transaction resulted in the closure of the Company's branches in the Isle of Man and Singapore along with the cessation of trust administration services in these locations.

In December 2018, the Company transferred approximately $1 billion in Domestic Loan Management Account ("LMA") loans to its Parent. This transfer was done to reduce the Company's debt. This transfer reduced both total Loans and Intercompany Borrowings on the Consolidated Balance Sheet by approximately $1 billion and was a non-cash transaction.

The Company utilizes the following subsidiaries to conduct its trust business: Fairfield Nominees Ltd, Fiduciary Services Ltd and Holding Services, Ltd. These subsidiaries have no balance sheet and all are expected to be closed in 2019.

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"). Intercompany transactions and balances have been eliminated in consolidation.

Changes in Tax Law

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "Tax Act") which made significant changes to U.S. federal income tax law, including, among other things, reducing the statutory corporate income tax rate to 21 percent from 35 percent.

Change in Accounting Method

U.S. GAAP requires that stock-based compensation awards be expensed over the service period (the period they are earned), based on their grant-date fair value. Awards to retirement-eligible employees have no future service requirement, and historically, Bank of America and the Company

have deemed these awards to be authorized on the grant date, resulting in full recognition of the related expense at that time. Effective October 1, 2017, Bank of America and the Company changed the accounting method for determining when these awards are deemed authorized, changing from the grant date to the beginning of the year preceding the grant date when the incentive award plans are generally approved. As a result, the estimated value of the awards is now expensed ratably over the year preceding the grant date. The Company believes this change is a preferable method of accounting as it is consistent with the accounting method used by several peer institutions for similar awards and results in an improved pattern of expense recognition.

Adoption of this change was voluntary and resulted in an immaterial decrease to retained earnings.

The following Notes have been impacted by the change in accounting method: [Note 8 – Employee Benefit Plans].

Currency Translation

The consolidated financial statements are presented in U.S. dollars. The Company's branch in the Isle of Man which has a functional currency (i.e., the currency in which activities are primarily conducted) of British pounds. The branch's assets and liabilities are translated to U.S. dollars at year-end exchange rates, while revenues and expenses are translated using an average of exchange rates during the year. Adjustments that result from translating amounts in the branch's functional currency, net of related tax effects, are reported in stockholder's equity as a component of accumulated other comprehensive income (loss). Foreign currency transaction 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;
- 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.

Revenue Recognition
The following summarizes the Company's revenue recognition policies for certain noninterest income activities.

Service fee income from affiliated companies
Service fee income from affiliated companies consists of reimbursements from Merrill Lynch International Incorporated for the cost of the TCN Pension Plan. These costs are recorded in Compensation and benefits and Other Non-interest expenses and are reimbursed in the month incurred. See Note 4 – Related-Party Transactions.

Trust administration fees
Trust administration fees relate to fees earned on trusts administered by the Company. These fees are not material and recognized when received.

Gain on derivatives
The Company enters into currency forwards for the purpose of managing its overall interest rate and foreign currency risk. Currency forwards are valued daily with realized and unrealized gains and losses recorded as gains on derivatives, net.

Other Revenue Measurement and Recognition Policies
The Company did not disclose the value of any open performance obligations at December 31, 2018, as its contracts with customers generally have a fixed term that is less than one year, an open term with a cancellation period that is less than one year, or provisions that allow the Company to recognize revenue at the amount it has the right to invoice.

Fair Value Measurement
The Company accounts for investment securities available-for-sale and derivative 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 9 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.

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, 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, 2018 and 2017, 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. These accounts are residual trusts remaining after the 2017 divestiture of the Trust business.

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

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 customers and affiliates are reported as derivative assets and derivative liabilities. The Company enters into currency forwards for the purpose of managing its overall interest rate and foreign currency risk. Currency forwards are valued daily with realized and unrealized gains and losses recorded as gains on derivatives, net. The derivative notional

balances disclosed at year end are representative of the average notional balances throughout the period.

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

Receivables and Payables from/to Affiliates
The Company's enters into related party transactions, with other affiliates for the benefit of the Company. 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.

All equipment and facilities were fully depreciated in 2018 or 2017. Maintenance and repair costs are expensed as incurred.

Included in the occupancy and related depreciation expense category was depreciation and amortization of $0 and $6 for 2018 and 2017, 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 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 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.

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. 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.

Trust Accounts
Funds held by the Company in fiduciary or agency capacities in the amount of $37,910 and $65,677 as of December 31, 2018 and 2017, respectively, are not included in the accompanying consolidated financial statements, as such items are not assets of the Company. The Company earned $1,061 and $4,820 in Trust administration fees which is reflected in the Company's consolidated statements of operations for the years ended December 31, 2018 and 2017 respectively. The Trust administration fees reflected in the financial statements are not material and recognized when received.

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 Bank of America, which is relevant due to the intercompany tax allocation agreement. For this purpose, future taxable income was estimated based on forecasts, historical earnings after adjusting for past market disruptions and the anticipated impact of the differences between pre-tax earnings and taxable income.

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

Effective January 1, 2017, the Company adopted the new accounting standard that simplifies certain aspects of the accounting for share-based payment transactions, including income tax consequences and classification of awards as either equity or liabilities.

Effective January 1, 2018, the Company adopted the new accounting standard for recognizing revenue from contracts with customers. The new standard does not impact the timing or measurement of the Company’s revenue recognition as it is consistent with the Company’s existing accounting for contracts within the scope of the new standard. The new accounting standard does not have a material impact on the Company’s consolidated financial position or results of operations and has not had a material impact on the disclosures in the Notes to the Consolidated Financial Statements.

Effective January 1, 2018, the Company adopted the new accounting standard that addresses certain tax effects in accumulated other comprehensive income (“OCI”) related to the Tax Act. Under this new accounting standard, those tax effects, representing the difference between the newly enacted federal tax rate of 21 percent and the historical tax rate, was reclassified from accumulated OCI to retained earnings.

Effective January 1, 2018, the Company adopted on a retrospective basis the new accounting standard that addresses classification of certain cash receipts and cash payments, including changes in restricted cash in the statement of cash flows. The new accounting standard will not have a material impact on the Consolidated Statement of Cash Flows and will not have any impact on its consolidated financial position or results of operations.

Effective January 1, 2018 the Company adopted the new accounting standard that addresses the presentation of pension costs. The new standard requires separate presentation of the service cost component of pension expense from all other components of net pension/benefit cost in the Consolidated Statement of Income. As a result, the service cost component continues to be presented in personnel expense while other components of net pension/benefit cost (e.g. interest cost, actual return on plan assets, amortization of prior service cost) are now presented in other general operating expense.

On January 1, 2019 the Company adopted the new accounting standards that require that require lessees to recognize operating leases on the Consolidated Balance Sheet as right-of-use assets and lease liabilities based on the value of the discounted future lease payments. Lessor accounting is largely unchanged. Expanded disclosures about the nature and terms of lease agreements will be required prospectively. The Company elected to apply certain transition elections that allow for the continued application of the previous determination of whether a contract that existed at transition is or contains a lease, the associated lease classification, and the recognition of leases on January 1, 2019 through a cumulative-effect adjustment in retained earnings. The new accounting standard will not have a material impact on the Company’s consolidated financial position or results of operations.

The FASB issued a new accounting standard that will be effective for the Company on January 1, 2020. The standard replaces the existing measurement of the allowance for credit losses that is based on management’s best estimate of probable credit losses inherent in the Company’s lending

activities with management's best estimate of lifetime expected credit losses inherent in the Company's financial assets that are recognized at amortized cost. The standard will also expand credit quality disclosures. While the standard changes the measurement of the allowance for credit losses, it does not change the Company's credit risk of its lending portfolios. The credit loss estimation models and processes to be used in implementing the new standard have largely been designed and developed. The validation of the models and testing of controls are in process and expected to be completed during 2019. The new accounting standard will not have a material impact on the Company's consolidated financial position or results of operations.

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. Service fee related balances are non-interest bearing. In addition, the Company holds cash on deposit 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, 2018 and 2017 the Company had taxes payable to affiliates of $15,976 and $39,114, respectively.

In September 2017, the Company transferred $238 of liabilities via a cash transfer to an affiliated entity which was subsequently sold in 2017 to an unaffiliated third party in connection with Bank of America's sale of its international trust and wealth structuring business. This transfer is reflected as part of the other liabilities line of the consolidated statement of cash flows.

The Company reported payables to affiliates as of December 31, 2018 and 2017 of $29,026 and $39,182 primarily consisting of taxes payable. Interest bearing advances from affiliates are included within intercompany borrowings and are further discussed in Note 7 – Debt.

A summary of balances and transactions with affiliated companies as of and for the years ended December 31, 2018 and 2017 follows:

	2018	**2017**
Receivables from affiliates	$ 367	$ 2,743
Derivative assets [(1)]	14,975	1,301
Total assets	$ 15,342	$ 4,044
Intercompany borrowings	$ 549,918	$ 1,547,609
Payables to affiliates	29,026	39,182
Derivative liabilities [(1)]	2,676	978
Total liabilities	$ 581,620	$ 1,587,769
Service fee income from affiliated companies	$ 4,178	$ 7,226
Total income	$ 4,178	$ 7,226
Interest expense related to intercompany borrowings and advances	$ 25,646	$ 19,469
Service fee expense with affiliated companies	9,833	8,587
Total expense	$ 35,479	$ 28,056

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

5. Loans

In the normal course of business, the Company enters into consumer loans with customers. The Company's secured consumer loan portfolio is comprised of securities-based lending transactions which are re-margined daily. 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 $2,864,570 for International Securities Based Loans as of December 31, 2018. There were no charge-offs recognized in the Company's consolidated financial statements

during the years ending December 31, 2018 and 2017. There were no non-performing loans or TDR's as of December 31, 2018 and 2017.

Loans as of December 31, 2018 and 2017 were all current and consist of the following scheduled maturities:

	2018	2017
Three months or less	$ 2,492,052	$ 3,514,877
Less than six months, greater than three months	84,664	175,983
Less than one year, greater than six months	95,118	137,863
Greater than one year	192,736	179,369
Loans - net	$ 2,864,570	$ 4,008,092

During the years ended December 31, 2018 and December 31, 2017, there was no allowance for loan losses required for LMA or international loans.

6. Deposits

Substantially all demand and time deposits were in denominations of $100 or more as of December 31, 2018 and 2017, and their scheduled maturities are as follows:

	2018	2017
Three Months or less but not repayable on demand	130,200	91,313
One year or less but over three months	3,835	4,647
Greater than one year	1,734	657
Repayable on demand	1,586,347	1,827,278
Total Deposits	1,722,116	1,923,895

The effective weighted average interest rates for deposits as of December 31, 2018 and 2017 were 1.17% and 0.47%, respectively.

7. Debt

As of December 31, 2018 and 2017, the Company had uncommitted credit facilities with NB Holdings, Bank of America and Merrill Lynch International which provide for maximum available borrowing of up to $3,000,000, $3,000,000 and $10,000, and $3,000,000, $3,000,000 and $25,000, respectively. The Company has an outstanding borrowing of $549,918 and $1,547,609 respectively under the facilities which are automatically renewed every six months. The weighted average interest rate during 2018 and 2017 was 1.66% and 1.20% respectively on the credit facility. The Company incurred $25,560 and $18,948 in interest expense during the years ended December 31, 2018 and 2017. This credit facility does not have any financial or nonfinancial covenants.

8. 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. The compensation costs related to this plan was $4 and $21 in 2018 and 2017 respectively, and is included in payables to affiliates.

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.

Contributions
There were no participant contributions made to the TCN Plan for the years ended December 31, 2018 and 2017. The Company is the sole contributor to the Plan. During 2018 and 2017, the Company made contributions in the amounts of $2,895 and $2,503 to pay benefits to participants. The Company expects to make contributions to the TCN Plan in the amount of $3,705 for expected benefit payments to participants in 2019.

The accumulated benefit obligation for the TCN Plan was $247,655 and $276,016 at December 31, 2018 and 2017, respectively.

Total net periodic benefit cost for the years ended December 31, 2018 and 2017 included the following components:

	2018	2017
Service costs	$ 680	$ 1,279
Interest costs	7,168	7,169
Amortization of actuarial loss	5,527	2,860
Prior service cost (credit)	5	-
Expected return on plan assets	(1,622)	(1,436)
Total net periodic benefit cost	$ 11,758	$ 9,872

The weighted average assumptions used in calculating the net periodic benefit cost for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	2.6%	2.8%
Rate of compensation increase	3.5%	3.5%
Expected long-term return on plan assets	3.0%	2.8%

Pension expense for the Company amounted to $4,007 and $5,748 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 and the amounts recognized in the Company's consolidated balance sheets at year-end 2018 and 2017.

	2018	2017
Projected benefit obligation at beginning of year	$282,105	$271,294
Service cost	680	1,279
Interest cost	7,168	7,169
Settlements & Curtailments	-	(7,985)
Plan Amendments	-	188
Actuarial loss (gain)	(36,663)	12,663
Benefits paid	(2,895)	(2,503)
Projected benefit obligation at end of year	250,395	282,105
Fair value of plan assets at beginning of year	54,057	53,481
Actual return on plan assets	(5,335)	576
Employer contribution	2,895	2,503
Benefits paid	(2,895)	(2,503)
Fair value of plan assets at end of year	48,722	54,057
Unfunded pension liability at end of year	$201,673	$228,048

The weighted average assumptions used in calculating the projected benefit obligation as of December 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	2.8%	2.6%
Rate of compensation increase	3.5%	3.5%

Amounts recognized in accumulated other comprehensive loss, pre-tax, at year-end 2018 and 2017 consisted of $72,530 and $107,763 in net actuarial losses and $179 and $184 in prior service costs, respectively. In order to comply with the intercompany tax allocation agreement of Bank of America, the accumulated other comprehensive losses after-tax was $55,259 and $67,854 as of December 31, 2018 and 2017, respectively.

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 $84 for 2019. A 25 basis point decline in the expected rate of return would result in an expense increase for 2019 of approximately $122.

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 Managed Income 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
2019	$ 3,705
2020	3,878
2021	3,892
2022	4,356
2023	4,398
2024 through 2028	29,542

9. 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,

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. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities.

Valuation Processes and Techniques
The following section outlines the valuation methodologies for the Company's derivate assets and liabilities. 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 could result in a different estimate of fair value at the reporting date.

During 2018 and 2017, there were no changes to the Company's valuation approaches or techniques that had, or are expected to have, a material impact on its Consolidated Balance Sheet or Consolidated Statement of Operations.

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 brokers. When third-party pricing services are used, the methods and assumptions are reviewed by the Company. 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.

The Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2018, is as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency forward contracts	$ -	$ 17,871	$ -	$ 17,871
Total assets	$ -	$ 17,871	$ -	$ 17,871
Liabilities				
Foreign currency forward contracts	$ -	$ 17,307	$ -	$ 17,307
Total liabilities	$ -	$ 17,307	$ -	$ 17,307

The Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 were as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency forward contracts	$ -	$ 2,328	$ -	$ 2,328
Total assets	$ -	$ 2,328	$ -	$ 2,328
Liabilities				
Foreign currency forward contracts	$ -	$ 2,187	$ -	$ 2,187
Total liabilities	$ -	$ 2,187	$ -	$ 2,187

There were no financial or nonfinancial assets or liabilities measured at fair value on a nonrecurring basis at December 31, 2018 and 2017.

10. Risk Definitions

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 markets. In addition, the value of assets and liabilities could change due to market liquidity, correlations across the markets and expectations of market volatility.

The Company uses derivative instruments to mitigate its market exposures. Below are the two types of market risk faced by the Company.

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 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.

Liquidity Risk
Liquidity Risk is the 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, maintains 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.

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 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. 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 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, 2018 and 2017, the Company's most significant concentration of credit risk is with affiliates. This concentration arises in the normal course of business.

11. Derivatives

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 with affiliates as 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 a 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.

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, 2018 and 2017:

	2018		2017	
	Notional	Fair Value	Notional	Fair Value
Assets				
Foreign currency forward contracts	917,912	17,871	237,633	2,328
Total Assets	917,912	17,871	237,633	2,328
Liabilities				
Foreign currency forward contracts	908,554	17,307	233,188	2,187
Total Liabilities	908,554	17,307	233,188	2,187

The fair value of these instruments with customers and affiliates are reported within derivative assets and derivative liabilities. The gain or loss impact of these instruments is recorded in the Consolidated Statement of Operations as gain (loss) 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, 2018 and 2017, and are not offset. For each obligation, there is sufficient collateral.

For the years ended December 31, 2018 and 2017, the entire amount of gain on derivative instruments relates to foreign currency risk.

12. Commitments and Contingencies

Litigation

In the ordinary course of business, the Company is routinely a defendant in or party to many pending and threatened legal, regulatory and governmental actions and proceedings. In view of the inherent difficulty of predicting the outcome of such matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Company generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, the Company establishes an accrued liability when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As a matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matters presents a loss contingency that is probable and estimable. Once the loss contingency related to a matter is deemed to be both probable and estimable, the Company will establish an accrued liability and record a corresponding amount of litigation-related expense. The Company continues to monitor the matter for further developments. As of December 31, 2018 and 2017, there was no pending or potential threatened 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, 2018 future non-cancelable minimum rental commitments under leases with remaining terms exceeding one year are presented below:

Year		
2019		158
2020		158
2021		8
	$	324

The Company recorded rent expense of $149 and $270 for the years ended December 31, 2018 and 2017, 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 $27,864 and $25,251 in irrevocable letters of credit outstanding at December 31, 2018 and 2017, 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.

13. Income Taxes

The component of income tax expense for the years ended December 31, 2018 and 2017 consisted of:

	2018	2017
U.S. federal		
Current	$ 11,648	$ 35,571
Deferred	391	2,593
U.S. state, local, and other		
Current	2,196	3,247
Deferred	8	(1,686)
Foreign		
Current	-	7
Deferred	-	(6)
Total	$ 14,243	$ 39,726

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) $8,822 and $(337) in the years ended December 31, 2018 and 2017, respectively.

The Tax Cuts and Jobs Act ("Tax Act") was enacted in 2017 and made significant changes to federal income tax law, including, among other things, reducing the statutory corporate income tax rate to 21 percent from 35 percent resulting in a net impact on income tax expense of $19,940. The Company has completed its analysis and accounting under Staff Accounting Bulletin No. 118 for effects of the Tax Act.

Income tax expense for 2018 and 2017 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. federal statutory rate of 21 percent and 35 percent, to the Company's actual income tax expense and resulting tax rate for 2018 and 2017, respectively is presented in the table below:

	2018	2017
U.S. federal income tax at statutory rate	$ 12,631	$ 18,539
U.S. state and local income taxes, net	1,741	1,015
Tax law changes	-	19,940
Other	(129)	232
Total	$ 14,243	$ 39,726

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.

Significant components of the Company's deferred tax assets and liabilities at December 31, 2018 and 2017, which are included on the Consolidated Balance Sheet within *Other assets*, are presented below:

	2018	2017
Deferred tax asset		
Pension	$ 28,522	$ 37,283
Deferred compensation	12	63
Other	134	172
Total deferred tax asset	28,668	37,518
Deferred tax liability		
Foreign currency	(1,503)	(1,131)
Other	-	-
Total deferred tax liability	(1,503)	(1,131)
Net deferred tax asset	$ 27,165	36,387

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, 2018.

Jurisdiction	Years Under Examination [1]	Status at December 31, 2018
U.S. Federal	2012-2013	Appeals
U.S. Federal	2014-2016	Field examination
California	2008-2011	Appeals
California	2012-2014	Field examination
New York	2015	Field examination

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

At December 31, 2018 and 2017, the Company did not have any liabilities for unrecognized tax benefits.

As described in Note 2, 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, 2018, quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes.

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, 2018 and 2017, the Company had a current tax payable to affiliates of $15,976 and $39,114, 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, 2018 and 2017, the Company made approximately $36,981 and $16,274 of income tax payments to affiliates.

Effective January 1, 2018, the Company adopted the accounting standard on tax effects in accumulated OCI related to the Tax Cuts and Jobs Act. Accordingly, certain tax effects were reclassified from accumulated OCI to retained earnings. The amount of this reclassification was $14,186 for 2018. For additional information, see Note 3 – New Accounting Pronouncements.

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 2018 and 2017. At December 31, 2018 and 2017, the risk weighted capital ratios were 162% and 112%, 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 issued, require accounting as of the Balance Sheet date, or disclosure in the financial statements. The Company evaluated subsequent events through March 29, 2019, the date the financial statements were issued.

There were no material subsequent events which affected the amounts or disclosures in the Consolidated Financial Statements.