

Registered number: 00238151

MERRILL LYNCH EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



MERRILL LYNCH EUROPE LIMITED

COMPANY INFORMATION

Directors	J.H.R.Lee T.C.Martin
Company secretary	Merrill Lynch Corporate Services Limited
Registered number	00238151
Registered office	2 King Edward Street London England EC1A 1HQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

MERRILL LYNCH EUROPE LIMITED

CONTENTS

	Pages
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10 - 21

MERRILL LYNCH EUROPE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

INTRODUCTION

The directors present their strategic report on Merrill Lynch Europe Limited (the "Company") for the year ended 31 December 2017.

BUSINESS REVIEW

The Company's principal activity was formerly to act as the primary service provider for companies in the Bank of America Corporation ("BAC") group. Following the 2017 year end, the Company continued to wind-down its activity as a service provider and now primarily holds intercompany balances with affiliates.

The directors expect the principal activities of the Company will continue during 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

BAC's risk management objectives and policies, as well as exposures in relation to the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks) are described in the notes to the financial statements (see note 17).

FINANCIAL KEY PERFORMANCE INDICATORS

The loss for the financial year amounted to £977,000 (2016: profit £1,040,000).

The Company has net assets as of 31 December 2017 of £23,658,000 (2016: £24,635,000).

BAC manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary.

This report was approved by the board on 26 September 2018 and signed on its behalf.



J.H.R.Lee
Director

MERRILL LYNCH EUROPE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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 UK Accounting Standards 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £977,000 (2016: profit £1,040,000).

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £nil).

DIRECTORS

The directors who served during the year were:

J.H.R.Lee
T.C.Martin

MERRILL LYNCH EUROPE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

MATTERS COVERED IN THE STRATEGIC REPORT

Details regarding a review of the business, including future developments and principal risks and uncertainties are provided in the strategic report on page 1.

DIRECTORS' THIRD PARTY INDEMNITY PROVISIONS

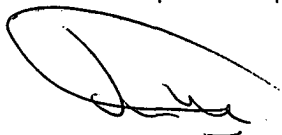
The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the board on 26 September 2018 and signed on its behalf.



J.H.R.Lee
Director

MERRILL LYNCH EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERRILL LYNCH EUROPE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Merrill Lynch Europe Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

MERRILL LYNCH EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERRILL LYNCH EUROPE LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

MERRILL LYNCH EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERRILL LYNCH EUROPE LIMITED

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

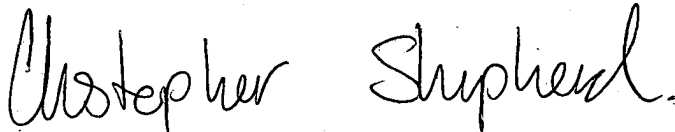
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Christopher Shepherd (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

26 September 2018

MERRILL LYNCH EUROPE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	3	2,370	13,468
Administrative expenses		(2,973)	(12,024)
Exceptional administrative expense	4	(361)	-
OPERATING (LOSS)/PROFIT		(964)	1,444
Interest receivable and similar income	9	1,834	1,675
Interest payable and similar expenses	10	(1,710)	(939)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(840)	2,180
Taxation on profit/(loss) on ordinary activities	12	(137)	(1,140)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(977)	1,040
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(977)	1,040

The notes on pages 10 to 21 form part of these financial statements.

MERRILL LYNCH EUROPE LIMITED
REGISTERED NUMBER:00238151

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Current assets			
Debtors	14	105,571	198,101
Cash at bank and in hand		5,469	6,406
		<u>111,040</u>	<u>204,507</u>
Creditors: Amounts falling due within one year	15	(87,382)	(179,872)
		<u>23,658</u>	<u>24,635</u>
Net assets			
Capital and reserves			
Called up share capital	16	1	1
Capital contribution reserve		166,096	166,096
Profit and loss account		(142,439)	(141,462)
		<u>23,658</u>	<u>24,635</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2018.



J.H.R. Lee
Director

The notes on pages 10 to 21 form part of these financial statements.

MERRILL LYNCH EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2016	1	166,096	(142,502)	23,595
Comprehensive income for the year				
Profit for the year	-	-	1,040	1,040
At 31 December 2016	1	166,096	(141,462)	24,635
Comprehensive expense for the year				
Loss for the year	-	-	(977)	(977)
At 31 December 2017	1	166,096	(142,439)	23,658

The notes on pages 10 to 21 form part of these financial statements.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently throughout the current and prior year, are set out below.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Companies Act 2006, Financial Reporting Standard 100 ("FRS 100") - Application of Financial Reporting Requirements and Financial Reporting Standard 101 ("FRS 101") - Reduced Disclosure Framework.

FRS 100 and FRS 101 set out the disclosure exemptions for the individual financial statements of entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards that have been adopted in the European Union ("EU-adopted IFRS"). References to accounting standards in these financial statements will accordingly relate to applicable International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS").

The financial statements have been prepared under the historic cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

There are no accounting standards or interpretations that are effective for the first time for the financial year beginning on 1 January 2017 that have had a material impact on the Company.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.3 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

1.4 INCORPORATION AND DOMICILE INFORMATION

The Company is a private limited company and is incorporated and domiciled in the United Kingdom.

1.5 CONSOLIDATED FINANCIAL STATEMENTS

The Company has taken advantage of the exemption in Section 401 of the Companies Act 2006 from the obligation to prepare and deliver consolidated financial statements as the Company is a wholly owned subsidiary of BAC, which prepares consolidated financial statements that include the Company. Accordingly, these financial statements present information about it as an individual undertaking and not about its group.

1.6 GOING CONCERN

As detailed in the strategic report, the Company has continued to wind-down its activity as a service provider and now primarily holds intercompany balances with affiliates.

The directors have a reasonable expectation, based on current and anticipated future performance, that the Company will continue in operational rundown for the foreseeable future. In addition, the Company will continue trading until all of the business is liquidated and it is expected to meet any liabilities as they fall due. The financial statements have, therefore, been prepared on a going concern basis.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.7 EXCEPTIONAL ITEMS

Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Company's financial performance. Details of these items are provided in note 4.

1.8 TURNOVER

Turnover comprises revenue recognised by the Company in respect of services supplied during the year, exclusive of Value Added Tax.

The Company incurs costs and makes payments to suppliers on behalf of itself and other group companies within the group. The Company recharges these expenses at a mark-up to the group companies through service fees.

1.9 INVESTMENTS

Investments held as fixed assets are shown at cost.

At each reporting date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the net realisable value and the value in use. In the event of impairment, the carrying amount of the asset is reduced accordingly and the amount of the loss is recognised in the profit and loss account.

1.10 OPERATING LEASES

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.11 INTEREST INCOME AND EXPENSE

Interest income and expense, for all interest bearing financial instruments, are recognised on an accruals basis using the effective interest method.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.12 FOREIGN CURRENCIES

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

Transactions in foreign currencies are translated into pounds sterling at the rate ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

1.13 CURRENT AND DEFERRED TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current tax, including UK corporation tax and foreign taxes, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

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 over the Company's planning horizon.

1.14 SHARE BASED PAYMENTS

BAC grants equity settled share based payment awards to employees of the Company under various incentive schemes.

As this is a group share based payment arrangement, awards treated as equity settled share based payment plans are measured based on the fair value of those awards at grant date. The fair value determined at the grant date is expensed over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The company has entered into a chargeback agreement with BAC under which it is committed to pay BAC the market value at grant date as well as subsequent movements in fair value of those awards to BAC at the time of delivery to its employees.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.15 FINANCIAL INSTRUMENTS

Management determines the classification of the Company's financial instruments at initial recognition.

The Company classifies its financial assets as loans and receivables. Loans and receivables are initially recognised at fair value including any premiums, and are subsequently carried at amortised cost using the effective interest method less an allowance for any impairment.

Financial liabilities are carried at amortised cost, using the effective interest method.

Interest calculated using the effective interest method is recognised in the income statement.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with FRS 101 requires the use of accounting estimates and assumptions concerning the future. It also requires management to exercise their judgement in the process of applying the Company's accounting policies:

There have been no critical judgements in the preparation of the financial statements.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. TURNOVER

An analysis of turnover is as follows:

	2017 £000	2016 £000
Fees receivable	2,370	13,468

All turnover arose within the United Kingdom.

4. EXCEPTIONAL ADMINISTRATIVE EXPENSE

	2017 £000	2016 £000
Waiver of intercompany charges	361	-

On 24 May 2017, the Company released £360,579 of obligations from an intra-group affiliate.

5. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting):

	2017 £000	2016 £000
Foreign exchange loss/(gain)	716	(561)
Equipment rental and leases	206	778

6. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £'000	2016 £'000
Fees payable to the Company's auditors for the audit of the Company's financial statements	42	42

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. EMPLOYEES

Staff costs, including directors remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	1,211	2,386
Social security costs	-	40
Other pension costs	-	232
	<u>1,211</u>	<u>2,658</u>

The Company has no employees other than the directors, who did not receive any remuneration (2016: £nil).

Wages and salaries mainly consists of contractor costs and relocation costs.

8. DIRECTORS' REMUNERATION

During the year, no director received any emoluments for their service to the Company (2016: £nil).

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £000	2016 £000
Interest receivable from affiliated companies	<u>1,834</u>	<u>1,675</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £000	2016 £000
Interest payable to affiliated companies	<u>1,710</u>	<u>939</u>

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. SHARE BASED PAYMENTS

BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Key Employee Equity Plan ("KEEP"). Under the KEEP, BAC grants stock-based awards, including stock options, restricted stock and restricted stock units ("RSUs").

For most awards, expense is generally recognized proportionately over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, BAC accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, BAC recognizes expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

Certain awards contain claw back provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances.

The total pre-tax compensation cost recognised in profit and loss for share-based compensation plans for the year to 31 December 2017 was £nil (2016: £4,454).

Restricted Shares and Units

A RSU is deemed equivalent in fair market value to one share of BAC common stock.

In 2017, the RSUs are authorised to settle predominantly in shares of common stock of BAC which generally vest in three equal annual instalments beginning one year from the grant date. Awards granted in prior years were predominantly cash settled.

Recipients of RSU awards may receive cash payments equivalent to dividends.

Other Stock Plans

At 31 December 2017, non-qualified stock options remain outstanding under the legacy Merrill Lynch Long-Term Incentive Compensation Plan, used for grants to executive officers, and Long-Term Incentive Compensation Plan for Managers and Producers, a broad-based plan.

No options were exercised during the current or preceding year.

All options outstanding as of 31 December 2017 were vested and exercisable with a weighted-average remaining contractual term of nil years (2016: 1.08 years), and have no aggregate intrinsic value.

12. TAXATION

	2017 £000	2016 £000
CORPORATION TAX		
Current tax on profits for the year	-	437
Adjustments in respect of previous periods	137	703
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>137</u>	<u>1,140</u>

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax on the Company's profit before tax differs from the amount that would arise using the tax rate applicable as follows:

	2017 £000	2016 £000
Profit on ordinary activities before tax	(840)	2,178
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.25%)	(162)	436
EFFECTS OF:		
Expenses not deductible for tax purposes	57	1
Adjustments to tax charge in respect of prior periods	137	703
Group relief	105	-
TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR	137	1,140

13. INVESTMENTS

At the end of the current year, the Company had investments in subsidiaries at a cost of £5 (2016: £8). During the year, the Company disposed of its investment in two subsidiary undertakings with a combined cost of £3.

A list of subsidiary undertakings held at year end is provided in note 19.

14. DEBTORS

	2017 £000	2016 £000
Due within one year		
Amounts owed by affiliated companies	102,654	194,415
Prepayments and accrued income	-	1,151
Corporation tax recoverable	2,917	2,535
	105,571	198,101

Amounts owed by affiliated companies are interest bearing with notice period of 95 days.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. CREDITORS: Amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to affiliated companies	87,370	175,467
Taxation and social security	-	780
Other creditors	12	3,625
	<u>87,382</u>	<u>179,872</u>

Amounts owed to affiliated companies are unsecured, are a combination of interest bearing and non-interest bearing and are repayable on demand.

16. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
1,000 (2016 - 1,000) Ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17. RISK MANAGEMENT

Legal Entity Governance

BAC has established a risk governance framework (the "Risk Framework") which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries (including the Company). The Risk Framework applies to all the employees. It provides an understanding of the Company's approach to risk management and each employee's responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Company. The following are the five components of the Company's risk management approach:

- Culture of Managing Risk Well;
- Risk Appetite and Risk Limits;
- Risk Management Processes;
- Risk Data Management, Aggregation and Reporting; and,
- Risk Governance.

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 its key risk types.

Market risk

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

Interest rate risk

The Company is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the future cash flows. The Company does not hedge this exposure.

Currency risk

The Company is exposed to currency risk. Currency risk arises from the possibility that fluctuations in foreign exchange rates will affect the value of financial assets. The Company does not hedge this exposure.

Credit risk

Credit risk is the potential risk of financial loss arising from the failure of a counterparty to settle its financial and contractual obligations. The directors consider this risk to be minimal due to the fact that the Company's counterparties are primarily other affiliated companies.

Liquidity risk

Liquidity risk is the potential inability to meet contractual and contingent financial obligations, on or off balance sheet, as they become due. Liquidity risk relates to the ability of an entity 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. The Company maintains intercompany relationships with affiliates to provide funding for its activities as required.

MERRILL LYNCH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18. CONTROLLING PARTY

The Company's immediate parent company is ML EMEA Holdings II LLC, a company organised and existing in the State of Delaware in the United States of America (U.S.A.). The ultimate parent and controlling party is BAC, a company organised and existing in the State of Delaware in the U.S.A.

The parent company of the smallest and largest group that includes the Company and for which group financial statements are prepared is BAC. Copies of BAC's consolidated financial statements can be obtained from either of the following website locations: <http://investor.bankofamerica.com> or www.sec.gov/.

19. SUBSIDIARY UNDERTAKINGS

The following are subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Merrill Lynch Equities Limited	Ordinary	100 %	Dormant
Merrill Lynch Gilts (Nominees) Limited	Ordinary	100 %	Dormant

Both of the above are incorporated in the UK and registered at: 2 King Edward Street, London, EC1A 1HQ. Following the 2017 year end, subsidiary undertakings were transferred to an affiliated company.