
MERRILL LYNCH B.V

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER, 2013**

DIRECTORS' REPORT

For the year ended 31 December 2013

The directors present their report and the financial statements of Merrill Lynch B.V (the "Company") for the year ended 31 December 2013.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Directors' confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' report gives a true and fair view regarding the position on the balance sheet date, the state of affairs during the financial year of the Company, and the principal risks confronting the Company are discussed.

The Dutch Civil Code requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with IFRS as adopted by the EU. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Business review

The Company was incorporated on November 12, 2012 in Amsterdam, The Netherlands. The statutory address of the Company is Amstelplein 1, 1096 HA Amsterdam, The Netherlands.

The ultimate parent of the Company is Bank of America Corporation ("BAC").

Principal activities and future developments

On January 1, 2013, the Company entered into a cross-border merger with Merrill Lynch SA ("MLSA"), in which MLSA ceased to exist and the Company assumed all the assets and liabilities of MLSA under a universal title of succession. On January 1, 2013, both the Company and MLSA had a common shareholder, being Merrill Lynch International Holdings Inc ("MLIHI").

On October 1, 2013 MLIHI merged with its parent, Merrill Lynch International Inc ("MLID"), resulting in MLID becoming the sole shareholder of the Company.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2013

Business review (continued)

Principal activities and future developments (continued)

The principal activities of the Company are the issuance of structured notes, economically hedging these instruments through derivatives and fully-funded total return swaps. In addition the Company grants intercompany loans to affiliated entities and places deposits with BAC and Merrill Lynch International ("MLI"). The directors expect the principal activities to continue within 2014.

Financial performance

The directors are satisfied with the Company's performance for the financial year ended 31 December 2013 and the financial position at the end of the year. The loss for the financial year, after taxation, amounted to \$19,397,000 (2012: \$250,532,000) primarily driven by debit valuation adjustment linked losses on issued structured notes measured at fair value. These losses are generally expected to reverse over time. The directors therefore consider the key performance metric for the Company to be the performance, adjusted for any debit valuation adjustments.

The overall decrease in financial position is attributable to two factors. Firstly, in 2012, MLSA was involved in intercompany loan transactions between affiliates which were unrelated to its issuance business. This activity has been moved out of MLBV in 2013 and into other affiliates.

Secondly, during 2013, the redemption and natural maturities of structured notes outweighed the issuance of new structured notes, resulting in a decrease in issued debt and money market deposits placed with affiliates. Issued debt totalled \$3,290,193,000 (2012: \$4,632,063,000) whilst money market deposits totalled \$2,593,354,000 (2012: \$4,167,891,000).

The \$750,000,000 other equity injection from MLID on 1 January 2013 established a strong capitalisation ratio, leaving sufficient headroom for new structured note issuances.

Dividends

On 31 October 2013, the Company declared that an amount of \$15,847,000 (2012: \$nil) be paid as a dividend to Merrill Lynch International Inc. The directors do not recommend the payment of a further dividend in respect of the year ended 31 December 2013.

Risk management

Legal entity governance is built on the BAC comprehensive approach to risk management. BAC's risk management objectives and policies are described in the notes to the financial statements, (see note 18).

Composition of the board

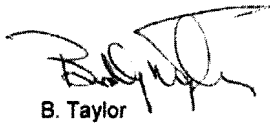
The size and composition of the Board of Managing Directors and the combined experience should reflect the best fit for profile and strategy of the Company. Currently all members of the Board are male. The Company is aware that the gender diversity is below the goals as set out in the article 2:276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

MERRILL LYNCH B.V

DIRECTORS' REPORT (continued)
For the year ended 31 December 2013

Board of Directors

Managing Directors
(together authorised to represent the Company)



B. Taylor



A.E. Okobia

Board of Directors
28 April 2014

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	YEAR ENDED 31 DECEMBER	
		2013 \$'000	2012 \$'000
Net gain on financial instruments held for trading	3	212,180	573,113
Net loss on financial instruments designated at fair value through profit or loss	4	(318,004)	(1,003,509)
Finance Income	5	75,004	83,295
Operating loss before tax		(30,820)	(347,101)
Administrative expenses		(116)	(75)
Total loss before tax		(30,936)	(347,176)
Tax credit	6	11,539	96,644
Loss for the year		(19,397)	(250,532)
Other comprehensive income		-	-
Total comprehensive loss		(19,397)	(250,532)

Comprehensive income derives wholly from continuing operations.

The loss and total comprehensive loss for the year is attributable to the owner of the Company.

The notes on pages 9 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

			AS AT 31 DECEMBER 2012 \$'000
	Note	2013 \$'000	
ASSETS			
Non-current assets			
Amounts owed by affiliated undertakings	8	2,921,262	3,419,047
Financial assets designated at fair value through profit or loss	7	548,835	474,955
Financial instruments held for trading	9	193,154	233,934
Deferred tax asset	10	6,732	-
Total non-current assets		3,669,983	4,127,936
Current assets			
Amounts owed by affiliated undertakings	8	544,249	2,370,093
Financial assets designated at fair value through profit or loss	7	26,150	99,874
Financial instruments held for trading	9	44,603	19,489
Total current assets		615,002	2,489,456
Total assets		4,284,985	6,617,392
EQUITY AND LIABILITIES			
Equity			
Issued share capital	15	0	2,771
Other reserves	15	2,771	-
Other equity capital	15	750,000	-
Retained earnings		9,062	44,306
Total equity attributable to the owners of the company		761,833	47,077
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	11	2,824,747	3,892,619
Financial instruments held for trading	9	103,262	232,050
Deferred tax liability	10	-	5,190
Total non-current liabilities		2,928,009	4,129,859
Current liabilities			
Financial liabilities designated at fair value through profit or loss	11	465,446	739,444
Amounts owed to affiliated undertakings	12	72,539	1,596,190
Financial instruments held for trading	9	39,310	103,312
Dividend payable	14	15,847	-
Income tax payable	10	1,885	1,489
Accrued expenses and other liabilities	13	116	21
Total current liabilities		595,143	2,440,456
Total liabilities		3,523,152	6,570,315
Total equity and liabilities		4,284,985	6,617,392

The notes on pages 9 to 30 form part of these financial statements.

The financial statements on pages 5 to 30 were approved by the Board of Directors on 28 April 2014 and signed on its behalf by B. Taylor and A.E Okobia.

STATEMENT OF CASH FLOWS
As at 31 December 2013

		YEAR ENDED	
		31 DECEMBER	
	Notes	2013	2012
		\$000	\$000
Cash flow generated from operating activities			
Loss before tax		(30,936)	(347,176)
<i>Adjustments for non-cash items:</i>			
Net gain on financial instruments held for trading	3	(212,180)	(573,113)
Net loss on financial instruments designated at fair value through profit or loss	4	318,004	1,003,509
Interest income	5	(75,004)	(83,295)
Cash used in operations		(116)	(75)
Placement of intercompany deposits	8	(804,198)	(787,212)
Repayment of intercompany deposits and interest received	8	3,128,739	2,066,302
Placement of fully-funded total return swaps	7	(323,633)	(574,677)
Repayment of fully-funded total return swaps	7	323,633	-
Settlement of derivatives and coupons received/ (paid)	9	35,056	(385,975)
Proceeds from issuance of structured notes	11	377,831	1,359,525
Redemption of structured notes	11	(2,037,854)	(1,728,644)
Net (decrease)/increase in intercompany payables	10,12,13	(1,449,458)	50,756
Net cash generated from operating activities		(750,000)	-
Cash flows from financing activities			
Proceeds from other share capital issuance		750,000	-
		750,000	-
Net cash movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The notes on pages 9 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2013

Movements in shareholders' equity during the year ended 31 December 2013 are as follows:

	Note	Issued share capital \$000	Other reserves \$000	Other equity capital \$000	Retained earnings \$000	Total \$000
Balance at 31 December 2012		2,771	-	-	44,306	47,077
Loss for the year		-	-	-	(19,397)	(19,397)
Additions	15	-	-	750,000	-	750,000
Dividends declared	14	-	-	-	(15,847)	(15,847)
Transfers	15	(2,771)	2,771	-	-	-
Other comprehensive income		-	-	-	-	-
Balance at 31 December 2013		0	2,771	750,000	9,062	761,833

Movements in shareholders' equity during the year ended 31 December 2012 are as follows:

		Issued share capital \$000	Other reserves \$000	Other equity capital \$000	Retained earnings \$000	Total \$000
Balance at 31 December 2011		65	2,706	-	294,838	297,609
Loss for the year		-	-	-	(250,532)	(250,532)
Transfers		2,706	(2,706)	-	-	-
Other comprehensive income		-	-	-	-	-
Balance at 31 December 2012		2,771	-	-	44,306	47,077

The notes on pages 9 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. General information

Merrill Lynch B.V. (the "Company") is a private company with limited liability (Besloten Vennootschap met Beperkte Aansprakelijkheid) incorporated under the laws of the Netherlands on 12 November 2012.

On January 1, 2013, the Company entered into a cross-border merger with Merrill Lynch SA, an affiliate incorporated in Luxembourg, in which Merrill Lynch SA ceased to exist and the Company assumed all the assets and liabilities of Merrill Lynch SA under a universal title of succession. The purpose of this transaction was to legally transfer the business from Luxembourg to the Netherlands. No consideration was paid, and the transaction did not meet the criteria for a business combination under IFRS 3 (Business Combinations). The assets and liabilities were assumed at their book values as part of a capital reorganisation under common control. Consistent with the legal transfer of the assets and liabilities under universal title of succession, the financial statements have been prepared as a continuation of the activity of MLSA in the Company. As such, IFRS based comparatives have been provided for the prior year activity of MLSA. On January 1, 2013, both the Company and MLSA had a common shareholder, being Merrill Lynch International Holdings Inc ("MLIHI").

The principal activities of the Company are the issuance of structured notes, economically hedging these instruments through derivatives and fully-funded total return swaps. In addition the Company grants intercompany loans to affiliated entities and places deposits with BAC and Merrill Lynch International ("MLI"). The directors expect the principal activities to continue within 2014.

The Company has its registered address at Amstelplein 1 Rembrandt Tower, 11th Floor 1096 HA Amsterdam, the Netherlands. Merrill Lynch International Inc ("MLID") is the Company's immediate parent; Bank of America Corporation ("BAC") is the Company's ultimate parent. Refer to note 17.

2. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRIC interpretations and with IFRS as adopted by the EU and the additional requirements of Title 9 Book 2 of the Netherlands Civil Code in accordance with article 362 section 8 and 9 of the Netherlands Civil Code for entities which prepare their financial statements in accordance with IFRS as adopted by the EU.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires the management to exercise their judgement in the process of applying the Company's accounting policies, for example, determining the fair value of financial instruments. The financial statements were prepared using the going concern assumption and the directors expect the principal activities to continue within 2014.

The financial statements are prepared under the historical cost convention as modified to include financial assets and liabilities (including derivative instruments) at fair value through profit or loss. This represents a departure from the convention used to prepare the financial statements of Merrill Lynch S.A. which were prepared under Luxembourg GAAP. The most significant departure is the adoption of the fair value option for issued structured notes and fully-funded total return swaps, which also results in the inclusion in a debit valuation adjustment.

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2013 and do not have a material financial impact on the Company. However, certain standards require enhanced disclosures.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December

2. Accounting Policies (continued)

2.1 Basis of preparation (continued)

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- IFRS 12, "Disclosure of Interests in Other Entities", requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The only interest in other entities is a non-controlling preference shareholdings and is disclosed in note 8 "Amounts owed by Affiliated Undertakings".
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

2.2 Translation of foreign currencies

The financial statements have been presented in US Dollars which is also the functional currency of the Company.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Exchange gains and losses are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

2. Accounting Policies (continued)

2.3 Financial instruments

a) Classification

(i) Financial instruments designated at fair value through profit or loss.

All structured notes issued and fully-funded total return swaps are classified as financial instruments designated at fair value through profit or loss upon initial recognition. Designation of any financial asset or financial liability at fair value through profit or loss is made upon initial recognition at the Company's discretion provided that certain conditions are met. These investments are managed and their performance is evaluated on a fair value basis, in accordance with the Company's structured notes program. Assets and liabilities in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Financial instruments held for trading

All derivative financial instruments are classified as financial instruments held for trading. Assets and liabilities in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or floating payments that are not quoted in an active market other than fully-funded return swaps classified as financial instruments designated at fair value through profit or loss. Loans and receivables are carried at amortised cost using the effective interest rate method less an allowance for any impairment. Assets and liabilities in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

b) Recognition

The Company recognises a financial instrument on its statement of financial position when it becomes a party to the contractual provisions of the instrument.

c) Measurement

Financial instruments are measured initially at fair value (generally transaction price) plus, in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of these financial instruments.

Transaction costs on financial instruments at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised as part of the effective interest rate.

Impairment policy

After initial recognition, financial instruments held for trading or designated fair value through profit or loss are measured at fair value, with changes in their fair value recognised as gains or losses in the statement of comprehensive income. Loans and receivables are carried at amortised cost using the effective interest rate method less an allowance for any impairment. Interest calculated using the effective interest rate method is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

2. Accounting Policies (continued)

2.3 Financial Instruments (continued)

c) Measurement (continued)

Impairment policy (continued)

Management assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

d) Fair value measurement principles

For financial instruments where there is no quoted market price (unlisted financial instruments), fair values have been estimated using quoted prices for instruments with characteristics either identical or similar to those held by the Company.

e) De-recognition

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when they are extinguished, that is to say when the obligation is discharged or cancelled or expires.

2.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.5 Segmental reporting

The Company's results are wholly derived from activities within Bank of America Group's Global Markets and Investment Banking segment, which represent a single class of business. It is not possible to allocate net operating income or net assets to any particular geographical source as one transaction may involve parties situated in a number of different geographical areas.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

2. Accounting Policies (continued)

2.6 Shareholder's equity

All issued ordinary shares are classified as equity.

The perpetual borrowing from Merrill Lynch International Inc. is classified as equity according to IAS 32 and any dividend on the borrowing is subject to prior declaration by the Board of Directors.

2.7 Income and expense recognition

Interest income is recognised using the effective interest rate method. When loans and receivables are impaired, the carrying amount is reduced to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate. Interest income on impaired loans and receivables is recognised using the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Interest income received by the Company may be subject to withholding tax imposed in the country of origin. Interest arising from financial instruments at fair value through profit or loss is included in the change in fair value of financial instruments at fair value through profit or loss.

2.8 Current and deferred income tax

Current tax is measured at the amount expected to be paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period date and are expected to apply when the related deferred income tax asset is realised.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.9 Statement of cash flows

The Statement of cash flows is prepared according to the indirect method. The Statement of cash flows shows the Company's cash flows for the period divided into cash flows from operations, investing and financial activities and how the cash flows have affected the Company's cash. Transactions related to the issuance of structured notes are classified as financing activities.

2.10 Dividend distribution

Dividend distributions in respect of the perpetual borrowing are recognised as a liability in the financial statements in the period in which the dividends are approved by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

2. Accounting Policies (continued)

2.11 Critical accounting estimates and judgment in applying accounting policies

Application of the accounting policies in the preparation of the financial statements requires the Board of Directors to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The Company has made no critical judgments in applying its accounting policies. The following significant accounting policies are made to determine fair values that require complex estimates:

Financial instruments measured at fair value

The fair values of financial instruments that are not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs.

Where models are used to determine fair values, they are periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions.

3. Net gain on financial instruments held for trading

	2013 \$000	2012 \$000
Gain on financial instruments held for trading	445,132	1,179,476
Loss on financial instruments held for trading	<u>(232,952)</u>	<u>(606,363)</u>
Net gain arising on derivatives	<u>212,180</u>	<u>573,113</u>

4. Net loss on financial instruments designated at fair value through profit or loss

	2013 \$000	2012 \$000
Change in fair value of fully funded swaps	27,620	13,814
Change in fair value of structured notes	(345,517)	(1,017,293)
Net loss arising on foreign currency holdings	<u>(107)</u>	<u>(30)</u>
	<u>(318,004)</u>	<u>(1,003,509)</u>

The change in fair value of instruments designated at fair value include a loss of \$47,713,000 (2012: \$348,026,000) which is attributable to changes in credit spreads of Bank of America Corporation.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

5. Finance income

	2013 \$000	2012 \$000
Finance income	<u>75,004</u>	<u>83,295</u>

Finance income represents interest income on deposits and intercompany loans.

6. Tax credit

	2013 \$000	2012 \$000
Current tax		
Current tax on loss for the year	395	-
Adjustments in respect of prior periods	(11)	-
Foreign taxes	-	716
Total current tax charge	<u>384</u>	<u>716</u>
Deferred tax		
Origination and reversal of temporary differences	(11,923)	(97,360)
Total deferred tax credit	<u>(11,923)</u>	<u>(97,360)</u>
Tax credit	<u>(11,539)</u>	<u>(96,644)</u>

The tax for the period is reconciled to the standard rate of corporation tax in the Netherlands (2013: <€200k at 20% and >€200k at 25%, 2012: <€200k at 20% and >€200k at 25%)

	2013 \$'000	2012 \$'000
Loss before tax	(30,936)	(347,176)
Tax calculated at standard rate of corporation tax 25% (2012: 25%)	(7,734)	(86,794)
Tax effects of:		
(Net credit not subject to tax) / net expenses not deductible for tax purposes	(3,782)	(9,850)
Impact of foreign exchange differences on the tax charge	(12)	-
Adjustments in respect of prior periods	(11)	-
Total tax credit	<u>(11,539)</u>	<u>(96,644)</u>

Temporary differences arise on the recognition of debit valuation adjustment gains or losses as BAC credit spreads widen / narrow. These temporary differences do not represent taxable income / losses for the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013
7. Financial assets designated at fair value through profit and loss

The financial assets designated at fair value represent fully-funded total return swaps held with MLI. The carrying and fair value amounts are denominated in the following currencies:

	2013		2012	
	Notional \$000	Fair Value \$000	Notional \$000	Fair Value \$000
Fully-funded total return swaps				
USD	442,707	408,499	455,549	445,516
EUR	28,143	28,895	29,792	29,269
GBP	67,804	72,799	79,924	78,712
AUD	5,350	5,261	6,227	5,836
JPY	54,262	54,518	15,444	15,838
Credit spread adjustment		5,013		(142)
		<u>574,985</u>		<u>574,829</u>

The below table presents the aggregated amounts of the Company's financial assets designated at fair value through profit and loss, categorised by maturity dates:

	2013		2012	
	Notional \$000	Fair Value \$000	Notional \$000	Fair Value \$000
Fully-funded total return swaps				
Less than 1 year	26,523	26,098	100,049	99,933
From 12 months to 5 years	571,744	543,874	472,511	472,199
Over 5 years	-	-	3,134	2,839
Credit spread adjustment		5,013		(142)
		<u>574,985</u>		<u>574,829</u>

All fully-funded total return swaps are linked to the performance of various market indices.

The indexed linked amounts are calculated based on the realised result of the underlying indices of each fully-funded total return swap.

The credit spread adjustment represents a credit valuation adjustment which is linked to BAC credit spreads, for more information refer to note 18.

The fair value of the fully-funded total return swaps are determined by using valuation techniques based on valuation models, for more information refer to accounting policy note 2.11.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013
8. Amounts owed by affiliated undertakings

	2013 \$000	2012 \$000
Non-current assets		
Investment in ML&Co. Canada	7,027	7,027
Intercompany loan	750,000	-
Money market deposit	2,164,235	3,412,020
	<u>2,921,262</u>	<u>3,419,047</u>
Current assets		
Intercompany loans	115,130	1,614,222
Money market deposit	429,119	755,871
	<u>544,249</u>	<u>2,370,093</u>
	<u>3,465,511</u>	<u>5,789,140</u>

The investment in Merrill Lynch & Co., Canada Ltd is in non-voting preference shares.

Money market deposits and intercompany loans mainly consist of funds raised through the issuance of structured notes and are carried at amortised cost. The balances are predominantly denominated in USD, EUR and GBP and are not past due or impaired.

Money market deposits are uncollateralised and are owed by BAC and MLI.

Non-current money market deposits at amortised cost have a fair value of \$2,192,000 (2012: \$3,389,000). Current money market deposits at amortised cost have a fair value of \$433,000 (2012: \$759,000).

Non-current intercompany loans represent a fixed rate placement with BAC. The intercompany loan has a fair value of \$760,142,000, (2012: Nil).

Current intercompany loans are extended on a short term basis and as a result there are immaterial differences between the carrying values and the fair values of the loans.

9. Financial instruments held for trading

	2013		2012	
	Notional \$000	Fair Value \$000	Notional \$000	Fair Value \$000
Non-current assets				
Total return swaps	1,579,987	189,783	2,273,562	230,709
Cross currency swaps	22,867	3,371	21,876	3,225
		<u>193,154</u>		<u>233,934</u>
Current assets				
Total return swaps	216,166	44,603	379,893	19,489
		<u>44,603</u>		<u>19,489</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013
9. Financial instruments held for trading (continued)

	2013		2012	
	Notional \$000	Fair Value \$000	Notional \$000	Fair Value \$000
Non-current liabilities				
Total return swaps	585,760	(103,262)	1,146,101	(232,050)
		<u>(103,262)</u>		<u>(232,050)</u>
Current liabilities				
Total return swaps	212,953	(39,310)	332,116	(100,511)
Cross currency swaps	-	-	9,224	(2,802)
		<u>(39,310)</u>		<u>(103,312)</u>

The total return swaps and cross currency swaps are transacted with affiliates, mainly MLI and are predominantly denominated in USD, EUR and GBP. The Company settles derivative contracts on an individual basis and therefore derivative assets and liabilities are shown gross in the statement of financial position with no netting applied.

The financial assets held for trading are the only financial instruments that fall under an enforceable master netting agreement, however netting is not applied.

10. Tax asset

	Deferred tax \$000	Current tax \$000	Total \$000
Liability as at 31 December 2012	5,190	1,489	6,679
Charged to the statement of comprehensive income	(11,923)	384	(11,539)
Impact of foreign tax exchange	-	12	12
(Asset) / liability as at 31 December 2013	<u>(6,732)</u>	<u>1,885</u>	<u>(4,848)</u>

Tax due to temporary differences arise on the recognition of debit valuation adjustment gains or losses as BAC credit spreads widen / narrow, together with the derecognition of purchase accounting adjustments. These temporary differences do not represent taxable income / losses for the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013
11. Financial liabilities designated at fair value through profit and loss

The financial liabilities designated at fair value through profit or loss represents structured notes issued to investors, the structured notes are not collateralised. The carrying and fair value amounts of the structured notes are denominated in the following currencies:

	2013		2012	
	Notional \$000	Fair Value \$000	Notional \$000	Fair Value \$000
Structured notes				
EUR	1,406,601	1,432,721	1,917,901	1,921,307
USD	1,212,206	1,226,662	1,625,476	1,622,006
GBP	210,459	229,309	420,225	433,600
JPY	174,163	169,366	444,580	330,973
SEK	79,812	93,389	162,152	169,125
AUD	43,378	45,320	93,672	94,458
SKK	22,867	25,439	21,876	18,485
CHF	24,651	13,069	27,052	11,290
MXN	8,018	9,508	8,085	9,452
CLP	4,971	6,952	5,455	481
SGD	6,006	5,989	24,236	23,715
RUB	-	-	10,008	10,699
PLN	-	-	7,378	5,197
HUF	-	-	1,846	1,845
Credit spread adjustment		32,469		(20,570)
		3,290,193		4,632,063

The below table presents the aggregated amounts of the Company's financial liabilities designated at fair value through profit and loss, categorised by maturity dates:

	2013		2012	
	Notional \$000	Fair Value \$000	Notional \$000	Fair Value \$000
Structured notes				
Less than 1 year	455,642	465,446	830,403	737,333
From 12 months to 5 years	2,299,028	2,390,689	3,519,049	3,536,302
From 5 years to 10 years	203,177	166,295	163,843	126,698
Over 10 years	235,286	235,294	256,845	252,300
Credit spread adjustment		32,469		(20,570)
		3,290,193		4,632,063

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013
11. Financial liabilities designated at fair value through profit and loss (continued)

The structured notes program does not include an early repayment option by the holder, hence the Company is not legally obliged to redeem the notes until they mature.

All structured notes are hybrid instruments with a structured component linked to the performance of various market indices. The ultimate return on the notes is dependent on the performance of the underlying indices.

The indexed linked amounts are calculated based on the realised result of the underlying indices of each structured note.

The credit spread adjustment represents a debit valuation adjustment which is linked to BAC credit spreads.

The fair value of the structured notes, is determined by using valuation techniques based on valuation models, for more information refer to accounting policy note 2.11.

12. Amounts owed to affiliated undertakings

	2013 \$000	2012 \$000
Amounts owed to affiliated undertakings	<u>72,539</u>	<u>1,596,190</u>

Amounts owed to affiliated undertakings are comprised of intercompany loans denominated in USD which are due and payable on demand. Due to the short term nature of the loans there is no material difference between the fair value and the carrying values.

13. Accrued expenses and other liabilities

	2013 \$000	2012 \$000
Accrued audit fees	<u>116</u>	<u>21</u>

Payments will be made to Pricewaterhousecoopers Accountants B.V. in relation to the statutory audit. Payments will be made by an affiliate entity and recharged to the Company.

14. Dividend payable

On 31 October 2013, the Company declared that an amount of \$15,847,000 (2012: \$nil) be paid as a dividend to Merrill Lynch International Inc. The directors do not recommend the payment of a further dividend in respect of the year ended 31 December 2013. The dividend accrued represents payments declared by the Board of Directors on the \$750,000,000 other equity capital, please refer to note 15.

15. Share capital

	2013 \$000	2012 \$000
Issued share capital	0	2,771
Other reserves	2,771	-
Other equity capital	750,000	-
	<u>752,771</u>	<u>2,771</u>

Issued share capital in 2013 comprises 12,998 Ordinary shares of equal voting rights at \$0.01 each. (2012: 6,500 shares at \$426.366 each). The comparative figures represent the share capital of Merrill Lynch S.A.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013
15. Share capital (continued)

Merrill Lynch B.V. was incorporated with 6,500 shares with nominal value of \$0.01 each. On 1 Jan 2013, under the terms of the cross border merger, Merrill Lynch S.A.'s shareholders received an additional 6,500 Merrill Lynch B.V. shares with a nominal value of \$0.01 each.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other reserves were recognised on 1 January 2013 upon the cross-border merger with Merrill Lynch S.A. under a universal title of succession. The other reserves represent the amount by which the nominal value of issued share capital in Merrill Lynch S.A. exceeded the nominal value of issued share capital in the succeeding entity Merrill Lynch B.V.

On 29 May 2013, the shares held by Merrill Lynch Corporate Services, 2 shares with a nominal value of \$0.01, were cancelled through a Board of Directors resolution.

Other equity capital carry no voting rights and comprises a perpetual borrowing from Merrill Lynch International Inc. issued on 1 January 2013. The borrowing carries a rate of 2.08% per annum and payments are accrued subject to prior declaration by the Board of Directors, please refer to note 14.

16. Financial instruments by category

The following table analyses the carrying amount of the Company's financial assets and liabilities by category and by statement of financial position heading:

Summary of financial instruments at 31 December 2013

		Loans and receivables	Financial instruments held for trading	Financial instruments designated at fair value through profit or loss
	Notes	\$000	\$000	\$000
Assets				
Amounts owed by affiliated undertakings	8	3,465,511	-	-
Financial assets designated at fair value through profit or loss	7	-	-	574,985
Financial instruments held for trading	9	-	237,757	-
		<u>3,465,511</u>	<u>237,757</u>	<u>574,985</u>
Liabilities				
Financial liabilities designated at fair value through profit or loss	11	-	-	3,290,193
Financial instruments held for trading	9	-	142,572	-
Amounts owed to affiliated undertakings	12	72,539	-	-
		<u>72,539</u>	<u>142,572</u>	<u>3,290,193</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

16. Financial instruments by category (continued)

Summary of financial instruments at 31 December 2012

		Loans and receivables	Financial instruments held for trading	Financial instruments designated at fair value through profit or loss
	Notes	\$000	\$000	\$000
Assets				
Amounts owed by affiliated undertakings	8	5,789,140	-	-
Financial assets designated at fair value through profit or loss	7	-	-	574,829
Financial instruments held for trading	9	-	253,423	-
		<u>5,789,140</u>	<u>253,423</u>	<u>574,829</u>
Liabilities				
Financial liabilities designated at fair value through profit or loss	11	-	-	4,632,063
Amounts owed to affiliated undertakings	12	1,596,190	-	-
Financial instruments held for trading	9	-	335,362	-
		<u>1,596,190</u>	<u>335,362</u>	<u>4,632,063</u>

17. Related party transactions

Related party transactions are transfers of resources, services or obligations between related parties and the Company, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Company.

The following parties are considered related parties:

MLID, the Company's immediate parent is the holder of all 12,998 ordinary shares (\$129.98) The Company has entered into loan contracts with MLI and ML&Co. Canada, as set out in notes 7 and 8.

MLID is the holder of Other equity capital of \$750,000,000 which carry no voting rights and returns accrued on the borrowing is subject to prior declaration by the Board of Directors.

The Company has deposits placed with BAC, which at 31 December 2013 amounted to \$1,603,515,000 (2012:nil) which are interest bearing, generating interest income of \$1,417,000 (2012:nil).

The Company has deposits placed with MLI, which at 31 December 2013 amounted to \$989,840,000 (2012: \$4,167,890,000) which are interest bearing, generating interest income of \$587,000 (2012: \$3,405,000).

BAC as the ultimate controlling party has the power to govern the Company.

The Board of Directors received no remuneration during the year in relation to services to the Company (2012: \$nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

18. Financial risk management

Legal Entity Governance

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

The risk management approach has five components:

- Risk culture;
- Risk appetite and philosophy;
- Risk governance and organization;
- Risk transparency and reporting; and
- Risk management processes.

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

Set out below is a summary of the Company's approach to each of the risk types.

Market risk

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

The Company seeks to mitigate market risk associated with structured notes by employing economic hedging strategies that correlate rate, price and spread movements of these financial instruments with related financing and hedging activities. The Company uses total return swaps to economically hedge its market exposures.

a) Interest rate risk

Interest rate risk is the potential for loss due to adverse changes in interest rates. The Company has economically hedged its interest rate risk on the structured notes by entering into total return swaps. Interest price risk is economically hedged using a total return swap.

b) Currency risk

Currency risk is the potential for loss due to fluctuations in foreign exchange rates. The Company's trading assets and liabilities include both cash instruments denominated in and derivatives linked to US dollar and Euro amongst others. Currency price risk is economically hedged using a total return swap.

c) Equity price risk

Equity risk is the potential for loss due to adverse changes in equity markets. Equity price risk is economically hedged using a total return swap.

d) Credit spread risk

Credit spread risk is the potential for loss due to changes in credit spreads. Credit spreads represent the credit risk premiums required by market participants for a given credit level. Credit spread risk is economically hedged using a total return swap.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

18. Financial risk management (continued)

Market risk (continued)

e) Commodity price risk

Commodity price risk is the potential for loss due to adverse changes in commodity prices. Commodity price risk is economically hedged using a total return swap. Given the fact that the above risks are materially hedged, no further information on sensitivity analysis is presented.

Credit Risk

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

BAC has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, purchasing credit protection and continually assessing the creditworthiness of counterparties. These limits were not exceeded during the year ended 31 December 2013.

The credit risks of the Company arise from the affiliate hedging of structured note issuance via derivatives and fully-funded total return swaps. The Company restricts its exposure to credit losses on derivative instruments by entering into a master netting arrangement with its counterparties, MLI and BAC. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with MLI and BAC are terminated and settled on a net basis. The maturity profiles of these loans are shown in note 10 of the financial statements.

Additionally, the Company grants intercompany loans and places deposits with affiliates. None of the loans to affiliate companies is past due or impaired. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting year.

In the normal course of business, the Company executes, settles, and finances various customer securities transactions. Execution of these transactions includes the purchase and sale of securities by the Company. These activities may expose the Company to default risk arising from the potential that an affiliate may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavourable market prices to satisfy obligations to other customers or counterparties.

The Company is exposed to a significant concentration of credit risk related to money market deposits totalling \$2,593,354,000 (2012: \$4,167,891,000), all with affiliated undertakings. Financial assets held for trading and financial assets designated at fair value through profit and loss are predominantly taken out with MLI. At the end of the reporting year, the credit rating for outstanding long term debt of the affiliated undertakings is BAA1 and A for BAC and MLI respectively, (2012: BAA2 and "not rated", respectively).

Operational risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

18. Financial risk management (continued)

Operational risk (continued)

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

Reputational risk

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

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

Strategic risk

Strategic risk is the risk that results from adverse business decisions, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the macroeconomic environment, such as business cycles, competitor actions, changing customer preferences, product obsolescence, technology developments and regulatory environment.

BAC manage strategic risk through setting strategic risk appetite as part of the overall risk appetite, assessing strategic risk in connection with strategic, financial operating and recovery and resolution plans and by assessing earnings and risk profile throughout the year.

Compliance risk

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

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

Liquidity risk

The Company defines liquidity risk as the potential inability to meet financial obligations, on- or off-balance sheet, as they fall due. Liquidity risk relates to the ability of a company to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations and continuing to operate as a going concern.

Liquidity risk also includes both the potential inability to raise funding with appropriate maturity, currency and interest rate characteristics and the inability to liquidate assets in a timely manner at a reasonable price. The Company actively manages the liquidity risks in its business that can arise from asset-liability mismatches, credit sensitive funding, commitments or contingencies.

The Liquidity Risk Management Group of BAC is responsible for measuring, monitoring and controlling the BAC Group's liquidity risk. This Group establishes methodologies and specifications for measuring liquidity risk, performs the scenario analysis and liquidity stress testing, and sets and monitors liquidity limits. The Group works with business units to limit liquidity risk exposures and reviews liquidity risks associated with new products and new business strategies.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

18. Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of cash flows on financial liabilities is presented in note 11. The contractual undiscounted cash flows on financial liabilities are disclosed in the table below.

	Less than 3 months \$'000	Between 3 months and 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
2013						
Financial liabilities designated at fair value through profit and loss	83,102	410,877	483,944	1,905,926	401,098	3,284,948
Amounts owed to affiliated undertakings	-	72,539	-	-	-	72,539
Accrued expenses and other liabilities	-	116	-	-	-	116
Total liabilities	83,102	483,532	483,944	1,905,926	401,098	3,357,601
	Less than 3 months \$'000	Between 3 months and 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
2012						
Financial liabilities designated at fair value through profit and loss	183,231	613,467	519,209	2,957,082	415,434	4,688,425
Amounts owed to affiliated undertakings	-	1,596,190	-	-	-	1,596,190
Accrued expenses and other liabilities	-	21	-	-	-	21
Total liabilities	183,231	2,209,678	519,209	2,957,082	415,434	6,284,636

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its immediate parent and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may pay dividends to its immediate parent, return capital to its immediate parent, or issue new shares. The Company monitors capital on the basis of the capitalisation ratio which is calculated as equity divided by issued debt.

The minimum capitalisation ratio required is 5% to comply with thin capitalisation requirements, but is typically much higher to allow headroom for increased future issuances of structured notes. The comparative capitalisation ratio for MLSA is much lower as different tax and accounting policies were applicable to MLSA when it was domiciled in Luxembourg.

Capitalisation ratio:	2013 \$000	2012 \$000
Equity	773,957	62,178
Issued debt	3,290,193	4,632,063
Capitalisation ratio	23.52%	1.34%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013
18. Financial risk management (continued)**Liquidity risk (continued)**

The increase in the capitalisation ratio is due to addition of other equity capital of \$750,000,000 during the year. Other equity capital carries no voting rights and comprises a perpetual borrowing from Merrill Lynch International Inc.

19. Fair value measurement

Financial instruments carried at fair value have been categorised into levels based on the observability of pricing information.

Financial instruments are considered Level 1 when valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

As at 31 December 2013

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Assets				
Fully-funded swaps	-	531,515	43,470	574,985
Financial instruments held for trading	-	194,794	42,963	237,757
Total assets	-	726,309	86,433	812,742
Liabilities				
Financial liabilities designated at fair value through profit and loss	-	2,811,196	478,997	3,290,193
Financial instruments held for trading	-	63,601	78,971	142,572
Total liabilities	-	2,874,797	557,968	3,432,765

The table below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 31 December 2012:

As at 31 December 2012

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Assets				
Fully-funded swaps	-	574,553	276	574,829
Financial instruments held for trading	-	151,498	183,440	334,938
Total assets	-	726,051	183,716	909,767
Liabilities				
Financial instruments held for trading	-	197,161	55,839	253,000
Financial liabilities designated at fair value through profit and loss	-	3,950,679	681,384	4,632,063
Total liabilities	-	4,147,840	737,223	4,885,063

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

Fair value measurement (continued)

Fair values of level 3 assets

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy.

The Level 3 financial instruments include derivatives and valuation inputs for which there are few transactions and there is little or no observable market data to corroborate inputs to valuation models.

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the valuation control policies applicable across the BAC group. However, as the Company hedges all its market risk with affiliated undertakings, the impact to comprehensive income from the valuation of level 3 financial instruments using the range of possible inputs is zero.

The table below presents, a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were \$86,433,000 as of 31 December 2013 (2012: \$183,440,000) and represent approximately *eleven percent* of assets measured at fair value and approximately *two percent* of total assets. Level 3 liabilities were \$557,968,000 as of 31 December 2013 (2012: \$737,223,000) and represent approximately *sixteen percent* of liabilities measured at fair value and of total liabilities.

	Fully-funded swaps	Financial instruments held for trading	Financial liabilities designated at fair value through profit or loss
	\$000	\$000	\$000
Balance at 1 January 2013	276	(127,601)	(681,384)
Gains/(losses) recognised in the statement of comprehensive income	330	56,200	120,468
Settlements	(606)	31,282	180,207
New issuances	31,908	(1,346)	(31,919)
Transfers in	11,562	-	(116,358)
Transfers out	-	5,458	49,989
Balance at 31 December 2013	43,470	(36,008)	(478,997)
Total gains/(losses) for the period included in statement of comprehensive income for financial instruments held at the end of the reporting period	330	56,200	120,468

Transfers in and out of level 3 are primarily due to changes in the impact of unobservable inputs on the value of financial instruments at fair value. Where previously unobservable inputs become more observable, for example due to the passage of time or more independent price quotes received, the transfer is made from level 3 to level 2. For fully funded swaps and financial liabilities designated at fair value, where the impact of the embedded level 3 derivative becomes material to the overall value the fully funded swap or financial liability from one year to the next, the transfer is made from level 2 to level 3.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

19. Fair value measurement (continued)

	Fully-funded swaps	Financial instruments held for trading	Financial liabilities designated at fair value through profit or loss
	\$000	\$000	\$000
Balance at 1 January 2012	-	(471,058)	(766,685)
(Losses)/Gains recognised in the statement of comprehensive income	45	95,159	8,339
Settlements	-	201,542	251,647
New issuances	232	(1,738)	(217,662)
Transfers in	-	(41,396)	(158,989)
Transfers out	-	89,891	201,966
Balance at 31 December 2012	<u>276</u>	<u>(127,601)</u>	<u>(681,384)</u>
Total (losses)/gains for the period included in statement of comprehensive income for financial instruments held at the end of the reporting period	<u>45</u>	<u>95,159</u>	<u>8,339</u>

20. Events after the reporting period

The directors are of the opinion that there are no significant events that have occurred since 31 December 2013 to the date of this report.

MERRILL LYNCH B.V.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2013

The financial statements were approved by the Board and authorised for issue on 28th April 2014. They were signed on its behalf by:

B. Taylor



A.E. Okobia



Amsterdam

OTHER INFORMATION

For the year ended 31 December 2013

Profit appropriation

Article 19 of the Company's Articles of Association is as follows:

- a) The profits of the Company, according to the annual financial statements adopted by the general meeting, are – insofar as they are not to be preserved for the formation or maintenance of reserves prescribed by law – at the disposal of the general meeting which decides about reservations or payments of profits.
- b) Dividends may be paid up only to the amount above the sum of the balances between net assets and paid in capital, increased with reserves which must be maintained by virtue of law.

Based on the net result over the year ended 31 December 2013, the Board of Directors do not recommend the payment of a further dividend in respect of the year ended 31 December 2013.

Distributions to shareholders are subject to two tests, namely, the equity test and the distribution or liquidity test. The Board of Directors must approve a proposed distribution and may only refuse if they know (or ought to reasonably foresee) that the Company after the distribution would no longer be able to repay its debts as and when they fall due.

Post balance sheet events

There are no post balance sheet events that have occurred since 31 December 2013 to the date of this report.

Auditor's report

The auditor's report is included on the following page.



Independent auditor's report

To: the general meeting of Merrill Lynch B.V.

Report on the financial statements

We have audited the accompanying 2013 financial statements of Merrill Lynch B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the 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 these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Merrill Lynch B.V. as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 30 April 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA