Merrill Lynch Commodities, Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2023

Filed pursuant to CFTC Regulation 23.105(i)(3) under the Commodity Exchange Act as a public document.

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Report of Independent Auditors

To the Board of Directors and Management of Merrill Lynch Commodities, Inc. and Subsidiaries:

Opinion

We have audited the accompanying consolidated balance sheet of Merrill Lynch Commodities, Inc. and its subsidiaries (the "Company") as of December 31, 2023, including the related notes (referred to as the "consolidated balance sheet").

In our opinion, the accompanying consolidated balance sheet presents fairly, in all material respects, the financial position of the Company as of December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Balance Sheet section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Balance Sheet

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

In preparing the consolidated balance sheet, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the balance sheet is available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Balance Sheet

Our objectives are to obtain reasonable assurance about whether the consolidated balance sheet as a whole is 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated balance sheet.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated balance sheet, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated balance sheet.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated balance sheet.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated balance sheet taken as a whole. The accompanying Unconsolidated Net Capital for Swap Dealers Pursuant to CFTC Regulation 23.101 under the CEA as of December 31, 2023 (referred to as the "supplemental information") is presented for purposes of additional analysis as required by Regulation 23.105 under the Commodity Exchange Act and is not a required part of the consolidated balance sheet. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated balance sheet. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated balance sheet and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated balance sheet or to the consolidated balance sheet itself and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated balance sheet taken as a whole.

PricewaterhouseCoopers LLP

February 28, 2024

Merrill Lynch Commodities, Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2023

dollars in thousands

ASSETS		
Cash and cash equivalents	$	1,045
Cash segregated for regulatory purposes or deposited with clearing organizations		616,390
Time deposits placed and other short-term investments		5,545
Trading assets		
Derivative contracts, at fair value		1,599,545
Physical inventory		342,913
		1,942,458
Other receivables		
Customers (net of allowance for loan losses of $0)		134,800
Natural gas receivables		20,666
Other		72,942
		228,408
Loans to affiliates		3,928,904
Loans held for investment		106,563
Allowance for loan losses		(15,783)
Loans held for investment, net of allowance		90,780
Equipment and facilities (net of accumulated depreciation of $2,173)		2,043
Deferred tax assets		18,535
Other assets		601
Total Assets	$	6,834,709

The accompanying notes are an integral part of these consolidated balance sheet

Merrill Lynch Commodities, Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2023

dollars in thousands, except shares

LIABILITIES		
Trading liabilities		
Derivative contracts, at fair value	$	2,624,307
Other payables		
Loans from affiliates		441,376
Customers		68,351
Other		55,439
		565,166
Subordinated and Other Long-term borrowings		
Subordinated borrowings		600,000
Other long-term borrowings (includes $409,748 measured in accordance with the fair value option election)		1,031,876
		1,631,876
Commitments, Contingencies and Guarantees (Note 10)		
Total Liabilities		4,821,349
STOCKHOLDER'S EQUITY		
Common stock, no par value; 1,000 shares authorized; 1,000 shares issued and outstanding		—
Paid-in capital		1,817,321
Accumulated other comprehensive loss (net of tax)		(313,921)
Retained earnings		509,960
Total Stockholder's Equity		2,013,360
Total Liabilities and Stockholder's Equity	$	6,834,709

The accompanying notes are an integral part of these consolidated balance sheet

(dollars in thousands)

1. Organization

Description of Business

Merrill Lynch Commodities, Inc. ("MLCI") together with its subsidiaries ("the Company") is a commodities trading and marketing firm providing a comprehensive range of commodity market solutions for clients that includes natural gas, power, crude oil, refined products, natural gas liquids, coal, metals, environmental markets and commodity indices. MLCI provides flexible asset optimization and energy risk management services for its clients and offers certain other products such as structured notes. MLCI is registered as a swap dealer with the U.S. Commodity Futures Trading Commission ("CFTC") and as a swap firm with the National Futures Association ("NFA").

MLCI is a wholly-owned subsidiary of NB Holdings Corporation ("NBH"). NBH in turn is a wholly-owned subsidiary of Bank of America Corporation ("Bank of America").

The consolidated subsidiaries of MLCI include Merrill Lynch Commodities Canada, a Canadian incorporated entity that trades, transports and exports physical and financial gas, power and other energy commodities in Canada as of December 31, 2023.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Balance Sheet include the accounts of the Company and are presented in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). Intercompany transactions and balances have been eliminated. The Consolidated Balance Sheet are presented in U.S. dollars.

Use of Estimates

In presenting the Consolidated Balance Sheet, management makes estimates including the following:

- Valuations of assets and liabilities requiring fair value estimates;
- The allowance for credit losses;
- The ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions;
- The outcome of pending litigation;
- Incentive-based compensation accruals; and
- Other matters that affect the reported amounts and disclosure of contingencies in the Consolidated Balance Sheet.

Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the Consolidated Balance Sheet, and it is possible that such changes could occur in the near term. A discussion of certain areas in which estimates are a significant component of the amounts reported in the Consolidated Balance Sheet follows.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Company accounts for certain financial assets and liabilities at fair value under various accounting literature that requires an entity to base fair value on an exit price, including ASC 815, *Derivatives and Hedging* ("Derivatives Accounting") and the fair value option election in accordance with ASC 825-10-25, *Financial Instruments - Recognition* ("fair value option election").

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

In determining fair value of financial assets, the Company considers the credit risk of its counterparties. The Company attempts to mitigate credit risk to third parties and affiliates by entering into netting and collateral agreements. Net counterparty exposure (counterparty positions netted by offsetting transactions and cash and securities collateral) is then valued for counterparty creditworthiness and the resultant credit value adjustment ("CVA") is incorporated into the fair value of the financial assets.

(dollars in thousands)

Fair Value Accounting also requires that the Company consider its own creditworthiness when determining the fair value of financial liabilities, including over-the-counter ("OTC") derivative instruments and certain structured notes (i.e., debit valuation adjustment or "DVA") carried at fair value under the fair value option. The Company does not have an independent credit rating. However, its derivative liabilities are guaranteed by Bank of America, and therefore DVA for the Company is based on Bank of America's credit ratings and spreads. The impact of the Company's DVA is incorporated into the fair value of instruments such as OTC derivatives contracts even when credit risk is not readily observable in the instrument.

The Company includes a funding valuation adjustment ("FVA") into valuation estimates primarily to include funding costs on uncollateralized derivatives and derivatives where the Company is not permitted to use the collateral it receives. FVA related to derivative assets and liabilities is the effect of funding costs on the fair value of these derivatives. The impact of the Company's FVA is incorporated into the fair value of its derivatives.

For additional information on calculating CVA, DVA and FVA, see Note 5.

Legal Reserves

The Company is occasionally a party in various actions, some of which involve claims for substantial amounts. Amounts are accrued for the financial resolution of claims that have either been asserted or are deemed probable of assertion if, in the opinion of management, it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many cases, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time. Accruals are subject to significant estimation by management, with input from any outside counsel handling the matter. Refer to Note 10 for further information.

Income Taxes

Gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. Deferred tax assets are also recognized for tax attributes such as net operating loss carryforwards and tax credit carryforwards. Valuation allowances are recorded to reduce deferred tax assets to the amounts management concludes are more likely than not to be realized.

Unrecognized income tax benefits (UTBs) are recognized and measured based upon a two-step model: first, a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and second, the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. The Company records income tax-related interest and penalties, if applicable, within income tax expense.

The Company and its subsidiaries are included in the U.S. federal income tax return and certain state tax returns filed by the Parent. The method of allocating income tax expense is determined under the intercompany tax allocation agreements of Bank of America.

Under the intercompany tax allocation agreements, tax benefits associated with net operating losses (NOLs) (or other tax attributes) of the Company are payable to the Company generally upon utilization in Bank of America's tax returns.

In addition, under these agreements, substantially all current income taxes (federal, combined and unitary state) are recorded as income tax receivable and payable due to affiliate, which are included on the Consolidated Balance Sheet within Interest and other receivables, including loans due from affiliates, Interest and other payables, and Loans due to affiliates, and is settled on at least an annual basis.

(dollars in thousands)

In accordance with Bank of America's intercompany tax allocation agreements, any new or subsequent change in a UTB related to Bank of America's state consolidated, combined, or unitary return in which the Company is a member will generally not be reflected in the Company's Consolidated Balance Sheet. However, upon resolution of the item, any significant impact determined to be attributable to the Company will be reflected in the Company's Consolidated Balance Sheet.

See Note 12 - Income Taxes for further discussion of income taxes.

Consolidated Balance Sheet Captions

The following are descriptions related to specific balance sheet captions.

Cash and Cash Equivalents

The Company defines cash equivalents as short-term, highly liquid securities, and interest-earning deposits with maturities, when purchased, of 90 days or less, that are not used for trading purposes.

Cash Segregated for Regulatory Purposes or Deposited with Clearing Organizations

The Company is a member of various clearing organizations at which it maintains cash required for the conduct of its day-to-day clearance activities. An affiliate of the Company, BofA Securities Inc ("BofAS"), clears certain transactions for the Company.

Time Deposits Placed and Other Short Term Investments

The Company places initial margin for non-centrally cleared derivative transactions with third parties.These funds are invested in interest bearing short term money market instruments.

Trading Assets and Liabilities

The Company's trading activities consist primarily of commodities trading. The Company may take title to and delivery of physical commodities and may hedge market risk associated with inventory positions with various derivative contracts.

Derivative Contracts

A derivative is an instrument whose value is derived from an underlying instrument or index, such as interest rates, currencies, commodity prices or credit spreads. Derivatives include futures, forwards, swaps, option contracts and other financial instruments with similar characteristics. Derivative contracts often involve future commitments to exchange payment streams based on a notional or contractual amount (e.g., interest rate or commodity swaps or physical commodity forwards) or to purchase or sell other financial instruments at specified terms on a specified date (e.g., options to buy or sell commodities). Refer to Note 5 for further information.

Physical Inventory

Physical Inventory consists of California Carbon Allowance certificates (CCA). Under California's Cap and Trade program, companies are required to offset their carbon dioxide emissions through the purchase of CCA. CCA are accounted for at lower of cost or market with a fair value hedge accounting adjustment included.Refer to Note 5 for further information.

Other Receivables and Payables

Customers

Receivables from and payables to customers include amounts due on transactions requiring physical delivery of commodities that generally require settlement in the month following delivery and cash collateral balances held or posted by the Company for these transactions. The Company enters into certain credit support annex ("CSA") agreements that require collateral to be held or posted for customer receivables and payables. These collateral balances are not permitted to be netted against customer receivables or payables under ASC 210-20, *Balance Sheet-Offsetting* ("Balance Sheet - Offsetting Accounting"). Given that these receivables are collateralized, credit risk is reduced and allowance for loan losses are only required in rare circumstances. The collateral maintenance provisions consisting of daily margining of

(dollars in thousands)

collateral is expected to be maintained into the foreseeable future and the expected credit losses are assumed to be immaterial.

Natural Gas Receivables

MLCI enters into natural gas transactions with natural gas pipeline companies. Under these arrangements, MLCI purchases natural gas from third parties and delivers that natural gas to pipeline companies for the right to receive the same quantity of natural gas from the pipeline company in a future period. These arrangements are considered non-financial hybrid instruments that contain embedded derivatives that are bifurcated from the host instrument. A receivable is recorded on the Balance Sheet at cost and the embedded derivative is recorded within derivatives.

Other

Other receivables primarily consist of amounts due from affiliates for trading and administrative support services, tax balances and other receivables. The Company performs qualitative analyses, including consideration of historical losses and current economic conditions, to estimate any expected credit losses which are then included in a valuation account that is recorded as a contra-asset against the amortized cost basis of the financial asset.

Other payables primarily consist of amounts due to affiliates for trading and administrative support services as well as employee related obligations including salaries payable, incentive and deferred compensation, payroll taxes, and pension and other employee benefits.

Loans from Affiliates

The Company's funding needs are generally met by and dependent upon separate lending arrangements with NB Holdings Corporation. The Company enters into these intercompany borrowing agreements to facilitate centralized liquidity management. These borrowings are for a six month term and may automatically be extended for six months unless specific actions are taken prior to the maturity date. These borrowings are primarily U.S. dollar-denominated at variable interest rates. These agreements are recorded at principal plus accrued interest.

Loans to Affiliates

The Company loaned cash it received upon execution of certain prepaid commodity natural gas supply contracts to Bank of America to facilitate centralized liquidity management. The loans have maturities ranging from six to twenty-one years. The loans are recorded at principal plus accrued interest. Loans are repaid by the parent in accordance with prepaid gas contract repayment schedule.

The Company enters into these intercompany lending agreements to facilitate centralized liquidity management. These lendings are for a six month term and may automatically be extended for six months unless specific actions are taken prior to the maturity date. These lendings are primarily U.S. dollar-denominated at variable interest rates. These agreements are recorded at principal plus accrued interest.

Loans Held for Investment

Loans loans held for investment are accounted for on an accrual basis and are carried at amortized cost, less an allowance for loan losses, which represents the Company's estimate of expected credit losses.

Allowance for Credit Losses

The allowance for credit losses represents management's best estimate of lifetime expected losses (ECL) inherent in the Company's relevant financial assets. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess overall collectability.

The Company's lifetime expected credit losses are determined using macroeconomic forecast assumptions and management judgments applicable to and through the expected life of the financial assets and are net of expected recoveries.

Equipment and Facilities

Equipment and facilities primarily consist of technology hardware and software, and furniture and fixtures. Equipment and facilities are reported at historical cost, net of accumulated depreciation.

(dollars in thousands)

Depreciation and amortization are computed using the straight-line method. Equipment is depreciated over its estimated useful life. Maintenance and repair costs are expensed as incurred.

Deferred Tax Assets

Significant components of the Company's deferred tax assets are discussed in Note 12.

Other Assets

Other assets includes miscellaneous prepaid expenses and deferred charges, memberships to certain exchanges that the Company is required to hold in order to trade products offered by these exchanges and capitalized software purchases net of related depreciation.

Subordinated and Other Long-term Borrowings

The Company entered into a subordinated borrowing agreement with NB Holdings. Refer Note 9 for further details.

The Company entered into prepaid commodity natural gas supply contracts in which cash was received by the Company upon execution of the contracts in exchange for fixed volumes of natural gas to be supplied by the Company on a monthly basis over the terms of the contracts. These contracts contain embedded commodity derivatives and are either designated in a fair value hedging relationship or accounted for under the fair value option. For instruments designated in a fair value hedging relationship, the embedded derivatives are bifurcated from the debt host instrument and included in trading assets or trading liabilities.

The Company uses derivatives to manage the interest rate and commodity price risk exposures of its borrowings. See Note 5 for additional information on the accounting for derivatives.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at period-end rates of exchange.

3. Related Party Transactions

The Company contracts a variety of services from Bank of America and certain affiliated companies including accounting, legal, regulatory, transaction processing, brokerage services, purchasing, human resource support, building management and other services.

The Company may intermediate transactions with certain counterparties through affiliated companies who have existing relationships with these counterparties or enter into transactions with affiliated companies for the purpose of managing risks that the Company has assumed through various transactions it has entered into with counterparties.

The performance of the Company's prepaid commodity natural gas supply contracts is guaranteed by Bank of America.

At December 31, 2023, assets with affiliated companies included in the various Consolidated Balance Sheet line items were as follows:

		December 31, 2023
Cash and cash equivalents	$	1,042
Cash segregated for regulatory purposes or deposited with clearing organization		614,537
Time deposits placed and other short-term investments		3,587
Trading assets - derivative contracts (1)		25,595
Other receivables - customers		—
Other receivables - other		33,900
Loans to affiliates		3,928,903
Total	$	4,607,564

(dollars in thousands)

(1) Derivative assets are shown net of counterparty and cash collateral offsetting.Dollars in thousands, except related party borrowing lines of credit

At December 31, 2023, liabilities with affiliated companies included in the various Consolidated Balance Sheet line items were as follows:

		December 31, 2023
Other payables - customers and other	$	27,768
Subordinated borrowings		600,000
Trading liabilities - derivative contracts (1)		441,376
Loans from affiliates		4,931
Total	$	1,074,075

(1) Derivative liabilities are shown net of counterparty and cash collateral offsetting.

The Company has established unsecured borrowing agreements with NB Holdings and Bank of America in the normal course of business. Amounts outstanding under these arrangements are included within *Loans due from affiliates*. The arrangements are summarized below:

Agreements with NB Holdings

- A $5.2 billion uncommitted six month revolving senior unsecured line of credit. Interest on the line of credit is based on prevailing short-term market rates. The credit line matures on August 1, 2024 and will automatically be extended semi-annually to the succeeding February 1st unless specific actions are taken up to the maturity date. At December 31, 2023, approximately $441 million was outstanding on the line of credit.

Refer Note 9 for information on subordinated borrowings between the Company and NB Holdings.

The Company has established unsecured lending agreements with NB Holdings and Bank of America in the normal course of business. Amounts outstanding under these arrangements are included within *Loans due to affiliates*. The arrangements are summarized below:

Agreements with NB Holdings

- A $200 million uncommitted six month revolving senior unsecured line of credit. Interest on the line of credit is based on prevailing short-term market rates. The credit line matures on February 1, 2025 and will automatically be extended semi-annually to the succeeding August 1st unless specific actions are taken 180 days prior to the maturity date. At December 31, 2023 $84 million was outstanding on the line of credit.

Agreements with Bank of America

- A $3 billion uncommitted six month revolving senior unsecured line of credit. Interest on the line of credit is based on prevailing short-term market rates. The credit line matures on February 1, 2025 and will automatically be extended semi-annually to the succeeding August 1st unless specific actions are taken 180 days prior to the maturity date. At December 31, 2023 $2 billion was outstanding on the line of credit.

4. Trading Activities

The Company's trading activities consist primarily of commodities trading. This may include purchases and sales of physical commodities and related financial derivative commodity instruments used to hedge exposure, structured transactions to provide service or investment products to clients and various risk management services.

(dollars in thousands)

Trading Risk Management

Trading activities subject the Company to market and credit risks. These risks are managed in accordance with Bank of America's established risk management policies and procedures. Bank of America's risk management structure as applicable to the Company is described below.

Global Markets Risk Management is responsible for providing senior management with a clear and comprehensive understanding of the trading risks to which Bank of America is exposed. These responsibilities include ownership of market risk policy, developing and maintaining quantitative risk models, calculating aggregate risk measures, establishing and monitoring position limits consistent with risk appetite, conducting daily reviews and analysis of trading inventory, approving material risk exposures and fulfilling regulatory requirements.

Bank of America conducts its business operations through a substantial number of subsidiaries. The subsidiaries are established to fulfill a wide range of legal, regulatory, tax, licensing and other requirements. As such, to ensure a consistent application of minimum levels of controls and processes across its subsidiaries, Bank of America has in place a Subsidiary Governance Policy, to which the Company complies. This policy outlines the minimum required governance, controls, management reporting, financial and regulatory reporting, and risk management practices for Bank of America's subsidiaries.

Market Risk

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings.Trading positions are subject to various changes in market-based risk factors. The majority of this risk is generated by the Company's activities in the interest rate, foreign exchange, credit and commodities markets. In addition, the values of assets and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility. The Company seeks to mitigate market risk associated with its physical positions including its inventories and non-derivative contracts by employing hedging strategies that correlate rate, price and spread movements of the various physical positions and related financing and hedging activities. The Company employs a variety of derivatives to hedge its market risk exposures. Derivative assets and liabilities are reported at fair value with changes reflected in principal transactions.

Market Liquidity Risk

Market liquidity risk represents the risk that the level of expected market activity changes dramatically and, in certain cases, may even cease. This exposes the Company to the risk that the Company will not be able to transact business and execute trades in an orderly manner, which may impact results. This impact could be further exacerbated if expected hedging or pricing correlations are compromised by disproportionate demand or lack of demand for certain instruments.

Liquidity Risk

Liquidity Risk is the risk of inability to meet expected or unexpected cash flow and collateral needs while continuing to support the Company's business and customer needs, under a range of economic conditions. The Company's primary liquidity risk management objective is to meet all contractual and contingent financial obligations at all times, including during periods of stress. To achieve that objective, the Company analyzes and monitors its liquidity risk under expected and stressed conditions, maintains excess liquidity and access to diverse funding sources and seeks to align liquidity-related incentives and risks. Excess liquidity is defined as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that the Company can use to meet contractual and contingent financial obligations as those obligations arise. In addition, the Company is supported through uncommitted borrowing arrangements with Bank of America and NB

Interest Rate Risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, debt securities, certain trading-related assets and liabilities, borrowings and

(dollars in thousands)

derivatives. Hedging instruments used to mitigate these risks include interest rate swap agreements, Eurodollar futures and other futures contracts.

Credit Spread Risk

Credit spread risk arises from the possibility that changes in credit spreads will affect the value of financial instruments. Certain instruments are used by the Company to manage this type of risk. Swaps and options, for example, can be designed to mitigate losses due to changes in credit spreads, as well as the credit downgrade or default of the issuer. Credit risk related to the potential default on counterparty obligations is discussed in the *Counterparty Credit Risk* section.

Commodity Price and Other Risk

The Company enters into exchange-traded contracts, financially settled OTC derivatives, contracts for physical delivery and contracts providing for the transportation, transmission and/or storage rights on or in vessels, barges, pipelines, transmission lines or storage facilities. Commodity, related storage, transportation or other contracts expose the Company to the risk that the price of the underlying commodity or the cost of storing or transporting commodities may rise or fall. In addition, contracts relating to physical ownership and/or delivery can expose the Company to numerous other risks, including performance and environmental risks.

Counterparty Credit Risk

The Company is exposed to risk of loss if an individual, counterparty or issuer fails to perform its obligations under contractual terms (“default risk”). Derivatives expose the Company to default risk. Credit risk arising from changes in credit spreads is discussed above.

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

Derivatives Default Risk

The Company’s trading derivatives consist of derivatives provided to customers and affiliates and derivatives entered into for trading strategies or risk management purposes.

Default risk exposure varies by type of derivative. Default risk on derivatives can occur for the full notional amount of the trade where a final exchange of principal takes place. Swap agreements and forward contracts are generally OTC-transacted and thus are exposed to default risk to the extent of their replacement cost. Since futures contracts are exchange-traded and usually require daily cash settlement, the related risk of loss is generally limited to a one-day net positive change in fair value. Generally such receivables and payables are recorded in *Customer receivables* and *Customer payables* on the Consolidated Balance Sheet. Option contracts can be exchange-traded or OTC. Purchased options have default risk to the extent of their replacement cost. Written options represent a potential obligation to counterparties and typically do not subject the Company to default risk except under circumstances where the option premium is being financed or in cases where the Company is required to post collateral.

Receivables and payables that result from the delivery of physical commodities under the terms of certain derivative contracts such as physical forward sales or purchase contracts are recorded in *Customer receivables* and *Customer payables* on the Consolidated Balance Sheet. Legally enforceable master netting agreements entered into by the Company which allow for the purchase and sale of physical commodities generally enable such receivables and payables to be offset against derivative positions with the same counterparty for risk management purposes. Additional information about credit risk management related to derivatives is included in Note 5.

(dollars in thousands)

Concentrations of Credit Risk

The Company's exposure to credit risk (i.e., default and credit spread) associated with its trading and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

The Company's significant industry credit concentration is with financial institutions, including affiliates and third parties, as well as various energy trading merchants and oil refinery owners and operators. This concentration arises in the normal course of the Company's marketing and trading activities.

5. Derivatives

The Company establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts ("embedded derivatives") and for hedging activities. Derivatives Accounting requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. The fair value of all derivatives and associated cash collateral is recorded on a net-by-counterparty basis on the Consolidated Balance Sheet where a legal right of set off exists under a legally enforceable master netting agreement. Derivatives are reported on the Consolidated Balance Sheet as trading assets or trading liabilities.

Trading Derivatives

The Company enters into derivatives to facilitate client transactions, for trading purposes, and to manage risk exposures arising from certain non-derivative transactions not carried at fair value (e.g., natural gas storage and transportation agreements and certain structured transactions).

Derivatives Designated as Hedges

The Company also enters into and designates derivatives as hedging instruments in order to manage risk exposures arising from assets and liabilities not carried at fair value.

The Company uses futures and swaps to manage the price risk of certain commodity inventory.

The Company uses interest rate swaps to convert certain fixed-rate interest payments into variable-rate interest payments, specifically for the prepaid commodity natural gas supply contracts that have bifurcated debt hosts.

The Company formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives are highly effective in offsetting changes in fair value of the hedged items. The Company uses regression analysis at the hedge's inception and for each reporting period thereafter to assess whether the derivative used in its hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item. When it is determined that a derivative is not highly effective as a hedge, the Company discontinues hedge accounting.

The carrying value of hedged long-term borrowings that are designated and qualifying in fair value hedging relationships is $684,501. The cumulative amount of fair value hedging adjustments included in the carrying value that have been recorded in the current hedging relationships is $9,598. These fair value hedging adjustments are open basis adjustments that are not subject to amortization as long as the hedging relationship remains designated.

The carrying value and related cumulative fair value hedging adjustments relating to commodity inventory balance are $336,430 and $75,889 respectively.

(dollars in thousands)

Derivative Balances by Primary Risk

Derivative instruments contain numerous market risks. In particular, most derivatives have interest rate risk, as they contain an element of financing risk that is affected by changes in interest rates. Additionally, derivatives expose the Company to counterparty credit risk, although this is generally mitigated by collateral margining and legally enforceable master netting agreements. For disclosure purposes below, derivatives are classified based on the primary underlying market risk, despite the fact that there may be other market risks that affect the value of the instrument. Derivatives that are initiated by the Company generally have commodity price risk as their primary underlying market risk, although, the Company may enter into derivatives having other primary market risks, such as interest rate risk, to manage other risk exposures inherent in certain transactions.

The following table identifies the primary risk for derivative instruments of the Company at December 31, 2023. The primary risk is provided on a gross basis, prior to the application of the impact of counterparty and cash collateral netting.

	December 31, 2023		
	Contract/ Notional [1]	Gross Derivative Assets [2]	Gross Derivative Liabilities [2]
Interest rate contracts			
Swaps	$ 5,031,834	$ 223,105	$ 81,917
Commodity contracts			
Swaps	29,873,804	1,778,680	2,989,737
Futures and forwards	9,655,648	1,847,627	1,643,097
Written options	51,171,260	46,116	2,541,904
Purchased options	53,456,092	2,336,111	26,958
Gross derivative assets and liabilities		6,231,639	7,283,613
Less: Legally enforceable master netting agreements		(4,220,110)	(4,220,110)
Less: Cash collateral received/paid		(411,984)	(439,196)
Total derivative assets and liabilities		**$ 1,599,545**	**$ 2,624,307**

(1) Represents the total contractual notional amount of derivative assets and liabilities outstanding.

(2) The amounts in the table above include both third party and affiliate trading derivatives. At December 31, 2023 the Company had gross derivative assets with affiliates of $1,054,278 , legally enforceable netting with affiliates of ($ 779,313) and cash collateral netting with affiliates of ($249,370) related to commodity price and interest rate risk. At December 31, 2023 the Company had gross derivative liabilities with affiliates of $1,010,104, legally enforceable netting with affiliates of ($779,313) and cash collateral netting with affliates of ($225,860) related to commodity price and interest rate risk. At December 31, 2023 the notional value of derivative asset and liability contracts with affiliates was $41,034,894.

(dollars in thousands)

Offsetting of Derivatives

The Company enters into International Swaps and Derivatives Association, Inc. ("ISDA") master netting agreements or similar agreements with substantially all of the Company's derivative counterparties. Where legally enforceable, these master netting agreements give the Company, in the event of default by the counterparty, the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty. For purposes of the Consolidated Balance Sheet, the Company offsets derivative assets and liabilities and cash collateral held or pledged with the same counterparty where it has such a legally enforceable master netting agreement.

The table below presents derivative instruments included in derivative assets and liabilities on the Consolidated Balance Sheet at December 31, 2023 by primary risk and the platform, where applicable, on which these derivatives are transacted. Exchange-traded derivatives include listed options transacted on an exchange. OTC derivatives include bilateral transactions between the Company and a particular counterparty. Balances are presented on a gross basis, prior to the application of counterparty and cash collateral netting. Total gross derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral received or paid.

Other gross derivative assets and liabilities in the table represent derivatives entered into under master netting agreements where uncertainty exists as to the enforceability of these agreements under bankruptcy laws in some countries or industries, and accordingly, receivables and payables with counterparties in these countries or industries are reported on a gross basis.

Also included in the table is financial instrument collateral related to legally enforceable master netting agreements that represents securities collateral received or pledged and customer cash collateral held at third-party custodians. These amounts are not offset on the Consolidated Balance Sheet but are shown as a reduction to total derivative assets and liabilities in the table to derive net derivative assets and liabilities.

	December 31, 2023	
Offsetting of Derivatives	**Derivative Assets**	**Derivative Liabilities**
Interest rate contracts		
Over-the-counter	$ 223,105	$ 81,917
Commodity contracts		
Over-the-counter	3,654,628	5,387,864
Exchange-traded	1,896,347	1,771,166
Total gross derivative assets/liabilities, before netting		
Over-the-counter	3,877,733	5,469,781
Exchange-traded	1,896,347	1,771,166
Less: Legally enforceable master netting agreements and cash collateral received/paid		
Over-the-counter	(2,929,291)	(2,956,503)
Exchange-traded	(1,702,803)	(1,702,803)
Derivative assets/liabilities, after netting	1,141,986	2,581,641
Other gross derivative assets/liabilities	457,559	42,666
Total derivative assets/liabilities	1,599,545	2,624,307
Less: Financial instruments collateral [1]	(178,503)	(145,439)
Total net derivative assets/liabilities	$ 1,421,042	$ 2,478,868

(1) These amounts are limited to the derivative asset/liability balance and, accordingly, do not include excess collateral received/pledged.

(dollars in thousands)

Credit Risk Management of Derivatives

The Company defines counterparty credit risk as the potential for loss that can occur as a result of a counterparty being unable to honor its contractual obligations. The Company mitigates its credit risk to counterparties through a variety of techniques, including, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral should unfavorable events occur, the right to call for collateral when certain exposure thresholds are exceeded and the right to call for third party guarantees.

The Company enters into ISDA master netting agreements or their equivalent with almost all derivative counterparties including those with affiliates. Legally enforceable master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for accounting and risk management purposes. Master netting agreements are generally negotiated bilaterally and can require complex terms. While the Company makes reasonable efforts to execute such agreements, it is possible that a counterparty may be unwilling to sign such an agreement and, as a result, would subject the Company to additional credit risk. The enforceability of master netting agreements under bankruptcy laws in certain countries or in certain industries is not free from doubt, and receivables and payables with counterparties in these countries or industries are accordingly recorded on a gross basis.

The performance of the Company’s derivative transactions is guaranteed by Bank of America.

Credit-risk related contingent features

Certain of the Company’s derivative contracts contain credit risk related contingent features, primarily in the form of ISDA master netting agreements and credit support documentation that enhance the creditworthiness of these instruments compared to other obligations of the respective counterparty with whom the Company has transacted. These contingent features may be for the benefit of the Company as well as its counterparties with respect to changes in the Company’s creditworthiness and the exposure under the derivative transactions. At December 31, 2023, the Company held cash and securities collateral of $258,885 and posted cash and securities collateral of $489,327 in the normal course of business under derivative transactions with third parties. At December 31, 2023, the Company held cash and securities collateral of $249,370 and posted cash and securities collateral of $225,920 with affiliates.

At December 31, 2023, the amount of collateral, calculated based on the terms of the contracts that the Company could be required to post to third parties and affiliates, but had not yet posted to third parties and affiliates, was approximately $3,000 and $5,040 respectively. This amount included collateral that could be required to be posted, but has not yet been posted, as a result of downgrades by rating agencies.

Some counterparties are able to unilaterally terminate certain contracts, or the Company may be required to take other action such as find a suitable replacement or obtain a guarantee. At December 31, 2023, there was no liability for these derivative contracts against which the Company had not posted collateral.

In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of a credit rating downgrade of Bank of America, counterparties to those agreements may require the Company to provide additional collateral or to terminate these contracts or agreements or provide other remedies. At December 31, 2023 if the rating agencies had downgraded their long-term senior debt ratings of Bank of America by one incremental notch, the amount of additional collateral contractually required by such derivative contracts and other trading agreements would have been approximately $17,300. If the rating agencies had downgraded their long-term senior debt ratings of Bank of America by a second incremental notch, approximately $80,100 in additional collateral would have been required at December 31, 2023.

(dollars in thousands)

Also, if the rating agencies had downgraded their long-term senior debt ratings for Bank of America by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2023 against which no collateral had been posted was $0. If the rating agencies had downgraded their long-term senior debt ratings of Bank of America by a second incremental notch, then the derivative liability that would be subject to unilateral termination by the counterparties as at December 31, 2023 would be $0.

Valuation adjustments on Derivatives

The Company records credit risk valuation adjustments on derivatives in order to properly reflect the credit quality of the counterparties and its own credit quality. The Company calculates valuation adjustments on derivatives based on a modeled expected exposure that incorporates current market risk factors. The exposure also takes into consideration credit mitigants such as legally enforceable master netting agreements and collateral. Credit default swap spread data is used to estimate the default probabilities and severities that are applied to the exposures. Where no observable credit default data is available for counterparties, the Company uses proxies and other market data to estimate probabilities and severity.

Valuation adjustments on derivatives are affected by changes in market spreads, non-credit related market factors such as commodity prices, interest rate and currency changes that affect the expected exposure, and other factors such as changes in collateral agreements and partial payments. Credit spreads and non-credit factors can move independently; for example, for a commodity swap, changes in commodity prices may increase the expected exposure, which would increase the counterparty CVA. Independently, counterparty credit spreads may tighten, which would result in an offsetting decrease to CVA.

The Company may enter into risk management activities to offset market driven exposures. The Company may hedge the market risks in both CVA and DVA primarily with currency, interest rate and credit default swaps.

The Company also incorporates FVA into valuation estimates primarily to include funding costs on uncollateralized derivatives and derivatives where it is not permitted to use collateral received. The Company calculates the FVA based on modeled expected exposure profiles discounted for the funding risk premium inherent in these derivatives. FVA related to derivative assets and liabilities is the effect of funding costs on the fair value of these derivatives.

CVA, DVA, and FVA are immaterial as of December 31, 2023.

6. Fair Value Disclosures

Fair Value Hierarchy

In accordance with Fair Value Accounting, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities recorded on the Consolidated Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

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

Level 2. Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities or pricing models whose inputs are either directly observable or derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability

(dollars in thousands)

(examples include most OTC derivatives, including interest rate and commodity swaps, and physical commodity forwards).

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's view about the assumptions a market participant would use in pricing the asset or liability (for example, certain long-dated derivatives).

As required by Fair Value Accounting, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). Therefore gains and losses for such assets and liabilities categorized within the Level 3 reconciliation below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Further, the following reconciliation does not take into consideration the offsetting effect of Level 1 and 2 financial instruments entered into by the Company that economically hedge certain exposures to the Level 3 positions.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of certain financial assets or liabilities. Transfers into or out of fair value hierarchy classifications are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable in the current market place.

Valuation Techniques

The following outlines the valuation methodologies for the Company's assets and liabilities accounted for at fair value.

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

Derivative contracts

Listed Derivative Contracts: Listed derivatives that are not actively traded are valued using the same approaches as those applied to OTC derivatives and are generally classified as Level 2 in the fair value hierarchy.

OTC Derivative Contracts: OTC derivative contracts include forwards, swaps and options primarily related to commodity underlyings.

The fair values of derivative assets and liabilities traded in the OTC market are determined using quantitative models that utilize multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. When third-party pricing services are used, the methods and assumptions are reviewed by the Company. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available, or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other instrument-specific factors, where appropriate. In addition, the Company incorporates within its fair value measurements of OTC derivatives a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counterparty, and fair value for net long exposures is adjusted for counterparty credit risk while the fair value for net short exposures is adjusted for the Company's own credit risk. The Company's creditworthiness is based upon the creditworthiness of Bank of America. The Company also incorporates FVA within its fair value measurements to include funding costs on uncollateralized derivatives and

(dollars in thousands)

derivatives where the Company is not permitted to use the collateral it receives. An estimate of severity of loss is also used in the determination of fair value, primarily based on market data. The majority of OTC derivative contracts are classified as Level 2 in the fair value hierarchy.

OTC derivative contracts that do not have readily observable market-based pricing parameters are classified as Level 3 in the fair value hierarchy. Examples of derivative contracts classified within Level 3 include contractual obligations that have tenures that extend beyond periods in which inputs to the model would be observable or derivative instruments with significant inputs into a valuation model that are less transparent in the market. For example, certain derivative instruments such as power heat rate options may be valued using correlation curves which are derived from third party pricing services based on a limited level of activity.

Loans held for investments

The Company entered into inventory financing agreements accounted for as loans held for investment under the fair value option election. These agreements contain embedded commodity derivatives.

Loans under the fair value option election are valued using a discounted cash flow approach. Cash flows expected to be collected are discounted using market based credit spreads of comparable debt instruments of the specific borrower or comparable borrowers taking into consideration the valuation of the underlying collateral. Results of the discounted cash flow analysis may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower. Loans held for investment are classified as Level 2 in the fair value hierarchy.

Long-term borrowings

The Company entered into prepaid commodity natural gas supply contracts that require repayment in a physical commodity. The Company elected the fair value option for certain prepaid natural gas contracts that contain embedded commodity derivatives. Instruments under the fair value option election are valued using a discounted cash flow approach. The cash flows are based on the value of the commodities to be supplied under the terms of the contracts. The cash flows are discounted using the interest rates implied from the contracts.

The fair value of the above mentioned contracts includes the impact of the Company's own credit spreads that are based on the Company's observed secondary bond market spreads. Long-term borrowings are classified as Level 2 and Level 3 in the fair value hierarchy

Recurring Fair Value

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2023.

	Fair Value Measurements on a Recurring Basis as of December 31, 2023				
	Level 1	**Level 2**	**Level 3**	**Netting Adj. [1]**	**Total**
Assets:					
Trading assets:					
Derivative contracts [2]	$ —	$ 5,452,373	$ 779,266	$ (4,632,094)	$ 1,599,545
Physical inventory	—	336,855	6,058	—	342,913
Liabilities:					
Derivative contracts [2]	—	5,886,004	1,397,609	(4,659,306)	2,624,307
Long-term borrowings	$ —	$ 62,732	$ 347,016	$ —	$ 409,748

(1) Represents counterparty and cash collateral netting.

(2) Refer to Note 5 for Derivative balances by primary risk table

(dollars in thousands)

Level 3 Assets and Liabilities

Level 3 derivative contracts relate to commodity derivatives that are long dated and/or have significant unobservable model valuation inputs. The following table provides a summary of changes in fair value of the Company's Level 3 derivative contracts for the year ended December 31, 2023.

	Beginning Balance December 31, 2022	Total Realized and Unrealized Gains (Losses) Included in Income Principal Transactions	Settlements	Transfers In	Transfers Out	Changes in fair value classified in OCI	Ending Balance December 31, 2023
Assets:							
Derivative contracts	$ 695,802	$ (159,726)	$ 111,374	$ 338,150	$ (206,334)	$ —	$ 779,266
Physical inventory				$ 6,058		0	$ 6,058
Liabilities:							
Derivative contracts	(986,248)	(246,437)	(84,593)	(300,859)	220,528	—	$ (1,397,609)
Long term borrowings	(544,282)	186,389	37,425	—	—	(26,548)	$ (347,016)

Level 3 Significant Inputs

The following table presents information about significant unobservable inputs related to material components of the Company's Level 3 derivative contracts as of December 31, 2023.

(dollars in thousands)

Quantitative Information about Level 3 Fair Value Measurements

Financial Instrument	Assets at Fair Value [1]	Liabilities at Fair Value [1]	Valuation Techniques [2]	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average [3]
Long Term Debt						
Muni Prepay Debt Obligation	$—	$347,016	Discounted cash flow	Illiquid natural gas forward prices ($ per MMBtu)	$2.00-$6.03	$3.60
Gross Derivative Contracts						
Power forwards	$717,341	$508,374	Discounted cash flow	Unobservable power forward prices ($ per MWh)	$21.47-$90.19	$42.38
Gas derivatives	$—	$847,125	Discounted cash flow	Illiquid natural gas forward prices ($ per MMBtu)	$2.00-$6.03	$3.6
Power Transmission derivatives	$30,084	$24,510	Discounted cash flow	Illiquid congestion power prices prices ($ per MWH)	$(16.97)-$9.47	($1.730)
Physical Commodities						
Renewable Energy Certificates	$6,058		Discounted cash flow (1)	Unobservable REC forward prices ($ per REC)	$0.75-$7.00	$1.458

(1) Remainder of fair value Level 3 derivative assets and liabilities relate to miscellaneous unobservable curves.

(2) Includes models such as Monte Carlo simulation and Black-Scholes.

(3) Weighted average is calculated based upon the fair value of the instruments.

Uncertainty of Fair Value Measurements from Unobservable Inputs

For commodity derivatives' unobservable inputs, a significant change in price or volatility and correlation inputs (e.g., the degree of correlation between natural gas and power) would have resulted in a significant impact to the fair value; however, the magnitude and direction of the impact depends on whether the Company is long or short the exposure and the magnitude of the exposure.

Fair Value Option Election

The fair value option election allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value of contracts for which the election is made will be recognized in earnings as they occur, except for changes in certain instrument's specific credit risk which are included in other comprehensive income (OCI) . The fair value option election is permitted on an instrument by instrument basis at initial recognition of an asset or liability, or upon an event that gives rise to a new basis of accounting for that instrument. As discussed above, certain of the Company's financial instruments are required to be accounted for at fair value under Derivatives Accounting.

The Company made the fair value option election for certain long-term borrowings that are risk managed on a fair value basis. The Company elected fair value option for long-term debt instruments transacted after the adoption of the fair value option election.The change in fair value for the long-term borrowings that was attributable to changes in the Company's credit spread was a loss of $3,343 after tax ($4,428 pretax) for the year ended December 31, 2023. This amount was recorded
(dollars in thousands)

(dollars in thousands)

in OCI. The cumulative impact of changes in the Company's credit spreads on long-term borrowings recognized in accumulated OCI was a loss of $313,920 after tax ($415,588 pretax) as of December 31, 2023. Changes in the Company's credit spreads are based on Bank of America's observed secondary bond market spreads.

Excluding gains (losses) related to changes in the Company's credit spreads, the majority of the gains (losses) are offset by gains (losses) on derivatives that economically hedge these borrowings and that are accounted for at fair value. The fair values and the aggregate contractual principal amounts of the long-term borrowings as of December 31, 2023 were $409,748 and $1,204,708 respectively.

7. Fair Value of Financial Instruments

The following disclosures relate to financial instruments for which the ending balances at December 31, 2023 are not carried at fair value in their entirety on the Company's Consolidated Balance Sheet.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash segregated for regulatory purposes or deposited with clearing organizations and time deposits placed and other short term investments approximates the fair value of these instruments. These financial instruments generally expose the Company to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market interest rates.

For purposes of the fair value hierarchy, cash and cash segregated for regulatory purposes or deposited with clearing organizations and time deposits placed and other short term investments are classified in Level 1.

The following table presents the carrying value and fair value, by fair value hierarchy, of the Company's loans held for investment and long-term borrowings at December 31, 2023 that are not carried at fair value in their entirety in the Company's Consolidated Balance Sheet. See Note 6 for further information regarding the fair value hierarchy.

	Fair Value Measurement as of December 31, 2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Loans held for investment (1)	$ 106,563	—	$ 106,563	—	$ 106,563
Financial liabilities					
Long-term borrowings	1,631,876	—	716,060	347,016	1,063,076

(1) Loans are presented gross of the allowance for loan losses.

8. Loans Held for Investment

The Company entered into certain inventory financing agreements which are classified as loans held for investment and carried at amortized cost less an allowance for loan losses. These loans had an outstanding balance as of December 31, 2023 of $90,780 net of allowance. All of these loans are current. An allowance for loan losses of $15,783 was recognized as of December 31, 2023.

(dollars in thousands)

9. Subordinated and Other Long-term Borrowings

In October, 2023 the Company entered into a subordinated borrowing agreement with NB Holdings. At December 31, 2023, subordinated borrowings and credit committed under agreements with NB Holdings consisted of the following:

	Maturity	Amount Outstanding	Total Credit Facility
Merrill Lynch Commodities, Inc. with NB Holdings			
Revolving Subordinated Loan	October 4, 2025	$ 600,000	1,000,000

These borrowings, which have been approved for regulatory capital purposes are U.S. dollar-denominated obligations at variable interest rates based on secured overnight financing rate (SOFR) plus a market-based spread. The Company's revolving subordinated line of credit agreements contain a provision that automatically extends the loans' maturity by one year unless specified actions are taken 390 days prior to the maturity date.

Other Long-term borrowings include certain prepaid commodity natural gas supply contracts with an embedded derivative.

The value of the Company's long-term borrowings as recorded on the Consolidated Balance Sheet does not necessarily represent the amount that will be repaid at maturity. This is due to the following:

- As a result of the acquisition of Merrill Lynch & Co., Inc. by Bank of America, all long-term borrowings were adjusted to fair value on January 1, 2009;
- Certain long-term borrowings are adjusted for the impact of fair value hedge accounting (see Note 5); and
- Certain long-term borrowings are accounted for at fair value and incorporate changes in the Company's creditworthiness (see Note 6)

Other Long-term borrowings as at December 31, 2023 included fixed rate obligations of $1,031,876.

(dollars in thousands)

At December 31, 2023, other long-term borrowings are contractually paid down as follows:

		Amount	Percentage of Total
2024	$	209,125	20.3 %
2025		270,334	26.1 %
2026		267,903	26.0 %
2027		73,712	7.1 %
2028		48,279	4.7 %
Greater than 2028		162,523	15.8 %
Total	$	1,031,876	100.0 %

The performance of the Company's prepaid commodity natural gas supply contracts is guaranteed by Bank of America.

10. Commitments, Contingencies and Guarantees

Litigation and Regulatory Matters

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

In accordance with applicable accounting guidance, the Company establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As a matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Company will establish an accrued liability and record a corresponding amount of litigation-related expense.

The Company continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

Commitments

At December 31, 2023, the Company's commitments had the following expirations:

		Commitment Expiration			
	Total	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years
Lending commitments	$ 22,426	$ 17,544	$ —	$ 938	$ 3,944
Total	$ 22,426	$ 17,544	$ —	$ 938	$ 3,944

(dollars in thousands)

Lending Commitments

In connection with certain inventory financing agreements, the Company committed to purchase quantities of inventory on behalf of counterparties and sell these quantities of inventory to counterparties on a regular basis over the duration of the agreements to the extent that the total exposure that the Company would have to the counterparties at any point in time does not exceed a maximum threshold as specified in the agreements.

The contractual amount of the commitments represents the amount at risk should the contract be fully drawn upon, the counterparty defaults and the collateral becomes worthless. The total amount of the outstanding commitment may not represent future cash requirements, as the commitment may expire without being drawn.

11. Employee Incentive Plans

Incentive plans are sponsored by Bank of America and the Company is allocated stock-based compensation expenses for its employees. Refer to the December 31, 2023 Form 10-K of Bank of America.

The Company participates in a number of equity compensation plans sponsored by Bank of America, with awards being granted predominantly from the Bank of America Corporation Equity Plan (BACEP). Under this plan, Bank of America grants stock-based awards, including restricted stock units (RSUs), to eligible employees. Grants in 2023 from the BACEP include RSUs that were authorized to settle predominantly in shares of common stock of Bank of America.

The RSUs granted in 2023 predominantly vest over four years in one-fourth increments on each of the first four anniversaries of the grant date, provided that the employee remains continuously employed with Bank of America during that time, and will be expensed ratably over the vesting period, net of estimated forfeitures, for non-retirement eligible employees based on the grant-date fair value of the shares. The majority of the RSUs granted to employees who are retirement eligible are deemed authorized as of the beginning of the year preceding the grant date when the incentive award plans are generally approved. As a result, the estimated value is expensed ratably over the year preceding the grant date.

At December 31, 2023, the Company had $20 million of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to four years, with a weighted average period of 2.6 years.

12. Income Taxes

The reconciliation of the beginning UTB balance to the ending balance is presented in the table below:

Balance at December 31, 2022	$	2,852
Expiration of statute		—
Balance at December 31, 2023	$	2,852

As of December 31, 2023, the balance of the Company's UTBs which would, if recognized, affect the Company's effective tax rate was $2,253. Included in the UTB balance are some items, the recognition of which, would not affect the effective tax rate, such as the portion of gross state UTBs that would be offset by the tax benefit of the associated federal deduction.

It is reasonably possible that the UTB balance may decrease by $2,253 during the next 12 months since resolved items will be removed from the balance whether their resolution results in payment or recognition.

(dollars in thousands)

The Company files income tax returns in numerous state, local and non-US jurisdictions each year. The Internal Revenue Service ("IRS") and other tax authorities in states, cities and countries in which the Company has significant business operations, examine tax returns periodically (continuously in some jurisdictions). The table below summarizes the status of significant tax examinations, by jurisdiction, for the Company as of December 31, 2023.

Jurisdiction	Years under Examination [1]	Status at December 31, 2023
U.S. federal	2017 - 2021	Field examination
California	2015 - 2017	Field examination
California	2018 - 2021	To begin in 2024
New York	2019 - 2021	Field examination
United Kingdom [2]	2021	Field examination

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

2) Field examination for tax year 2022 to begin in 2024.

Significant components of the Company's deferred tax assets and liabilities at December 31, 2023, which are included on the Consolidated Balance Sheet within Other assets, are presented below.

(dollars in thousands)

	December 31, 2023
Deferred tax assets	
Net operating loss carryforwards	$ 49,960
Loan loss reserve	4,096
Other	2,986
Gross deferred tax assets	57,042
Valuation allowance	(22,257)
Total deferred tax assets, net of valuation allowance	34,785
Deferred tax liabilities	
Unborn credits	16,205
Other	45
Gross deferred tax liabilities	16,250
Net deferred tax asset	$ 18,535

The table below summarizes the deferred tax assets and related valuation allowances recognized for the net operating loss carryforwards at December 31, 2023.

	Deferred Tax Asset	Valuation Allowance	Net Deferred Tax Asset	First Year Expiring
Net operating losses - U.S. States (1)	$ 33,743	$ (22,257)	$ 11,486	Various
Net operating losses - Canada	16,217		16,217	2034

1) The losses and related valuation allowances for U.S. states before considering the benefit of federal deductions were $42,746 and ($28,207), respectively.

Realization of the deferred tax assets above is dependent on the Company's, or Bank of America's ability to generate sufficient taxable income prior to their expiration. Valuation allowances were recorded to reduce deferred tax asset to the amounts management concludes are more-likely-than-not to be realized.

The Company is included in the consolidated U.S. federal income tax return and certain combined and unitary state income tax returns of Bank of America. At December 31, 2023, the Company had a current income tax payable due to its affiliates of $9,733 as a result of its inclusion in consolidated, combined, and unitary tax return filings with Bank of America. During the year ended December 31, 2023, the Company received $54,982 of income tax settlements.

13. Subsequent Events

ASC 855, *Subsequent Events*, requires the Company to evaluate whether events, occurring after the balance sheet date but before the date the financial statements are available to be issued, require accounting as of the balance sheet date, or disclosure in the financial statements. The Company has evaluated subsequent events through February 28, 2024 and has concluded there are no material subsequent events that require disclosure to the financial statements

(dollars in thousands)

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14. Regulatory Requirements

Commodity Exchange Act ("CEA") - Regulated Commodities and Cleared OTC Derivatives

As a registered swap dealer, MLCI is required to maintain minimum regulatory capital (as defined in CFTC Regulation 23.100) as set forth in CFTC Regulation 23.101.

At December 31, 2023, in accordance with the CEA, MLCI's regulatory capital as defined by CFTC Regulation 23.101 was $2,903,394, and exceeded the minimum requirement of $874,410 by $2,028,984.

The Company prepares NFA Form FR-CSE-BCH, on an unconsolidated basis. The following is a summary of certain consolidating financial information of the Company.

(dollars in thousands)

	Unaudited Financials	Adjustments [1]	Subsidiaries	Eliminations	Audited Financials
Total Assets	$ 6,769,575	$ (208)	$ 104,290	$ (38,948)	$ 6,834,709
Total Liabilities	4,756,215	(208)	65,509	(167)	4,821,349
Total Stockholder's Equity	2,013,360		38,781	(38,781)	2,013,360
Total Liabilities and Stockholder's Equity	$ 6,769,575	$ (208)	$ 104,290	$ (38,948)	$ 6,834,709

[1] Primarily a deferred tax asset gross-up.

Schedule I
Regulatory Capital
Bank Holding Company Approach

Total aggregate BHC Capital	$ 2,903,394
Minimum Capital Requirement	874,410
Excess aggregate BHC Capital	$ 2,028,984

Note: There are no material differences between the above aggregate Bank Holding Company Capital, and that filed with Company's unaudited December 31, 2023 form FR-CSE-BHC.