Registered number: 56457103

MERRILL LYNCH B.V.

UNAUDITED

INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED

30 JUNE 2018

COMPANY INFORMATION

Directors	A.E. Okobia E.J. Brouwer S. Lilly
Company secretary	Merrill Lynch Corporate Services Limited
Registered number	56457103
Registered office	Amstelplein 1, Rembrandt Tower 27 Floor, 1096HA, Amsterdam The Netherlands

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DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2018

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV", or the "Company") for the period ended 30 June 2018.

Statement of directors' responsibilities

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

The directors confirm that to the best of our knowledge:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit and cash flows for the period then ended; and
- the directors' report gives a true and fair view of the Company's situation as at the reporting date, the events that occurred during 2018 and the risks to which the Company is exposed.

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

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

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

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

Electronic Distribution

The directors are responsible for ensuring that the Company's financial statements are provided for inclusion on the website of the Company's ultimate parent undertaking, Bank of America Corporation ("BAC").

Principal activity

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

There has been no change to the principal activities and the directors expect the principal activities to continue during 2018.

Business review

The Company was incorporated on November 12, 2012 in Amsterdam, The Netherlands. The statutory address of the Company is Amstelplein 1, Rembrandt Tower, 27 Floor, 1096 HA, Amsterdam, The Netherlands.

The parent of the Company is Merrill Lynch International, LLC ("MLID") and the ultimate parent of the Company is BAC.

Results and dividends

The directors are satisfied with the Company's performance for the financial year ended 30 June 2018 and the financial position at the end of the period. The profit for the financial year, after taxation, amounted to $14,404,000 (2017: $4,997,000).

During the six month period, the Company declared that an amount of $7,858,000 (six months to 30 June 2017: $7,858,000) be paid as a dividend to its parent MLID, relating to the accrued payments on the $750,000,000 other equity capital.

Risk management

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

The risk management approach has five components:

- Culture of managing risk well;
- Risk appetite and risk limits;
- Risk management process;
- Risk data management, aggregation and reporting; and
- Risk governance

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are Strategic, Credit, Market, Liquidity, Operational, Compliance and Reputational risks.

The Company's approach to each of the risk types are further described in the notes to the financial statements (see note 20).

Subsequent events

The perpetual borrowing from MLID was cancelled on 1 July 2018, along with accrued but unpaid dividends totalling $59,437,000. Under Dutch law, the cancellation resulted in a reduction in other equity capital of $750,000,000 and an increase share premium totalling $809,437,000.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018

Composition of the Board

The size and composition of the Board of Directors and the combined experience reflects the best fit for profile and strategy of the Company. Currently three members of the Board are male, however the Company is aware of the gender diversity goals as set out in the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Board of Directors.

There were no employees of the Company for the period ended 30 June 2018 (six months to 30 June 2017: none).

This report was approved by the board on 27 September 2018 and signed on its behalf.

A.E. Okobia
Director

E.J. Brouwer
Director

S. Lilly
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

	Note	30 June 2018 $000	30 June 2017 $000
Net gain on financial instruments held for trading	3	**37,867**	39,117
Net loss on financial instruments designated at fair value through profit or loss	4	**(47,134)**	(53,821)
Administrative expenses		**(302)**	(124)
Other operating income/(expense)	6	**1,066**	(14)
LOSS FROM OPERATIONS		**(8,503)**	(14,842)
Interest income	5	**25,116**	18,753
PROFIT BEFORE TAX		**16,613**	3,911
Tax (expense)/credit	7	**(2,209)**	1,086
PROFIT FOR THE PERIOD		**14,404**	4,997
Other comprehensive income:			
Movement in debit valuation adjustment		**20,430**	-
Tax relating to movement in debit valuation adjustment		**(5,108)**	-
		15,322	-
TOTAL COMPREHENSIVE INCOME		**29,726**	4,997

The note on pages 8 to 39 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 $000	31 December 2017 $000
Assets			
Non-current assets			
Amounts owed by affiliated undertakings	8	**1,136,132**	1,685,276
Financial assets designated at fair value through profit or loss	9	**153,379**	113,732
Financial instruments held for trading	11	**129,775**	147,906
		1,419,286	1,946,914
Current assets			
Amounts owed by affiliated undertakings	8	**964,708**	215,247
Financial assets designated at fair value through profit or loss	9	**26,191**	66,352
Financial instruments held for trading	11	**205**	39
Cash and cash equivalents	10	**21,586**	21,147
Accrued interest receivable and other assets		**51**	23
		1,012,741	302,808
Total assets		**2,432,027**	2,249,722
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	12	**1,372,792**	1,163,043
Financial instruments held for trading	11	**39,718**	21,191
Deferred tax liability	13	**7,157**	480
		1,419,667	1,184,714
Current liabilities			
Amounts owed to affiliated undertakings	14	**80,530**	123,603
Financial liabilities designated at fair value through profit or loss	12	**40,540**	80,448
Dividend payable		**59,437**	51,579
Financial instruments held for trading	11	**909**	-
Income tax payable	13	**28**	316
Accrued expenses and other liabilities	16	**-**	15
		181,444	255,961
Total liabilities		**1,601,111**	1,440,675
Net assets		**830,916**	809,047
Issued Capital and Reserves			
Other reserves		**(3,059)**	3,651
Other equity capital		**750,000**	750,000
Retained earnings		**83,975**	55,396
Total equity		**830,916**	809,047

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

	Other equity capital $000	Other reserves $000	Retained earnings $000	Total equity $000
At 31 December 2017	**750,000**	**3,651**	**55,396**	**809,047**
IFRS9 reclassification	**-**	**(27,140)**	**27,140**	**-**
At 1 January 2018	**750,000**	**(23,489)**	**82,536**	**809,047**
Profit for the period	**-**	**-**	**14,404**	**14,404**
Dividends declared	**-**	**-**	**(7,858)**	**(7,858)**
Movement in debit valuation adjustment	**-**	**20,430**	**-**	**20,430**
Tax adjustment	**-**	**-**	**(5,107)**	**(5,107)**
At 30 June 2018	**750,000**	**(3,059)**	**83,975**	**830,916**

	Other equity capital $000	Other reserves $000	Retained earnings $000	Total equity $0000
At 1 January 2017	750,000	3,651	67,844	821,495
Profit for the year	-	-	4,997	4,997
Dividends declared	-	-	(15,847)	(15,847)
Profit for six months period June - December 2017	-	-	(1,598)	(1,598)
At 31 December 2017	750,000	3,651	55,396	809,047

The notes on pages 8 to 39 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

	30 June 2018 $000	31 December 2017 $000
Cash flow generated from operating activities		
Profit for the period	**14,404**	4,997
	14,404	4,997
Adjustments for non-cash items:		
Six months ended 31 December 2017	**-**	(5,836)
Finance income	**(25,116)**	(39,661)
Net loss arising on financial liabilities designated as at fair value through profit or loss	**47,134**	108,573
Net gain arising on financial assets classified as held for trading	**(37,867)**	(68,575)
Net foreign exchange loss/(gain)	**75**	(153)
Income tax expense	**2,209**	-
Debit valuation adjustment	**20,430**	-
Cash used in operations	**21,269**	(655)
Movements in working capital:		
Placement of intercompany deposits	**(293,584)**	(280,451)
Repayment of intercompany deposits and interest received	**56,487**	694,099
Placement of fully-funded total return swaps	**(46,633)**	(104,184)
Repayment of fully-funded total return swaps	**47,146**	328,706
Settlement of derivatives and coupons received/ (paid)	**75,217**	18,290
Proceeds from issuance of structured notes	**696,539**	331,051
Redemption of structured notes	**(570,895)**	(1,010,390)
Income tax paid	**(1,012)**	(818)
Increase in intercompany payables	**25,116**	68,066
Decrease in intercompany payables	**(9,212)**	(43,803)
Cash generated from operating activities	**438**	(89)
Cash and cash equivalents at the beginning of period	**21,148**	21,236
Cash and cash equivalents at end of year	**21,586**	21,148

1. General information

The Company is a private company with limited liability (Besloten Vennootschap met Beperkte Aansprakelijkheid) incorporated under the laws of The Netherlands on 12 November 2012 with registration number 56457103.

The principal activities of the Company are the issuance of structured notes and economically hedging these instruments through derivatives and fully-funded total return swaps. In addition the Company grants intercompany loans and places deposits with BAC and MLI. The directors expect the principal activities to continue during 2018.

The directive 2004/109/EC of the European Parliament and the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, has been implemented in the Netherlands. In this regard the Company had to choose its Home Member State.

The Company has chosen The Netherlands as Home Member State in connection with Transparency Directive, the Netherlands being the country of the Company.

As a consequence of this choice, the Company files its annual and semi-annual financial statements with the Autoriteit Financiële Markten (AFM).

The Company makes use of the exemption to the requirement to establish its own Audit Committee based on Article 3a of the Royal Decree of 26 July 2008, implementing article 41 of the EU Directive 2006/43EG, as the Audit Committee of BAC that is compliant with the requirements will fulfil the role of the Company's Audit Committee. BAC operates an Audit Committee, which covers the BAC group, including the Company. Details of the Charter, Membership, Duties, and Responsibilities can be found on the BAC group website.

The Company has its registered address at Amstelplein 1, Rembrandt Tower, 27 Floor, 1096HA, Amsterdam, The Netherlands. MLID is the Company's immediate parent; BAC is the Company's ultimate parent, see note 19.

2. Accounting Policies

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

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value. The Company does not maintain historical cost information on items at fair value as this is not relevant to the operation of the business.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies, for example, determining the fair value of financial instruments. The financial statements were prepared using the going concern assumption and the directors expect the principal activities to continue in 2018.

2. Accounting Policies (continued)

2.2 New and amended standards adopted by the Company

Below is a summary of standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2018 that have had a material impact on the Company.

IFRS 9 Financial Instruments

The Company has applied IFRS 9 Financial Instruments for the first time with a date of initial application of 1 January 2018. The Company did not early adopt any of IFRS 9 in previous periods. The requirements of IFRS 9 represent a change from IAS 39: Financial Instruments: Recognition and Measurement. The new standard brings changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes for the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and liabilities

IFRS 9 replaces the existing IAS 39 categorisations for financial assets and replaces them with three principal categories: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). Classification is generally based on the business in which a financial asset is managed and its contractual cash flows. See note 2.4 for further information about how the Company applies the classification and measurement criteria under the new standard.

IFRS 9 largely retains the existing requirement in IAS 39 for the classification of financial liabilities, with the exception of financial liabilities designated at fair value, changes in the credit risk of the liability are presented in OCI. See note 2.5 for further information.

IFRS 15 Revenue from contracts with customers

The Company has applied IFRS 15 Revenue from contracts with customers for the first time with a date of initial application of 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced existing accounting standards and interpretations in relation to revenue recognition, including IAS 18 Revenue.

The new standard does not impact the timing or measurement of the Company's revenue recognition as it is consistent with the Company's existing accounting for contracts within the scope of the standard. As such, the adoption of IFRS 15 resulted in no change in assets, liabilities, or equity, as at the date of initial application.

2.3 Translation of foreign currencies

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

Transactions in foreign currencies are translated into US Dollars at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the reporting date. Exchange gains and losses are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities in a foreign currency are not subsequently re-translated for movements in prevailing exchange rates.

2. Accounting Policies (continued)

2.4 Financial assets

Policy applicable prior to 1 January 2018

The Company recognises financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition.

(*a) Financial assets at fair value through profit or loss*

The Company classifies its long inventory positions, comprising derivative assets, as held for trading and are measured at fair value through profit and loss. All remaining financial assets are classified as loans and receivables.

(*b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the short-term, which are classified as held for trading and those that the Company, upon initial recognition, designates as at fair value through profit or loss.

Loans and receivables are initially recognised at fair value plus direct and incremental transaction costs and are then carried at amortised cost using the effective interest method less an allowance for an impairment. Interest calculated using the effective interest method is recognised in the income statement.

Policy applicable from 1 January 2018

The Company recognises financial assets in the statement of financial position when it becomes a party of the contractual provisions of the instrument.

The Company initially measures a financial asset at its fair value plus or minus, in the case of a financial asset not subsequently measured at FVPL, transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Immediately after initial recognition, the Company calculates an expected credit loss allowance for financial assets measured at amortised cost.

The Company classifies its financial assets as measured at: amortised cost or FVPL. A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

1. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows: and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding

2. Accounting Policies (continued)

Business model: Reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes, are held to maximise cash flows through sale, or are managed on a fair value basis), then the financial assets are classified as part of 'other' business model and are measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for the assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, that is to say that interest includes only consideration for the time value of money, credit risks, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Company's long inventory positions are managed on a fair value basis and are classified as measured as at FVPL under IFRS 9 accordingly. The remaining financial assets of the Company, largely relating to amounts due from affiliated companies, are classified as measured at amortised cost as these are held with the objective of collecting the contractual cash flows of the assets and are considered to meet the SPPI requirements of the IFRS 9 standard.

2.5 Financial liabilities

The Company recognises financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company classifies its derivative instruments as short inventory positions which are held for trading and are measured at fair value through profit and loss. Warrant instruments issued by the Company that do not meet the accounting definition of a derivative, are classified as liabilities designated as at FVPL. Gains and losses are recognised through the income statement as they arise. All remaining financial liabilities are carried at amortised cost using the effective interest method.

From 1 January 2018, when the Company designates a financial liability as at FVPL, the amount of change in the fair value of the liability, that is attributable to changes in its credit risk, is presented in OCI as a debit valuation adjustments reserve.

Amounts presented in the debt valuation adjustments reserve are not subsequently transferred to profit or loss.

2. Accounting Policies (continued)

2.6 Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of the consideration received and any cumulative gain that had been recognised in Other Comprehensive Income ("OCI"), is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications to the terms of financial assets and liabilities may result in derecognition if it is deemed that the modification is substantial and results in an expiry of the contractual rights and obligations of the original instrument.

2.7 Offsetting financial instruments

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

2.8 Segmental reporting

The Company's results are wholly derived from a single class of business, being the Global Markets segment. It is not possible to allocate net operating income or net assets to any particular geographical source as one transaction may involve parties situated in a number of different geographical areas.

2.9 Shareholders' equity

All issued ordinary shares are classified as equity. The perpetual borrowing from MLID has no maturity date and is classified as equity. Any dividend on the borrowing is subject to prior declaration by the Board of Directors.

2.10 Income and expense recognition

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Interest arising from financial instruments designated at fair value through profit or loss is included in the change in fair value of financial instruments designated at fair value through profit or loss.

2. Accounting Policies (continued)

Charges made to affiliated companies to reimburse the Company for expenditure incurred, are recorded within operating income.

2.11 Current and deferred income tax

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

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

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible into known amounts of cash; which are subject to an insignificant risk of changes in value and which have a maturity of three months or less at acquisition. In the statement of financial position, bank overdrafts are shown within current liabilities.

2.13 Statement of cash flows

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

2.14 Dividend distribution

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

2.15 Critical accounting estimates and judgment in applying accounting policies

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

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following significant judgements are made to determine fair values that require complex estimates.

2. Accounting Policies (continued)

Financial instruments measured at fair value

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

Where models are used to determine fair values, they are periodically reviewed by qualified personnel, independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions, refer to note 21 for further details.

3. Net gain on financial instruments held for trading

	30 June 2018 $000	30 June 2017 $000
Gain on financial instruments held for trading	**42,288**	49,995
Loss on financial instruments held for trading	**(4,421)**	(10,878)
	37,867	39,117

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

	30 June 2018 $000	June 30 2017 $000
Change in fair value of structured notes	**(59,579)**	(5,105)
Change in fair value of fully funded swaps	**12,445**	(48,716)
	(47,134)	(53,821)

The change in fair value of instruments designated at fair value include a gain of $20,430,000. The debit valuation adjustment is presented in OCI from 1 January 2018 (30 June 2017: $2,477,000), which is attributable to changes in credit spreads of BAC.

5. Interest income

	30 June 2018 $000	30 June 2017 $000
Finance income	**25,116**	18,753
	25,116	18,753

Finance income represents interest income on deposits and intercompany loans.

6. Operating income/(expense)

Operating income of $1,065,737 relates to service fee income from MLI, an affiliate.

7. Tax charge/(credit)

	30 June 2018 $000	30 June 2017 $000
Current tax		
Current tax on profit for the year	**640**	454
Adjustments in respect of prior periods	**-**	(69)
Total current tax charge	**640**	385

	30 June 2018 $000	30 June 2017 $000
Deferred tax		
Origination and reversal of temporary differences	**1,569**	(1,471)
Total deferred tax charge/(credit)	**1,569**	(1,471)
Total tax charge/(credit)	**2,209**	(1,086)

	30 June 2018 $000	30 June 2017 $000
Profit before tax	**16,613**	3,911
Tax calculated at standard rate of corporation tax 25% (2017: 25%)	**4,153**	977
Tax effect of:		
Net credit not subject to tax	**(1,974)**	(1,994)
Adjustments in respect of prior periods	**-**	(69)
Total tax charge/(credit)	**2,209**	(1,086)

Temporary differences arise on the recognition of gains or losses as BAC credit spreads change.

8. Amounts owed by affiliated undertakings

	30 June 2018 $000	31 December 2017 $000
Non-current assets		
Investment in Merrill Lynch & Co. Canada Ltd	**7,027**	7,027
Intercompany loan	**-**	750,000
Money market deposit	**1,129,105**	928,249
	1,136,132	1,685,276

	30 June 2018 $000	31 December 2017 $000
Current assets		
Intercompany loans	**931,395**	215,247
Money market deposit	**33,313**	-
	964,708	215,247

The investment in Merrill Lynch & Co. Canada Ltd is non-voting preference shares, of which the Company holds 44.45%. The investment is measured at cost and the carrying value approximates to the fair value.

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

Money market deposits are uncollateralised and placed with BAC and MLI (refer to note 20 for credit ratings).

Non-current money market deposits at amortised cost have a fair value of $1,206,974,000 (2017: $1,002,831,000). Current money market deposits at amortised cost have a fair value of $22,643,000 (2017: $nil).

Non-current fixed rate intercompany loan placement with BAC, matured in Feb 2018. The outstanding $750,000,000 intercompany loan represents short term placement with BoFAML Jersey Holdings Limited. Current intercompany loans are extended on a short term basis and as a result, the carrying value approximates to the fair values of the loans.

9. Financial assets designated at fair value through profit or loss

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

Fully-funded total return swaps	**30 June 2018 Notional $000**	**30 June 2018 Fair Value $000**	31 December 2017 Notional $000	31 December 2017 Fair Value $000
Non-current assets				
From 12 months to 5 years	**152,590**	**152,067**	109,551	111,492
Over 5 years	**2,000**	**1,964**	2,000	2,307
Credit spread adjustment	**-**	**(652)**	-	(67)
	154,590	**153,379**	111,551	113,732
Current assets				
Less than 1 year	**25,745**	**26,208**	68,350	66,284
Credit spread adjustment	**-**	**(17)**	-	68
	25,745	**26,191**	68,350	66,352
Total Assets	**180,335**	**179,570**	179,901	180,084

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

Fully-funded total return swaps

	30 June 2018 Notional $000	**30 June 2018 Fair Value $000**	31 December 2017 Notional $000	31 December 2017 Fair Value $000
EUR	**165,399**	**165,287**	15,124	17,138
USD	**14,520**	**14,535**	163,424	160,826
GBP	**416**	**417**	1,353	2,119
Credit spread adjustment	**-**	**(669)**	-	1
	180,335	**179,570**	179,901	180,084

All fully-funded total return swaps are linked to the performance of various market indices. A fully-funded total return swap is defined as a total return swap where the cash from the related issuance is placed with the swap counterparty as a single transaction.

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

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

The fair value of the fully-funded total return swaps are determined by using valuation techniques based on valuation models, for more information refer to accounting policy note 2.15.

10. Cash and cash equivalents

	30 June 2018 $000	*31 December 2017* $000
Cash at bank and on hand	**2,777**	2,491
Short-term time deposit	**18,809**	18,656
	21,586	21,147

The short-term demand deposits are held with Bank of America, N.A. and are interest bearing at 2.40% average rate. The credit rating is A-1 (S&P) (2016: A-1 (S&P)).

11. Financial instruments held for trading

	30 June 2018	31 December 2017
	$000	$000
Non-current assets	**129,775**	147,906
Current Assets	**205**	39
Total assets held for trading	**129,980**	147,975
Non-current liabilities	**39,718**	21,191
Current liabilities	**909**	-
Total liabilities held for trading	**40,627**	21,191

Financial instruments held for trading are subject to offsetting and related agreements.

The following tables analyse the offsetting of the Company's financial assets and liabilities as presented in the statement of financial position:

Financial liabilities subject to offsetting and related arrangements

	Gross amounts of recognised financial assets	**Gross amounts of recognised financial liabilities set off in the SOFP**	**Net amounts of financial assets presented in the SOFP**	**Cash collateral**	**Net amount**
	$000	**$000**	**$000**	**$000**	**$000**
As at 30 June 2018					
Total assets	**187,297**	**(57,316)**	**129,981**	**(84,750)**	**45,231**
As at 31 December 2017					
Total assets	196,273	(48,328)	147,945	(123,650)	24,295

Financial liabilities subject to offsetting and related arrangements

	Gross amounts of recognised financial liabilities	**Gross amounts of recognised financial liabilities set off in the SOFP**	**Net amounts of financial liabilities presented in the SOFP**	**Cash collateral**	**Net amount**
	$000	**$000**	**$000**	**$000**	**$000**
As at 30 June 2018					
Total liabilities	**97,034**	**(57,316)**	**39,718**	**(5,562)**	**34,156**
As at 31 December 2017					
Total liabilities	69,519	(48,328)	21,191	(214)	20,977

Financial instruments held for trading consist of total return swaps and cross currency swaps that are mainly transacted with MLI and are predominantly denominated in USD, EUR and GBP.

The Company does not intend to net settle all swap positions despite having legally enforceable master netting agreements in place. Only where the total return swaps and cross-currency swaps relate to a single structured note, the Company net settles those swaps upon maturity or buyback of the note and as a result offsetting has been applied to those positions.

Cash collateral relates to collateral received and pledged under legally enforceable master netting agreements.

12. Financial liabilities designated at fair value through profit or loss

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

Structured notes	**30 June Notional $000**	**30 June Fair Value $000**	31 December Notional $000	31 December Fair Value $000
Non-current liabilities				
From 12 months to 5 years	**584,127**	**737,014**	601,285	748,037
Over 5 years	**120,642**	**123,740**	108,212	137,459
Over 10 years	**549,039**	**532,361**	270,160	268,313
Credit spread adjustment	**-**	**(20,323)**	-	9,234
	1,253,808	**1,372,792**	979,687	1,163,043
Current liabilities				
Less than 1 year	**38,619**	**40,312**	75,946	80,365
Credit spread adjustment	**-**	**228**	-	83
	38,619	**40,540**	75,946	80,448

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

Structured notes	**30 June Notional $000**	**30 June Fair Value $000**	31 December Notional $000	31 December Fair Value $000
EUR	**302,842**	**453,890**	306,974	467,667
USD	**734,514**	**730,129**	592,985	611,195
SEK	**1,434**	**1,750**	21,220	24,453
JPY	**227,045**	**214,892**	127,780	119,683
GBP	**17,509**	**20,140**	2,396	3,187
CLP	**9,083**	**12,626**	4,247	7,989
Credit spread adjustment	**-**	**(20,095)**	-	9,317
	1,292,427	**1,413,332**	1,055,602	1,243,491

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

All structured notes are hybrid instruments with a structured component linked to the performance of various market indices. The ultimate return on the notes is dependent on the performance of the underlying indices. The indexed linked amounts are calculated based on the movement of the underlying indices of each structured note.

The credit spread adjustment represents a debit valuation adjustment which is linked to BAC credit spreads. The fair value of the structured notes, is determined by using valuation techniques based on valuation models, for more information refer to accounting policy note 2.15.

13. Tax liability

	30 June Deferred tax 2018 $000	31 December Deferred tax 2017 $000
Deferred tax at beginning of period	**480**	5,508
Charged/(credited) to profit and loss	**1,569**	(5,028)
Taken to reserves (OCI)	**5,108**	-
Deferred tax liability at end of period	**7,157**	480

The deferred tax liability is non-current.

	30 June 2018 $000	31 December 2017 $000
Current tax liability at beginning of period	**316**	495
Charged to the income statement	**649**	791
Impact of foreign tax exchange	**75**	(153)
Tax paid	**(1,012)**	(817)
Current tax at end of period	**28**	316

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14. Amounts owed to affiliated undertakings

	30 June 2018 $000	31 December 2017 $000
Other amounts payable	**80,530**	123,603
	80,530	123,603

Other accounts payable relate to collateral received under legally enforceable master netting agreements, denominated in USD which are due and payable on demand. Due to the short term nature there is no material difference between the fair value and the carrying values.

15. Dividend payable

During the period, the Company declared an amount of $7,858,000 (2017: $15,847,000) as a dividend to MLID, representing payments declared by the Board of Directors on the $750,000,000 other equity capital, please refer to note 17.

The directors do not recommend the payment of a further dividend in respect of the year ended 30 June 2018.

16. Accrued expenses and other liabilities

	30 June 2018 $000	31 December 2017 $000
Accrued professional fees	**-**	15
	-	15

Payments made to PricewaterhouseCoopers Accountants N.V. in relation to the statutory audit. Payment was made by an affiliate entity and recharged to the Company.

17. Share capital

	30 June 2018 $000	31 December 2017 $000
Other equity capital	**750,000**	750,000
Other reserves	**(3,059)**	3,651
	746,941	753,651

Issued share capital in 2018 comprises 12,998 Ordinary shares of equal voting rights at $0.01 each. (2017: 12,998 ordinary shares at $0.01 each).

Other reserves include adjustments which relates to the Debit valuation adjustment (DVA).

Other equity capital comprises a perpetual borrowing from MLID issued on 1 January 2013 which carries no voting rights. The borrowing carries a rate of 2.08% per annum and payments are accrued, subject to prior declaration by the Board of Directors. See Note 15.

The borrowing from MLID was restructured and will be contributed as Share Premium reserve, effective 1 July 2018. This will be treated as equity for all accounting and tax purposes.

18. Financial instruments by category

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

Summary of financial instruments at 30 June 2018

	Loans and receivables $000	Financial instruments held for trading $000	Financial instruments designated at fair value through profit or loss $000
Assets			
Amounts owed by affiliated undertakings	2,100,840	-	-
Financial assets designated at fair value through profit or loss	-	-	179,570
Financial instruments held for trading	-	129,980	-
Cash and cash equivalents	21,586	-	-
	2,122,426	129,980	179,570
Liabilities			
Financial liabilities designated at fair value through profit or loss	-	-	1,413,332
Financial instruments held for trading	-	40,627	-
Amounts owed to affiliated undertakings	80,530	-	-
	80,530	40,627	1,413,332

Summary of financial instruments at 31 December 2017

	Loans and receivables	Financial instruments held for trading	Financial instruments designated at fair value through profit or loss
	$000	$000	$000
Assets			
Amounts owed by affiliated undertakings	1,900,523	-	-
Financial assets designated at fair value through profit or loss	-	-	180,083
Financial instruments held for trading	-	147,945	-
Cash and cash equivalents	21,147	-	-
	1,921,670	147,945	180,083
Liabilities			
Financial liabilities designated at fair value through profit or loss	-	-	1,243,491
Financial instruments held for trading	-	21,191	-
Amounts owed to affiliated undertakings	123,435	-	-
	123,435	21,191	1,243,491

19. Related Party Transactions

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

The following parties are considered related parties:

MLID, the Company's immediate parent is the holder of all 12,998 ordinary shares ($129.98).

MLID is the holder of other equity capital of $750,000,000 which carries a rate of 2.08% per annum and payments are accrued subject to prior declaration by the Board of Directors.

The Company has deposits placed with BAC, which at 30 June 2018 amounted to $352,364,000 (31 December 2017: $360,364,000) which are interest bearing, generating interest income during 2018 of $4,982,000 (30 June 2017: $4,735,000).

The Company has deposits placed with MLI, which at 30 June 2018 amounted to $805,877,000 (2017: $567,886,000) which are interest bearing, generating interest income during 2018 of $9,788,000 (30 June 2017: $4,735,000).

The Company has total return swaps and cross currency swaps transacted with MLI, which at 30 June 2018 amounted to $89,353,000 (31 December 2017: $12,754,000).

The Company has entered into loan contracts with MLI and ML&Co. Canada Ltd, as set out in notes 8 and 9.

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

There are no employees in the Company other than directors for the period ended 30 June 2018 (30 June 2017: none)

Included in the administrative expenses, are Directors' fees and remuneration relating to one director, two directors do not receive any remuneration. Disbursements for travel and other expenses incurred in relation to matters concerning the Company are charged to the Company separately. The Company entered into a cost sharing agreement with Investments 2234 Overseas Holdings B.V., an affiliated company with which costs relating to one of the directors' are shared, through their mutual ultimate parent company, BAC, which is based in North Tryon Street, Charlotte, North Carolina, 28202, U.S.A.

20. Financial risk management

Legal Entity Governance

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

The risk management approach has five components:

- Culture of managing risk well;
- Risk appetite and risk limits;
- Risk management process;
- Risk data management, aggregation and reporting; and
- Risk governance.

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are Strategic, Credit, Market, Liquidity, Operational, Compliance and Reputational risks.

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

Market risk

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

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

a) *Interest rate risk*

Interest rate risk is the risk to current or projected financial condition and resilience arising from movements in interest rates. The Company has economically hedged its interest rate risk on the structured notes by entering into total return swaps. Interest price risk is economically hedged using a

20. Financial risk management (continued)

total return swap.

b) Foreign exchange risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in currencies other than the U.S. Dollar. The Company's trading assets and liabilities include both cash instruments denominated in, and derivatives linked to U.S Dollar and Euro, amongst others. Currency price risk is economically hedged using a total return swap.

c) Equity market risk

Equity market risk represents exposures to securities that represent an ownership interest in a corporation, in the form of domestic and foreign common stock or other equity-linked instruments. Equity price risk is economically hedged using a total return swap.

d) Credit spread risk

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

Credit Risk

The company defines credit risk as the loss arising from the inability or failure of a borrower or counterparty to meet its obligations.

The Company defines credit exposure to a borrower or counterparty as the loss potential arising from loans, leases, derivatives and other extensions of credit.

Credit risk to a borrower or counterparty is managed based on their risk profile, which includes assessing repayment sources, underlying collateral (if any), and the expected impacts of the current and forward- looking economic environment on its borrowers or counterparties. Underwriting, credit management and credit risk limits are proactively reassessed as a borrower’s or counterparty’s risk profile changes.

Credit risk management includes the following processes:
- Credit origination
- Portfolio management
- Loss mitigation activities

These processes create a comprehensive and consolidated view of companywide credit risks, thus providing executive management with the information required to guide or redirect front line units.

BAC has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, purchasing credit protection and continually assessing the creditworthiness of counterparties. These limits were not exceeded during the period ended 30 June 2018.

The credit risks of the Company arise from its affiliate hedging of structured note issuance via derivatives as well as its intercompany loans and deposits. The Company restricts its exposure to credit losses on derivative instruments by entering into master netting arrangements with affiliate counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the

20. Financial risk management (continued)

extent that if an event of default occurs, all amounts with the affiliate are terminated and settled on a net basis.

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

The Company is exposed to a significant concentration of credit risk related to money market deposits totalling $1,162,419,000 (2017: $928,249,000), all with affiliated undertakings, please refer to note 8. Financial assets held for trading and financial assets designated at fair value through profit or loss are predominantly taken out with MLI. At the end of the reporting year, the credit rating for outstanding long term debt of the affiliated undertakings is A+ (S&P) for both BAC and MLI (2017: Baa1 and A for BAC and MLI).

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of the Company to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the Company's business. Although operational risk excludes strategic and reputational risks, operational risk may impact or be impacted by these risks.

Operational risk exists in all business activities conducted by the Company. The Company is committed to maintaining strong operational risk management practices across all front line units and control functions.

Front line units and control functions are first and foremost responsible for managing all aspects of their businesses, including their operational risk. Therefore, front line units and control functions must understand their business processes and related risks and controls, including the related regulatory requirements, and monitor and report on the effectiveness of the control environment. In order to actively monitor and assess the performance of their processes and controls, they must conduct comprehensive quality assurance activities and identify issues and risks to remediate control gaps and weaknesses. Front line units and control functions must also adhere to operational risk appetite limits to meet strategic, capital and financial planning objectives.

Reputational risk

Reputational Risk is the potential risk that negative perceptions of BAC's conduct or business practices will adversely affect its profitability or operations through an inability to establish new or maintain existing customer / client relationships or otherwise impact relationships with key stakeholders, such as investors, regulators, employees, and the community.

Reputational Risk can stem from many of BAC's activities, including those related to the management of the strategic, operational or other risks, as well as the overall financial position. As a result, BAC evaluates the potential impact to its reputation within all risk categories and throughout the risk management process.

BAC manages reputational risk through established policies and controls in the business and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

20. Financial risk management (continued)

For the EMEA region there is a dedicated committee, the EMEA Reputational Risk Committee, whose mandate includes consideration of Reputational Risk issues and to provide guidance and approvals for activities that represent specific Reputational Risks which have been referred for discussion by other current control frameworks or lines of business.

Reputational Risk items relating to MLBV are considered as part of the EMEA Reputational Risk Committee.

Ultimately, to ensure that Reputational Risk is mitigated through regular business activity, awareness of Reputational Risk is integrated into the overall governance process, as well as incorporated into the roles and responsibilities for employees.

Given the nature of Reputational Risk, BAC does not set quantitative limits for the level of acceptable risk. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

Through the EMEA Regional Risk Committee and the EMEA Reputational Risk Committee, BAC has an appropriate organisational and governance structure in place to ensure strong oversight at the entity business level.

The EMEA Reputational Risk Committee is a sub-committee of both the EMEA Regional Risk Committee and the Global Reputational Risk Committee and is applicable to all key legal operating entities in the region.

Items requiring increased attention may be escalated from EMEA Reputational Risk Committee to the Global Reputational Risk Committee as appropriate.

Reporting of reputational risk issues is captured as part of management routines for EMEA Reputational Risk Committee. Items presented to the EMEA Reputational Risk Committee are maintained through reporting which includes description of the reputational risk issue, geographical jurisdiction, reason for escalation and decisions reached. A summary report of issues discussed at the EMEA Reputational Risk Committee is provided to the EMEA Regional Risk Committee on a quarterly basis.

Strategic risk

Strategic Risk is the risk that results from incorrect assumptions about external and/or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic and competitive environments.

Strategic Risk is managed through the assessment of effective delivery of strategy, and business performance is monitored by the executive management team, to assess strategic risk and find early warning signals so that risks can be proactively managed.

MLBV strategic execution and risk management processes are aligned to the overall BAC strategic plans through a formal planning and approval process and are set within the context of overall risk appetite. During the planning process, the BAC Board provides credible challenge to management’s assumptions and recommendations, and approves the strategic plans after a comprehensive assessment of the risks.

The BAC Board is responsible for overseeing the strategic planning process and management’s implementation of the resulting strategic plan. BAC’s strategic plan is reviewed and approved annually by the BAC Board.

20. Financial risk management (continued)

Strategic planning at BAC level is representative of more detailed planning undertaken at the business unit, regional and MLBV level. Any strategic decisions relating to MLBV are presented and discussed at MLBV Board.

The executive management team provides the BAC Board with progress reports on the strategic plan, including timelines and objectives and recommendation of any additional or alternative actions to be implemented.

Front line units provide updates to MLBV Board on their business performance and management of strategic risk. Updates take into account analyses of performance relative to the strategic plan, financial operating plan, risk appetite and performance relative to peers.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of BAC arising from the failure of BAC to comply with requirements of applicable laws, rules and regulations and related self-regulatory organizations' standards and codes of conduct.

Front line units are responsible for the proactive identification, management and escalation of compliance risks across BAC. Global Compliance is responsible for setting BAC-wide policies and standards and provides independent challenge and oversight to the front line units. BAC's approach to the management of compliance risk is further described in the Global Compliance Policy, which outlines the requirements of BAC's global compliance program and defines roles and responsibilities related to the implementation, execution and management of the global compliance risk management program by Global Compliance.

Global Compliance is a separate function with governance routines and executive reporting distinct from those of the front line units and other control functions. Global Compliance also collaborates with other control functions to provide additional support for specific remediation efforts and shares responsibility with the front line units, Global Risk Management and other control functions for mitigating reputational risk.

Liquidity risk

Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support the businesses and customers under a range of economic conditions.

The MLBV Board is ultimately responsible for the Company's liquidity risk management, delegating additional oversight to the lines of business. The businesses are the first lines of defence in liquidity risk management, partnering with Global Liquidity Management ("GLM") and Global Funding, functions within Corporate Treasury, to achieve liquidity risk management objectives.

The approach to managing the Company's liquidity risk has been established by the MLBV Board, aligned to BAC processes, but tailored to meet the Company's business mix, strategy, activity profile, and regulatory requirements.

The tables below represent the undiscounted cash flows of the Company's financial liabilities as at 30 June 2018 and 31 December 2017, with the exception of those held for trading or designated at fair value through profit and loss.

The fair values of financial liabilities held for trading and financial liabilities designated at fair value through profit and loss have been disclosed as this is consistent with the values used in the liquidity risk

20. Financial risk management (continued)

management of these instruments. The maturity analysis of financial liabilities designated at fair value through profit and loss is presented in note 12.

2018

	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
Financial liabilities designated at fair value through profit and loss	20,210	20,331	601,941	12,383	758,467	1,413,332
Financial liabilities held for trading	-	1,141	425	9,914	29,147	40,627
Amounts owed to affiliated undertakings	-	80,530	-	-	-	80,530
Dividend payable	59,437	-	-	-	-	59,437
Accrued expenses and other liabilities	51	-	-	-	-	51
	79,698	102,002	602,366	22,297	787,614	1,593,977

20. Financial risk management (continued)

2017

	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
Financial liabilities designated at fair value through profit and loss	36,446	45,120	294,902	418,958	386,198	1,181,624
Financial liabilities held for trading	-	-	809	7,512	12,870	21,191
Amounts owed to affiliated undertakings	-	123,435	-	-	-	123,435
Dividend payable	51,579	-	-	-	-	51,579
Accrued expenses and other liabilities	16	-	-	-	-	16
	88,041	168,555	295,711	426,470	399,068	1,377,845

Capital risk management

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

The capitalisation ratio of 59% allows sufficient headroom for future issuances of structured notes.

20. Financial risk management (continued)

Capitalisation ratio:

	30 June 2018 $000	31 December 2017 $000
Equity (including other equity capital)	**830,916**	809,047
Issued debt	**1,413,332**	1,243,491
Capitalisation ratio	**59%**	65%

21. Fair value measurement

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

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

The table below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 30 June 2018:

As at 30 June 2018	**Level 2 $000**	**Level 3 $000**	**Total $000**
Assets			
Financial assets designated at fair value through profit or loss	**165,590**	**13,980**	**179,570**
Financial instruments held for trading	**31,229**	**98,751**	**129,980**
	196,819	**112,731**	**309,550**
Liabilities			
Financial liabilities designated at fair value through profit and loss	**994,665**	**468,667**	**1,413,332**
Financial instruments held for trading	**20,544**	**20,083**	**40,627**
	1,015,209	**488,750**	**1,453,959**

21. Fair value measurement (continued)

As at 31 December 2017	Level 2 $000	Level 3 $000	Total $000
Assets			
Financial assets designated at fair value through profit or loss	147,583	32,501	180,084
Financial instruments held for trading	32,640	115,305	147,945
	180,223	147,806	328,029
Liabilities			
Financial liabilities designated at fair value through profit and loss	785,453	458,038	1,243,491
Financial instruments held for trading	15,090	6,101	21,191
	800,543	464,139	1,264,682

Fair values of level 3 assets

Financial assets and liabilities whose values are based on prices or valuation techniques, that require inputs that are both unobservable and are significant to the overall fair value measurement, are classified as Level 3 under the fair value hierarchy. The Level 3 financial instruments include derivatives and valuation inputs for which there are few transactions, and there is little or no observable market data to corroborate inputs to valuation models.

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

The most significant unobservable input into the pricing of financial instruments of the Company is correlation. Correlation is a measure of the relationship between the movements of two variables (e.g. how the change in one variable influences the change in the other). Correlation inputs are related to the type of derivative due to the nature of the underlying risks. When parameters are positively correlated, an increase in one parameter will result in an increase in the other parameter. When parameters are negatively correlated, an increase in one parameter will result in a decrease in the other parameter. An increase in correlation can result in an increase or a decrease in a fair value measurement. Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measurement.

21. Fair value measurement (continued)

The table below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were $112,731,000 as of 30 June 2018 (2017: $147,806,000), and represent approximately thirty three percent of assets measured at fair value and approximately six percent of total assets. Level 3 liabilities were $448,750,000 as of 30 June 2018 (2017: $464,139,000), and represent approximately twenty five percent of liabilities measured at fair value and twenty four percent of total liabilities.

	Financial assets designated at fair value through profit and loss $000	**Financial assets held for trading $000**	**Financial liabilities designated at fair value through profit or loss $000**
Balance at 31 December 2017	**32,501**	**109,204**	**(458,038)**
Gains/(losses) recognised in the statement of comprehensive income	**(8,515)**	**(22,149)**	**46,446**
Settlements	**(10,006)**	**(8,387)**	**(42,224)**
New issuances	**-**	**-**	**-**
Transfers in	**-**	**-**	**(22,537)**
Transfers out	**-**	**-**	**7,686**
Balance at 30 June 2018	**13,980**	**78,668**	**(468,667)**

	Financial assets designated at fair value through profit and loss $000	**Financial assets held for trading $000**	**Financial liabilities designated at fair value through profit or loss $000**
Change in unrealised gains or losses for level 3 assets and liabilities held at year end and included in net changes on financial assets and liabilities at fair value through profit or loss and held for trading	**(8,515)**	**(22,149)**	**46,447**

21. Fair value measurement (continued)

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

	Financial assets designated at fair value through profit and loss $000	Financial assets held for trading $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2017	96,360	64,044	(458,737)
Gains/(losses) recognised in the statement of comprehensive income	1,873	45,462	(19,022)
Settlements	(68,288)	(718)	51,743
New issuances	2,556	416	-
Transfers in	-	-	(32,022)
Transfers out	-	-	-
Balance at 31 December 2017	32,501	109,204	(458,038)

	Financial assets designated at fair value through profit and loss $000	Financial assets held for trading $000	Financial liabilities designated at fair value through profit or loss $000
Change in unrealised gains or losses for level 3 assets and liabilities held at year end and included in net changes on financial assets and liabilities at fair value through profit or loss and held for trading	1,873	45,462	19,022

21. Fair value measurement (continued)

The table below provides information on the valuation techniques, significant unobservable inputs and their ranges and averages for each major category of assets and liabilities measured at fair value on a recurring basis with a significant Level 3 balance.

The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory. Further, the range of unobservable inputs may differ across firms in the financial services industry because of the diversity in the types of products included in each firm's inventory.

2018	**Valuation technique**	**Significant unobservable inputs**	**Ranges of input**
Financial assets and liabilities held for trading			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	11.4% to 100% 4.03% to 74.9%
Financial assets and liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	11.4% to 100% 4.03% to 74.92% 6% to 37% $12 to $87 0 to 5 years

2017	Valuation technique	Significant unobservable inputs	Ranges of input
Financial assets and liabilities held for trading			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	15% to 100% 4.25% to 83.72%
Financial assets and liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	15% to 100% 4.25% to 83.72% 6% to 37% $12 to $87 0 to 5 years

Sensitivity analysis of unobservable inputs

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Company's valuation control policies. Where the Company has valued the financial instruments concerned using input values drawn from the extremes of the ranges of reasonable possible alternatives, then at the year end, it could have increased fair value by as much as $515,000 (2017:$ 963,000) or decreased fair value by as much as $515,000 (2017: $963,000) with the potential effect impacting profit and loss rather than reserves.

This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable inputs and is not predictive or indicative of future movements in fair value. Furthermore, it is unlikely in practice that all unobservable parameters would be simultaneously, at the extremes of their ranges of reasonable possible alternatives.

Financial assets and liabilities carried at amortised cost

The below summarises the fair value of the company's financial assets and liabilities which are carried at amortised cost.

The fair value of amounts owed by affiliated undertakings is determined by reference to quoted market prices of similar instruments. Money market deposits are classified as level 2 and are valued at $1,229,618,000 (2076: $1,002,831,000).

All other debtors and creditors carried at amortised cost in the statement of financial position, are classified as level 2. The carrying amounts are a reasonable approximation of their fair value, due to short term nature of these instruments.

22. Events after the reporting period

The directors are of the opinion that there are no significant events that have occurred since 30 June 2018 to the date of this report.

23. Profit appropriation

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

a) The profits of the Company, according to the annual financial statements adopted by the general meeting, are not to be preserved for the formation or maintenance of reserves prescribed by law – at the disposal of the general meeting which decides on reservations or payments of profits.

b) Dividends may be paid up only to the amount above the sum of the balances between net assets and paid in capital, increased with reserves which must be maintained by virtue of law.

Based on the net result over the period ended 30 June 2018, the Board of Directors do not recommend the payment of a further dividend in respect of the period ended 30 June 2018.

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

The financial statements were approved by the Board and authorised for issue on 27 September 2018. They were signed on its behalf by:

A.E. Okobia
Director

E.J. Brouwer
Director

S. Lilly
Director

Amsterdam
27 September 2018