



**Merrill Lynch
Capital Markets AG**
2008 Annual Report

Merrill Lynch Capital Markets AG
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Chairman and CEO Business Report 2008

Financial Year 2008

Despite the very difficult environment in the year under review, the financial results of Merrill Lynch Capital Markets AG ("MLCM AG" or the "Bank") are very good and resulted in a net profit which is significantly higher than in the previous year. We strongly believe that such outstanding and sustainable results can only be achieved with a sound business operating model. At MLCM AG we have been investing for over 20 years to build the capabilities to serve Swiss institutional clients in a fast-moving financial industry. Today we are proud to offer a wide platform of integrated investment solutions. We find innovative answers from our top research, traders, investment bankers, prime brokerage specialists and many more. It is our local knowledge and experience, paired with our global presence, that enables us to provide not just products, but customised smart solutions.

Business Activities

The Bank is located in Zurich and is primarily engaged in securities and derivatives trading activities. MLCM AG is a member of the SIX Swiss Exchange as well as SWX Europe. The business itself is limited primarily to the issuing, underwriting and trading of listed and non-listed securities and derivatives for its own account and for its clientele.

The Bank's business model is organized in three units – the equity team, the equity-linked and derivative unit and the FICC team (fixed income, commodity and currency). All business units are equally supported by one support platform which supplies an adequate service level.

Financial Highlights

Gross profit for the year under review reached again a record level of CHF 91.5 million compared with CHF 79.7 million in 2007, which is an increase of 15%. The net profit after taxes amounted to CHF 79.6 million, compared with CHF 66.3 million recorded in the previous year, or an increase of 20%. All three business units contributed almost equally to this excellent result. On the other hand, the Bank reduced its operational costs by CHF 4.3 million, resulting in total expenses of CHF 18.1 million (previous year: CHF 22.5 million).

Board of Directors and Audit and Compliance Meetings

The Board of Directors held five meetings in 2008 and the Audit and Compliance Committee held four meetings. There is a bilateral and regular information exchange between the Audit and Compliance Committee and the members of the Executive Management Committee.

Risk Assessment

The Board of Directors approved the amended risk policy during its extraordinary meeting on February 07, 2008, in order to implement the changes according to the circular letter 06/6 "Internal Controls and Supervision" of the Federal Banking Commission.

Our greatest assets are our talented employees, who, as a team, continue to produce sustainable added value to our clients. We would like to take the opportunity to thank our employees for their effort, dedication and teamwork. We would like to express our confidence in their ability to provide the best in class service to our clients.



Alfred Berger
Chairman



Christian De Prati
CEO

Equity Group

2008 will be long remembered as the year of the liquidity crisis. With credit markets frozen, the major equity markets suffered declines in excess of 40% and displayed staggering volatility not seen in generations.

Despite these dramatic events, 2008 was the best equity year ever in the history of MLCM AG Switzerland, allowing the Equity Markets Group to substantially increase its performance and profitability.

Major institutional investor categories such as pension funds, insurance companies, banks and hedge funds became more risk averse during the year. The Equity Market Group was well positioned to respond to these rapidly changing client demands by having the broad capabilities and products to meet the clients' particular needs.

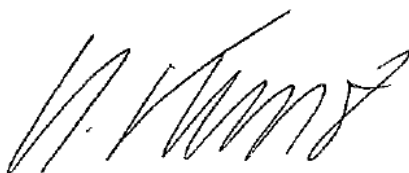
In fact, the equity team was very focused in capturing opportunities on the cash equity market. Primary transactions languished, but secondary cash equity volumes were strong throughout the year.

During 2008 we expanded our equity linked business as well, and we have now become one of the most recognized foreign players in the Swiss market. We serve institutional clients and corporates, private banks, family offices and independent asset managers. We were able to respond quickly to client needs, whilst permanently improving pricing and market penetration. The team is now fully assembled, and is clearly one of the best in the market by demonstrating product expertise paired with creating innovative investment solutions.

Overall, despite the uncertainty created by the losses in the US subprime category, MLCM AG was able to further strengthen its local market recognition as a top tier bank in Switzerland, and it is still on track on the excellent path of growth.



Christian De Prati
CEO and Head of Equity Switzerland



Urs Kunz
Head of Derivatives Switzerland

FICC – Fixed Income, Currencies and Commodities

The Bank's FICC Group recorded a significant revenue increase of 40% in 2008 versus the already successful year 2007. Our balanced team setup between cash and structured credit, rates and commodities and the long-term relations with our clientele was again the basis for this record result.

The year 2008 has been extremely volatile and challenging for all market participants. Banks and financial institutions continued to suffer with readjusted writedowns on their mortgage exposures. Even developed markets such as the high grade credit market turned to be difficult in sourcing or placing bonds. This market illiquidity offered on the other hand good opportunities for us as well as for our clients throughout the year.

In the global picture, the financial crises spread out further and finally reached the real economy in full force. Interest rates now head toward zero and central banks and policymakers from USA/China/Europe have announced multi-billion dollars stimulus packages and declared the world economy to be in a recession. The global environment shifted from an inflationary environment in the first half of the year with record high oil, commodity and food prices to disinflationary or even deflationary. As credit spreads are trading at their all time wides and default rates are rising, it is getting difficult for companies to borrow money or only at high credit costs.

The Merrill Lynch Global Sovereign Broad Market Index returned a record 8.9% in 2008 while the Merrill Lynch Global Broad Market Corporate Index ended the year with a negative excess return of -16.5%.

Our outlook for 2009 is cautiously optimistic. Global economies are deteriorating rapidly and support from both monetary and fiscal authorities continue to grow. We expect further interest rates cuts and hence we are constructive for the bond market over short to medium term, especially for high quality corporate bonds.



Christian Thormann
Head of FICC Switzerland

FINANCIAL MANAGEMENT

Merrill Lynch Capital Markets AG 2008 Annual Report

Financial Management

Analysis of the Financial Highlights in 2008

The gross profit for the year under review reached a record level of CHF 91.5 million compared to CHF 79.7 million in 2007, which reflects an increase of 15%. Net profit after extraordinary items and taxes amounted to CHF 79.6 million, compared to CHF 66.3 million in the previous year, which is an increase of CHF 13.3 million or slightly more than 20%. The main contributors of this significant increase are higher revenues from commission and service fee income which amounted to CHF 90.1 million (2007: CHF 76 million). On the other hand the revenue from trading operations stood at CHF 18.7 million vs. CHF 26.2 million in the previous year. On the expense side, the Bank reduced its operating costs by CHF 4.3 million, of which CHF 6.1 million resulted from a reduction in personnel expenses. Other operating expenses stood at CHF 3.6 million compared with CHF 1.8 million in the previous year. Generally in 2008, there was a dedicated focus on potential cost savings, and in parallel, the Bank investigated into its overall cost structure.

In the Bank's balance sheet, total assets amounted to CHF 5.1 billion versus CHF 4.1 billion in the previous year. Off-balance sheet items, in particular derivative instruments, were significantly lower and were recorded at CHF 13.1 billion versus CHF 24.3 billion in the previous year.

The Board of Directors recommends to carry forward onto new account the 2008 net profit in order to further foster the Bank's strong capital basis.


Capital requirements

During the first quarter 2008, MLCM AG completed its implementation of the Basle II requirements. As reported in the previous year, the Bank has chosen the basic indicator approach (BIA) for operational risks and the standard approach for credit risks. In the area of market risks, the capital requirements were almost unchanged. Overall capital requirements stood at CHF 128.7 million versus available Tier 1 capital in the amount of CHF 757 million (eligible capital of CHF 677 million and 2008 net profit of CHF 80 million to be carried forward). This represents a Tier 1 ratio of 17%.

In the year under review, the Bank did not record any shortfalls in the regulatory reporting or similar issues in this context. Further information on the capital structure of the Bank and its disclosure forms are available at the Bank.

Operational milestones

In parallel with the implementation of the "circular letter 06/6 - Internal Control and Supervisions" of the Federal Banking Commission (since 2009 "Finma"), the Bank further formalized and strengthened its control framework as well as the reporting to the Audit and Compliance Committee and ultimately the Board of Directors. The comprehensive reporting enables the Directors to get a business-independent overview of risk mitigation procedures at the Bank.



Mario Alini
CAO

Balance Sheets

at Dec 26, 2008 and Dec 28, 2007

(Swiss franc thousands)	Notes	12/26/2008	12/28/2007
ASSETS			
Cash	3.15	20'000	1
Due from banks	3.13	2'659'339	1'504'109
Due from customers	3.1	11'350	3'561
Securities trading portfolios	3.2	1'719'659	990'419
Financial Investments	3.2	222	-
Fixed assets	3.3	1'596	2'104
Accrued income and prepaid expenses	3.15	6'444	2'378
Other assets	3.6	760'248	1'609'977
TOTAL ASSETS		5'178'858	4'112'549
Total subordinated assets		-	-
Total due from Group companies and qualified participants	3.12	2'652'287	1'341'937
		-	-
LIABILITIES AND SHAREHOLDER'S EQUITY			
Due to banks	3.13	1'963'100	950'807
Due to customers, other	3.15	8'920	6'026
Accrued expenses and deferred income	3.15	26'989	29'523
Other liabilities	3.6	2'423'003	2'448'983
Valuation adjustments and provisions	3.8	-	-
Share capital	3.9	112'000	112'000
General legal reserve	3.10	45'440	45'440
Retained earnings brought forward	3.10	519'770	453'501
Net income	3.10	79'636	66'269
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		5'178'858	4'112'549
Total subordinated liabilities		-	-
Total due to Group companies and qualified participants	3.12	1'969'276	956'238
		-	-
OFF-BALANCE SHEET TRANSACTIONS			
(Swiss franc thousands)		12/26/2008	12/28/2007
Contingent liabilities		16	16
DERIVATIVE INSTRUMENTS			
Positive replacement values		747'706	1'560'561
Negative replacement values		1'923'923	2'415'907
Contract volume (notional)		13'061'207	24'308'628

The value of derivative instruments has been adjusted to reflect only the value of contracts open with third parties. The unsold derivative inventory in the books of ML International, London and MLCM AG has been netted down to reflect this.

Income Statements

for the years ended Dec 26, 2008 and Dec 28, 2007

(Swiss franc thousands)	Notes	2008	2007
REVENUES AND EXPENSES FROM ORDINARY BANKING ACTIVITIES:			
Results from interest activities:			
- Interest and discount income	5.1	52'514	15'158
- Interest expense		(52'514)	(15'158)
Net interest income		-	-
Results from commission and service fee activities:			
- Commission income on securities and investment transactions		96'095	77'957
- Commission income on other services		246	204
- Commission expenses		(6'281)	(2'216)
Results from commission and service fee activities		90'060	75'945
Results from trading operations	5.2	18'505	26'221
Other ordinary income		1'089	-
Total operating income		109'654	102'166
Operating expenses:			
- Personnel expenses	5.3	(14'949)	(20'712)
- Other operating expenses	5.4	(3'189)	(1'769)
Total operating expenses		(18'138)	(22'481)
GROSS PROFIT		91'516	79'685
NET INCOME:			
Gross profit		91'516	79'685
Depreciation and write-offs of noncurrent assets	3.3	(610)	(713)
Valuation adjustments, provisions and losses		-	-
Result before extraordinary items and taxes		90'906	78'972
Extraordinary income		-	-
Extraordinary expenses		-	-
Taxes		(11'270)	(12'703)
NET INCOME		79'636	66'269
ALLOCATION OF RETAINED EARNINGS:			
Net income		79'636	66'269
Retained earnings brought forward		519'770	453'501
Retained earnings	3.10	599'406	519'770
- Dividends paid out		-	-
- Allocation to general legal reserve		-	-
RETAINED EARNINGS		599'406	519'770

Statements of Cash Flows

for the years ended Dec 26, 2008

(Swiss franc thousands)	2008		2007	
	Source of funds	Application of funds	Source of funds	Application of funds
CASH FLOW FROM OPERATING RESULTS (INTERNAL SOURCES)				
Net income	79'636	-	66'269	-
Depreciation and write-offs on noncurrent assets	610	-	713	-
Valuation adjustments and provisions	-	-	-	-
Accrued income and prepaid expenses	-	4'066	-	996
Accrued expenses and deferred income	-	2'534	9'097	-
Dividends paid out	-	-	-	-
Balance	80'246	6'600	76'079	996
CASH FLOW FROM INVESTMENT ACTIVITIES				
Fixed assets	13	115	7	262
CASH FLOW FROM BANKING OPERATIONS				
Short-term operations:				
- Due from banks	-	1'155'230	-	854'276
- Due from customers	-	7'789	91'638	-
- Securities and trading portfolios	-	729'240	-	596'029
- Financial Investments	-	222	-	-
- Other assets	849'729	-	92'455	-
- Due to banks	1'012'293	-	763'091	-
- Due to customers	2'894	-	-	30'549
- Other liabilities	-	25'980	458'843	-
Liquidity:				
- Cash	-	19'999	-	1
Balance	1'864'916	1'938'460	1'406'027	1'480'855
TOTAL	1'945'175	1'945'175	1'482'113	1'482'113

Notes to the Financial Statements

for the years ended Dec 26, 2008 and Dec 28, 2007

1. COMMENT ON BUSINESS ACTIVITIES AND NUMBER OF EMPLOYEES

Merrill Lynch Capital Markets AG, (“the Bank”) is located in Zurich and is engaged in securities trading and derivatives trading activities. The Bank is a member of the SIX Group (formerly Swiss Stock Exchange) as well as SWX Europe Limited (formerly Virt-X) and limits its business activities primarily to the issuing, underwriting and trading of listed and non-listed securities and derivatives for its own account and for customers. Money market and foreign exchange transactions are only undertaken as required for the funding and hedging of securities positions. The Bank does not accept deposits from customers and, with the exception of granting syndicated loans to banks, does not operate in the credit sector.

Employees

At year-end, the number of employees amounted to 43 based on conversion to full-time positions (prior year: 48).

Outsourcing of business sectors

The Bank has outsourced various administrative functions to other Merrill Lynch (‘ML’) companies as well as to third parties. The most important delegated functions to other ML companies comprise market and credit risk management, support and update of data, processing of corporate action events, systems maintenance and support, payroll and human resource administration, reconciliation activities and internal audit. All outsourcing functions were implemented in accordance with the provisions of the Swiss Federal Banking Commission (FINMA since January 1, 2009). Furthermore, each function is regulated by a Service Level Agreement (SLA) with the corresponding service provider. In case that, on basis of the SLA client data are submitted to the service provider, the employees of the service provider are also subject to the banking secrecy principle.

2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

2.1 Accounting policies and valuation principles

General principles

Accounting policies and valuation principles follow the provisions of the Swiss Code of Obligations, the Swiss Federal Law on Banks and Saving Banks, its Implementing Ordinance and the guidelines of the Swiss Federal Banking Commission (FINMA since January 1, 2009).

Foreign currency translation

Balances and transactions in foreign currencies are translated into Swiss Francs as follows:

Assets and liabilities: year-end rate

	26.12.2008		28.12.2007
	USD 1.07195		USD 1.27400
	EUR 1.5055		EUR 1.658657
	JPY 0.011855		JPY 0.009968

Expenses and income: rate prevailing at transaction date

Foreign currency translation differences are included in the income statement.

Cash, due from and due to banks

Cash, due from and due to banks items are reported in the balance sheet at par value.

Due from and due to customers

Due from and due to customer items are reported in the balance sheet at par value.

Repurchase transactions

Repurchase transactions are treated as secured financing agreements and are carried as liabilities at the amount of cash received. Securities delivered within the scope of repurchase agreements are removed from the balance sheet only if control of the contractual rights associated with these securities are relinquished. Interest expense from repurchase agreements are accrued in the corresponding periods over the life of the underlying transactions

Financial instruments

All positions in securities, derivatives and loans are held for trading purposes. Securities are valued at market prices prevailing at year-end. Market prices for derivative financial instruments and loans are calculated using valuation models commonly used in the industry. For loans and fixed income securities, a provision is made as the position holding increases.

Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation, computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	7 years
Information technology and telecommunication equipment	max. 5 years
Other fixed assets	max. 5 years

Valuation adjustments and provisions

For identified risks, valuation adjustments and provisions are set up based on the principle of prudence.

Results from trading operations

Income from the securities issuing business is included in this caption.

Employee Benefit Plans

The Bank operates a defined contribution pension plan for all employees over the age of 21, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by contributions from the Bank and the employee based on salary and length of service. The Bank's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate.

2.2 Treatment of refinancing of trading positions

Refinancing expenses are incorporated within results from trading operations. Accordingly, interest and dividend income from securities trading positions and loans included in trading positions are included in this category.

2.3 Comments on risk management

In the course of conducting its business operations, the Bank is exposed to a variety of risks. These risks include market, credit and other risks that are material and require comprehensive controls and management. Appropriate risk limits have been approved for all significant market and credit risks and are actively monitored.

Credit and market risk is reported into the Global Credit and Corporate Risk Management ("CRM") systems of the Merrill Lynch Group on a daily basis. Corporate Risk Management of the Merrill Lynch Group, along with other control units, ensures that these risks are properly identified, monitored, and managed throughout the Bank. The risk management process works to ensure that the Bank's risk tolerance is well-defined and understood by the firm's risk-takers as well as by its executive management.

The Board of Directors reviews and takes notes on a regular basis of the risk positions of the Bank. Monitoring of the positions of the Bank is the responsibility of the Risk Committee and the Risk Officer, who works closely with Global Credit and CRM. Daily stress simulations on the trading portfolio are performed to evaluate the impact of possible extreme market fluctuations on the Bank's financial positions. New products are approved prior to initial trading. In order to limit liquidity risks, the Risk Committee prior to execution approves certain types of transactions. Legal Risks are limited by using standard agreements for over-the-counter products.

Market Risks

Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity prices, credit spreads, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded. The Bank seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate and price of trading inventories and related financing and hedging activities. The Bank uses a combination of cash instruments and derivatives to hedge its market exposures. The following discussion describes the types of market risks faced by the Bank.

Equity Price Risk

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock, a defined basket of stocks, or a stock index. Instruments typically used by the Bank to manage equity price risk include equity options, warrants, and baskets of equity securities. Equity options, for example, can require the writer to purchase or sell a specified stock or to make a cash payment based on changes in the market price of that stock, basket of stocks, or stock index.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Bank utilises interest rate swap agreements to mitigate exposure to interest rate risk.

Currency Risk

Currency risk to the Bank arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. The Bank's largest exposure is to Swiss Francs; however exposure does extend to other G7 currencies, Mexican Pesos and Taiwanese Dollars. The Bank manages currency exposure by transacting regular hedging transactions with the Merrill Lynch Group Treasury.

Credit Risk

The Bank is exposed to risk of loss if an issuer or a counterparty fails to perform its obligations under contractual terms ("default risk"). Both cash instruments and derivatives expose the Bank to default risk.

The Bank has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Bank executes and settles various customer securities and derivative transactions. Execution of these transactions includes the purchase and sale of securities by the Bank. These activities may expose the Bank to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. The Bank seeks to control the credit risks associated with its trading activities by requiring customers to maintain collateral in compliance with internal guidelines.

Liabilities to Banks and customers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were purchased, and are paid upon receipt of the securities from the Bank or customer.

2.4 Business policy concerning the use of derivative financial instruments

The Bank has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties. In the normal course of business, the Bank executes and settles various customer securities and derivative transactions. Execution of these transactions includes the purchase and sale of securities by the Bank. These activities may expose the Bank to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. The Bank seeks to control the credit risks associated with its trading activities by requiring customers to maintain collateral in compliance with internal guidelines.

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In the normal course of business, the Bank executes and settles various customer securities and derivative transactions. Execution of these transactions includes the purchase and sale of securities by the Bank. These activities may expose the Bank to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. The Bank seeks to control the credit risks associated with its trading activities by requiring customers to maintain collateral in compliance with internal guidelines.

Liabilities to Banks and customers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were purchased, and are paid upon receipt of the securities from the Bank or customer.

2.5 Recording of business transactions

All concluded transactions are recorded on the transaction date and valued according to the principles stated above. The results from those transactions are recorded in the income statement. Balance sheet transactions with a fixed maturity, as well as forward transactions, are included in the balance sheet on the value date. Securities transactions are included in the balance sheet on the transaction date.

2.6 Changes in accounting policies and valuation principles

For the year under review a change in accounting policies and valuation principles related to SIXGroup Ltd. shares took place.

The Bank received 222,222 shares in SIX Group AG following the merger with its parent association 'Verein Schweizerische Effektenbörse' that held all shares in SWX Group. These were distributed among the former association members and are valued at CHF 1 each. For details refer to note 3.2.

2.7 Subsequent events after the balance sheet date

In the context of the financial crisis, Merrill Lynch & Co Inc, the Bank's ultimate parent company has been taken over by Bank of America Corporation, Wilmington, Delaware USA. The official announcement took place during September 2008, and it concerns all affiliated companies. The effective legal date of the acquisition was January 1st, 2009. Bank of America Corporation is a publicly traded company with its headquarter in Charlotte NC, USA. The Group provides a diverse range of banking and non-banking financial services and products domestically and internationally.

3. INFORMATION ON THE BALANCE SHEET

3.1 Schedule of collateral for loans and off-balance sheet transactions

(Swiss franc thousands)		Type of collateral		Total
		Mortgage collateral	Without collateral	
LOANS				
	Due from customers	-	11'350	11'350
	TOTAL LOANS			
	12/26/2008	-	11'350	11'350
	TOTAL LOANS			
	12/28/2007	-	3'561	3'561

		Non- performing loans gross	Impaired loans net	Allowance for credit losses related to non- performing loans
IMPAIRED LOANS	12/26/2008	-	-	-
IMPAIRED LOANS	12/28/2007	-	-	-

3.2 Securities trading portfolios, financial investments and participations

SECURITIES TRADING PORTFOLIOS

(Swiss franc thousands)	12/26/2008	12/28/2007
Debt securities:		
- exchange listed	630	720
- unlisted		-
- of which own bonds and cash bonds		-
Equity securities:	1'719'029	989'699
- of which own shares, similar securities and rights	-	-
TOTAL SECURITIES TRADING PORTFOLIOS	1'719'659	990'419
- thereof eligible for repo transactions according to liquidity requirements	630	720

FINANCIAL INVESTMENTS

(Swiss franc thousands)	12/26/2008	12/28/2007
Participation instruments:	222	-
TOTAL FINANCIAL INVESTMENTS	222	-

The financial investments represent 222,222 shares as participation in SIX Group AG formed following the merger of SWX, Telekurs and SIS in 2008. These shares are valued at book value CHF 1 each. Due to lack of a fair value, nor a market and a blocking period of five years committed in a shareholders' agreement, the investment in SIX Group AG is reported at the equities' nominal value of 1 Swiss franc per share.

3.3 Schedule of noncurrent assets

(Swiss franc thousands)	2008							
	Historical cost	Write-offs/ accumulated depreciation	Book value 12/28/2007	Reclassifications	Additions	Disposals	Write-offs / depreciation	Book value 12/26/2008
Fixed assets	5'962	(3'859)	2'104	-	115	(13)	(610)	1'596
Fire insurance value of fixed assets (includes fixed assets of other group entities)								9'330
Commitments: future leasing installments under operating leases								130

3.4 Total amount of assets pledged or ceded to secure own liabilities, and assets subject to ownership reservation

(Swiss franc thousands)	12/26/2008		12/28/2007	
	Receivable book value	thereof utilized	Receivable book value	thereof utilized
Collateral for securities borrowing	-	-	-	-
Collateral at SNB for Lombard Credit	-	-	-	-
Pledged shares for stillholders	-	-	-	-
SIX Group (2007: SWX) membership guarantee	630	-	720	-
TOTAL	630	-	720	-

3.5 Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

(Swiss franc thousands)	12/26/2008	12/28/2007
Obligations to return cash collateral received under securities lending and repurchase agreements	1'929'506	805'197
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	1'550'904	784'810
of which the right to pledge or sell the securities has been granted without any restriction	1'550'904	784'810

3.6 Other assets and other liabilities

(Swiss franc thousands)	12/26/2008		12/28/2007	
	Other assets	Other liabilities	Other assets	Other liabilities
Trading positions	747'706	1'923'923	1'560'561	2'415'907
Total derivative instruments	747'706	1'923'923	1'560'561	2'415'907
Other assets and liabilities	12'542	499'080	49'415	33'076
TOTAL	760'248	2'423'003	1'609'976	2'448'983

The value of derivative instruments has been adjusted to reflect only the value of contracts open with third parties. The unsold derivative inventory in the books of ML International, London and MLCM AG has been netted down to reflect this.

3.7 Liabilities to own pension funds

The company operates a defined contribution pension scheme for all employees over the age of 21. Retirement age from the scheme is 65 for men and 63 for women. Employees can retire at 57 with reduced pension benefits. Every year the scheme is valued using two bases: static positions and net present value of expected future liabilities.

At the year end, the Bank, has a liability in favour of the pension institution amounting to TCHF 79 (2007 - TCHF 97). The plan applies to employees of the Bank as well as all other Swiss entities of the Merrill Lynch Group. The employers contribution reserves and other economical benefit are not recognised as financial assets in the balance sheet.

(Swiss franc thousands)	Pension institution 2007*	Pension institution 2006*
Employers contribution reserves:		
Value of employers contribution reserve*	2'191	2'191
Amounts of renounced use	-	-
Economical benefit (obligation) and pension benefit expenses:		
Surplus / (deficit) * - (dotation capital)	10	10
Economical benefits (obligations)	-	-
Change of economical benefits and economical obligations, respectively, as difference between the two disclosed balance sheet dates	-	-
Contributions concerning the business period (including result from employer contribution reserves)	617	673
of which:		
Extraordinary contributions in the case of exercised, temporary measures to remove deficits	-	-
Pension benefit expenses with their most important parameters		
- as part of the personnel expenses	617	673

* The pension institution's 2008 audited accounts are not yet available; therefore December 28, 2007 and December 29, 2006 figures are reported for 2007 and 2006 respectively. Based on an estimate, the pension plan's coverage ratio 2008 is expected to amount to 95.2 %.

3.8 Valuation adjustments and provisions

(Swiss franc thousands)

	Balance 12/28/2007	Specific usage	Change in definition of purpose (reclassifications)	Recoveries, doubtful interest, differences	New creation charged to income statement	Reversals credited to income statement	Balance 12/26/2008
Valuation adjustments and provisions for:							
credit risks (credit and country risks)	-	-	-	-	-	-	-
Provisions:							
for deferred taxes	-	-	-	-	-	-	-
other provisions	-	-	-	-	-	-	-
TOTAL VALUATION ADJUSTMENTS AND PROVISIONS	-	-	-	-	-	-	-
TOTAL VALUATION ADJUSTMENTS AND PROVISIONS AS PER BALANCE SHEET	-	-	-	-	TOTAL NET VALUATION ADJUSTMENTS AND PROVISIONS		-

3.9 Share capital and shareholders

(Swiss franc thousands)

	12/26/2008			12/28/2007		
	Total nominal value	Number of units	Dividend bearing capital	Total nominal value	Number of units	Dividend bearing capital
Share capital:						
Share capital	112'000	112'000	112'000	112'000	112'000	112'000
Total capital	112'000	112'000	112'000	112'000	112'000	112'000
Significant shareholders:						
	12/26/2008		12/28/2007			
	Nominal	Participation in %	Nominal	Participation in %		
Merrill Lynch International Holdings Inc., USA*	112'000	100%	112'000	100%		

* The parent company of this Company is Merrill Lynch International Inc. (Delaware) which is owned 100% by Merrill Lynch & Co., Inc., Temasek Holdings (Private) Limited (Singapore) owns (through various subsidiaries) 17.3% of Merrill Lynch & Co., Inc. on December 26, 2008. On January 1, 2009 Bank of America Corporation acquired Merrill Lynch & Co., Inc. (refer to Note 2.7).

3.10 Statement of changes in shareholders' equity

(Swiss franc thousands)

Shareholders' equity at December 28, 2007:

Share capital paid in	112'000
General legal reserve	45'440
Retained earnings	519'770
TOTAL SHAREHOLDERS' EQUITY AT DECEMBER 28, 2007	677'210

(before profit distribution)

Changes 2008:

Net income	79'636
TOTAL SHAREHOLDERS' EQUITY AT DECEMBER 26, 2008	756'846

(before profit distribution)

Thereof:

Share capital paid in	112'000
General legal reserve	45'440
Retained earnings	599'406

* As of January 1, 2008 Merrill Lynch Capital Markets AG implemented the new capital requirements "Basle II". Disclosure statements are being made under the chapter Risk Management (qualitative information) as well as in the Notes to the Financial Statements. There is no previous year reporting due to applying the new requirements for the first time.

According to the FINMA Circular letter 08/22 the Bank is using the partial disclosure.

3.10.1 Eligible Capital

(Swiss franc thousands)

	12/26/2008	12/28/2007
Gross Tier 1 Capital	677'210	610'941
- thereof Minority stakes	-	-
- thereof innovative instruments	-	-
Eligible Tier 1 Capital	677'210	610'941
Tier 2 Capital and Tier 3 Capital (+)	-	-
Other Deductions from Tier 1, Tier 2 and Tier 3 Capital (-)	-	-
Eligible Capital	677'210	610'941

3.10.2 Required Capital

(Swiss franc thousands)	Approach	Required Capital 12/26/2008
Credit Risk	Swiss Standard Approach	101'559
- thereof stock price fluctuation risk in the Banking Book		44
Non counterparty risk	Swiss Standard Approach	430
Market Risk	Standard Approach	13'123
- thereof interest rate related		6'663
- thereof on stocks		6'128
- thereof on currencies & precious metal		315
- thereof on commodities		17
Operational Risk	Basic Indicator Approach	13'625
TOTAL		128'737
Ratio Eligible capital vs. Required capital		526%

3.11 Maturity structure of current assets and borrowed funds

(Swiss franc thousands)			Maturities					Total
	At sight	Redeemable by notice	Within 3 months	After 3 months up to 12 months	After 12 months up to 5 years	After 5 years	Without maturity	
Current assets:								
Cash	20'000	-	-	-	-	-	-	20'000
Due from banks	2'631'173	3'270	24'896	-	-	-	-	2'659'339
Due from customers	878	664	9'808	-	-	-	-	11'350
Securities trading portfolio	1'719'659	-	-	-	-	-	-	1'719'659
Financial Investments	-	-	-	-	-	222	-	222
TOTAL CURRENT ASSETS 12/26/2008	4'371'710	3'934	34'704	-	-	222	-	4'410'570
Total current assets 12/28/2007	2'490'437	3'561	4'092	-	-	-	-	2'498'091
Borrowed funds:								
Due to banks	19'221	12'223	1'931'656	-	-	-	-	1'963'100
Due to customers, other	2'632	-	6'288	-	-	-	-	8'920
TOTAL BORROWED FUNDS 12/26/2008	21'853	12'223	1'937'944	-	-	-	-	1'972'020
Total borrowed funds 12/28/2007	66'696	82'278	807'859	-	-	-	-	956'833

3.11 Amounts due from and to affiliated entities

(Swiss franc thousands)	12/26/2008	12/28/2007
Amounts due from affiliated companies	2'652'867	1'341'937
Amounts due to affiliated companies	1'969'276	956'238

Related Party Transactions

The Bank provides funding to Merrill Lynch International, London, UK a member of the Merrill Lynch Group. Funding is provided at market interest rates.

The Bank also sells all issued warrants and certificates to Merrill Lynch International, London, UK and receives an Over the Counter option in return. Both transactions are conducted at prevailing market price.

3.12 Assets and liabilities by domestic and foreign origin

(Swiss franc thousands)	12/26/2008		12/28/2007	
	Domestic	Foreign	Domestic	Foreign
ASSETS				
Cash	20'000	-	1	-
Due from banks	5'833	2'653'506	165'714	1'338'395
Due from customers	734	10'616	745	2'816
Securities trading portfolios	1'719'658	1	951'941	38'478
Financial Investments	222	-	-	-
Fixed assets	1'596	-	2'104	-
Accrued income and prepaid expenses	6'444	-	2'378	-
Other assets	10'125	750'123	123'604	1'486'373
TOTAL ASSETS	1'764'612	3'414'246	1'246'487	2'866'062
LIABILITIES AND SHAREHOLDER'S EQUITY				
Due to banks	2'911	1'960'189	2'002	948'805
Due to customers, other	-	8'920	-	6'026
Accrued expenses and deferred income	26'989	-	29'523	-
Other liabilities	6'372	2'416'631	1'542'152	906'831
Valuation adjustments and provisions	-	-	-	-
Share capital	112'000	-	112'000	-
General legal reserve	45'440	-	45'440	-
Retained earnings	519'770	-	453'501	-
Net income	79'636	-	66'269	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	793'118	4'385'740	2'250'887	1'861'662

3.13 Assets by country and country groups

(Swiss franc thousands)	12/26/2008		12/28/2007	
		in %		in %
Switzerland	1'764'612	34%	1'246'487	31%
Europe, excluding Switzerland	3'030'509	59%	2'679'082	64%
Elsewhere	383'738	7%	186'980	5%
TOTAL ASSETS	5'178'858	100%	4'112'549	100%

3.14 Assets and liabilities by currencies

(Swiss franc thousands)	Currencies - 12/26/2008			
	CHF	USD	EUR	Other
ASSETS				
Cash	20'000	-	-	-
Due from banks	2'611'634	38'277	5'696	3'732
Due from customers	10'943	335	71	1
Securities trading portfolios	1'719'658	-	-	1
Financial Investments	222	-	-	-
Fixed assets	1'596	-	-	-
Accrued income and prepaid expenses	6'442	1	1	-
Other assets	257'267	427'948	60'266	10'576
TOTAL ASSETS REPORTED ON THE BALANCE SHEET	4'627'762	466'561	66'034	14'310
Delivery claims arising from spot and forward exchange operations and currency options	-	3'462'112	8'783	7'350'515
TOTAL ASSETS OF BALANCE SHEETS	4'627'762	3'928'673	74'817	7'364'825
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	1'931'819	23'663	5'423	2'195
Due to customers, other	42	8'117	386	375
Accrued expenses and deferred income	21'991	3'816	-	1'182
Other liabilities	1'920'056	427'945	60'234	10'577
Valuation adjustments and provisions	-	-	-	-
Share capital	112'000	-	-	-
General legal reserve	45'440	-	-	-
Retained earnings	519'770	-	-	-
Net income	79'636	-	-	-
LIABILITIES AND SHAREHOLDERS' EQUITY REPORTED ON THE BALANCE SHEET	4'630'754	463'541	66'043	14'329
Delivery obligations arising from spot and forward exchange operations and currency options	-	3'451'162	8'783	7'464'474
TOTAL LIABILITIES	4'630'754	3'914'703	74'826	7'478'803
TOTAL NET ASSETS	(2'992)	13'970	(9)	(113'978)

4. INFORMATION ON OFF-BALANCE SHEET TRANSACTIONS

4.1 Outstanding derivative financial instruments

(Swiss franc thousands)	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
Interest rate instruments						
- Options - OTC	25'391	2'539	1'075'352	2'539	25'391	1'075'352
- Futures	-	-	-	-	-	-
- Swaps	42'046	45'700	1'963'234	45'700	42'046	1'963'234
Cross currency instruments						
- Options - OTC	2'920	274	33'230	274	2'920	33'230
- Futures	-	-	-	-	-	-
- Swaps	115'800	142'347	1'954'918	142'347	115'800	1'954'918
- Fxoptions & forwards	-	-	-	-	-	-
Shares / Indices						
- Futures	-	-	-	-	-	-
- Options - OTC	-	-	-	5'126'883	1'385'484	29'266'792
- Options - Exchange traded	-	4'917'615	43'026'330	-	-	-
TOTAL BEFORE NETTING AGREEMENTS 12/26/2008						
	186'157	5'108'475	48'053'064	5'317'743	1'571'641	34'293'526
Total 12/28/2007	160'384	6'980'088	40'334'165	7'016'311	1'054'916	43'345'217
TOTAL AFTER NETTING AGREEMENTS 12/26/2008						
	186'157	352'280	5'333'168	561'549	1'571'643	7'728'039
Total 12/28/2007	137'341	1'521'375	11'321'406	1'423'220	894'532	12'987'222

4.2 Client assets

The Bank does not have third party client assets under management.

5. INFORMATION ON THE INCOME STATEMENT

5.1 Refinancing income in the position interest and discount income

(Swiss franc thousands)	12/26/2008	12/28/2007
Refinancing income (expense) on intercompany loans	7'169	12'388

5.2 Results from trading operations

(Swiss franc thousands)	12/26/2008	12/28/2007
Equity division	13'629	15'717
Debt division	4'876	10'504
TOTAL RESULTS FROM TADING OPERATIONS	18'505	26'221

5.3 Personnel expense

(Swiss franc thousands)	12/26/2008	12/28/2007
Salaries	13'222	17'133
Social benefits	1'046	2'052
Other personnel expenses	681	1'527
TOTAL PERSONNEL EXPENSES	14'949	20'712

5.4 Other operating expenses

(Swiss franc thousands)	12/26/2008	12/28/2007
Occupancy	250	552
Cost of EDP, machines, fixtures and fittings, vehicles and other equipment	1'383	1'831
Other expenses	1'556	(614)
TOTAL OTHER OPERATING EXPENSES	3'189	1'769

Merrill Lynch Capital Markets AG

Proposed appropriation of available earnings

The Directors of Merrill Lynch Capital Markets AG propose to carry forward the available earnings at December 26, 2008 of CHF 599'406 thousands:

(Swiss franc thousands)

Balance to be carried forward	599'406
TOTAL	599'406

AUDITORS' REPORT

To the General Meeting of the Shareholders of
MERRILL LYNCH CAPITAL MARKETS AG, ZURICH

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of cash flows and notes) of Merrill Lynch Capital Markets AG for the year ended December 26, 2008.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards as well as with International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Deloitte AG



Stephan Schmidli



Thomas Reisser
Auditor in charge

April 16, 2009
STS/TRE/jro

Enclosures

- Financial statements (balance sheet, income statement, statement of cash flows and notes)
- Proposed appropriation of available earnings

Executive Management Committee

Dr. Christian De Prati
Mario Alini
Urs Kunz
Christian Thormann

Chief Executive Officer (CEO)
Member (CAO)
Member
Member

Support & Administration

Mario Alini
CAO

Thomas Fiorani
Operations

Alexandra Monnard
Corporate Services

Willy Ruppen
Technology

Simone Schenk
Law & Compliance

Michael Voellm
Finance

Equity Group

Paolo Bozzo
Pan European

Cameron Dewey
Pan European

Kristina Horvath
Pan European

Rene Lüthi
Pan European

Juerg Wolfensberger
US

Anthony Fogler
US

Patrick Hasler
US

Yvonne Lienhard
US

Alex Marcuard
US

Electronic Trading

Yvonne Hansmann
Global

Sales Trading

Daniel Bortolin
Global

Marco Mautone
Global

Global Equity Derivatives

Urs Kunz
Head of Derivatives

Eric Blattmann
Retail

Nicolas Delecluse
Retail

Melanie Delpuch
Retail

Bjoern Grob
Institutional

Martin Kummer
Retail

Roberto Lazzarotto
Convertible Bonds

Margrit Leemann
Institutional

Marco Stauffacher
Institutional

Romuald Limousin
Institutional

Patrick Villiger
Institutional

FICC – Fixed Income, Currencies and Commodities

Christian Thormann
Head of FICC

German Amiramov

Sven Fischer

Michael Mikyska

Ernst Rohner

Oliver Valk

Merrill Lynch Capital Markets AG

Board of Directors

Alfred Berger*	Chairman
David Jervis	Vice Chairman
Serge Robin	Director
Dr. Robert Furter*	Director
Dominik Schaerer*	Director

* Member of the Audit and Compliance Committee

Independence criteria of the Board of Directors

Mr. A. Berger is a former employee of Merrill Lynch Banque Suisse. Mr. D. Jervis and Mr. S. Robin are employed by affiliated companies. Dr. R. Furter and D. Schärer are external Directors. Dr. Furter is also engaged in rendering legal services to the Bank, and Mr. Schärer was CEO of the Bank until the middle of 2007

Internal Audit

Merrill Lynch Corporates Audit, London (UK)

Auditors

Deloitte AG, Zurich