# Independent auditor's report

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

## Report on the financial statements 2015

### Our opinion

In our opinion the financial statements give a true and fair view of the financial position of Merrill Lynch B.V. as at 31 December 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the accompanying financial statements 2015 of Merrill Lynch B.V., Amsterdam ('the company').

The financial statements comprise:
- the statement of financial position as at 31 December 2015;
- the following statements for 2015: the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

### The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Merrill Lynch B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

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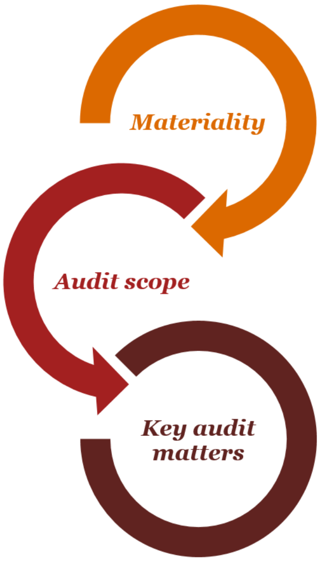
## Our audit approach

### Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a securitisation company.




**Materiality**

- Overall materiality: €28,382 thousand which represents 1% of the total assets.

**Audit scope**

- We conducted audit work primarily in two locations: the Netherlands and the United Kingdom.
- We paid particular attention to the audit of fair value of the financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss.

**Key audit matters**

- Valuation of total return swaps, cross-currency swaps and structured notes.

### Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| ***Overall materiality*** | $28.4 million (2014: $23.7 million). |
| ***How we determined it*** | 1% of total assets. |
| ***Rationale for benchmark applied*** | We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. The main activities of the entity are the selling, offering, issuing, repurchasing, reselling and/or retirement of secured securities and are structured in a way that the company should be profitable (it earns a fixed spread on each individual structured note issued). On this basis we believe that profits are not considered the main indicator of financial performance of the entity, and total assets are considered a relevant benchmark. |

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the managing director that we would report to the managing director misstatements identified during our audit above €1,419,100 (2014: €1,576,685) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## *The scope of our audit*

The Company is a subsidiary of Bank of America Corporation. The operations of the Company are embedded in the IT environment and processes of Bank of America Corporation.

Considering our responsibility for the opinion on the Company's financial statements we are responsible for the direction, supervision and performance of the audit of the Company. In this context, we used the work performed by a PwC network member firm for assurance over the IT environment and the above-mentioned controls. We sent instructions to a PwC network member firm, which set out the work to be performed and the agreed scope of testing.

Where the work was performed by auditors of a PwC network member firm, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.
In this respect we:

- sent instructions;
- assessed the reports and followed up on them where necessary;
- had discussions with the auditors of the PwC network member firm.

With respect to the existence of amounts owed by affiliated undertakings, financial assets designated at fair value through profit or loss and financial instruments held for trading, we also used the work performed by a PwC network member firm. Intercompany balances are reconciled centrally by Bank of America Corporation and any differences are investigated by management. This control is tested centrally by a PwC network member firm. In addition we are testing any breaks resulting from this reconciliation. We have also assessed the creditworthiness of these counterparties.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to management, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters may be long-standing and therefore may not change significantly from one year to the next. As compared to last year, there have been no changes in key audit matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

| ***Key audit matter*** | ***How our audit addressed the matter*** |
|---|---|
| ***Valuation of total return swaps and cross-currency swaps***<br>*Refer to the accounting policies 'financial instruments held for trading', 'financial instruments designated at fair value through profit or loss', 'fair value measurement principles', 'critical accounting estimates and judgements', note 9 'financial assets designated at fair value through profit or loss' and note 10 'financial instruments held for trading'.*<br>Financial assets held for trading amount to \$173 million as at 31 December 2015. Financial liabilities held for trading amount to \$39 million. Financial assets designated at fair value through profit or loss amount to \$249 million. Financial instruments held for trading and financial assets designated at fair value through profit or loss consist of, respectively, unfunded and funded total return swaps and cross-currency swaps which are used to economically hedge the structured notes issued. The valuation of these swaps is determined by using valuation models. These valuation models and pricing inputs used are internally tested by Bank of America Corporation.<br><br>We consider the valuation of the swaps a key audit matter, given the magnitude of these positions and the complexity of the valuation models applied. | We obtained an understanding of the valuation methodology and the processes and controls with respect to the valuation of the swaps. In addition, we assessed the appropriateness of the methodology and the models used by management.<br><br>Furthermore, our audit included testing of the company's internal controls with respect to the models used throughout the valuation process. This included test procedures on controls with respect to model validation around new or amended models and price testing (which includes independent revaluation).<br>We also tested the inputs to the fair value calculation. With respect to the discount rates used and inputs for the valuation of the swaps, this included independently sourcing the external and internal data on a sample basis.<br><br>We assessed the completeness and accuracy of the disclosures relating to the valuation of financial liabilities designated at fair value through profit or loss and financial assets held for trading to assess compliance with disclosure requirements included in EU-IFRS. |

| Key audit matter | How our audit addressed the matter |
| --- | --- |
| ***Valuation of the structured notes***<br>*Refer to the accounting policies 'financial instruments designated at fair value through profit or loss', 'fair value measurement principles', 'critical accounting estimates and judgements', and note 12 'financial liabilities designated at fair value through profit or loss'.*<br>Financial liabilities designated at fair value through profit or loss amount to $1,892 million as at 31 December 2015. The financial liabilities designated at fair value through profit or loss consist of structured notes. These structured notes are hybrid (debt) instruments with a structured component (derivative element) linked to the performance of various market indices. The valuation is determined by using valuation models. These valuation models and pricing inputs used are internally tested by Bank of America Corporation.<br><br>We consider the valuation of the structured notes a key audit matter, given the magnitude of these positions and the complexity of the valuation models applied. | We obtained an understanding of the valuation methodology and the processes and controls with respect to the valuation of the structured notes. In addition, we assessed the appropriateness of the methodology and the models used by management.<br><br>Furthermore, our audit included testing of the company's internal controls with respect to the models used throughout the valuation process. This included test procedures on controls with respect to model validation around new or amended models and price testing (which includes independent revaluation).<br><br>We also tested the inputs to the fair value calculation. With respect to the discount rates used and inputs for the valuation of the derivative element, this included independently sourcing the external and internal data on a sample basis. Furthermore, we have substantively tested the notional amount and maturity dates by tracing both the notional and the maturity date back to the respective prospectus and Bloomberg.<br><br>We assessed the completeness and accuracy of the disclosures relating to the valuation of financial liabilities designated at fair value through profit or loss and financial assets held for trading to assess compliance with disclosure requirements included in EU-IFRS. |

## Responsibilities of the managing directors

The managing director is responsible for:

- the preparation and fair presentation of the financial statements and for the preparation of the report of the managing director, both in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the managing director is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the managing director should prepare the financial statements using the going-concern basis of accounting unless the managing director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

## *Our responsibilities for the audit of the financial statements*

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

# *Report on other legal and regulatory requirements*

## *Our report on the directors' report and the other information*

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the managing director and the other information):

- we have no deficiencies to report as a result of our examination whether the report of the managing director, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the report of the managing director, to the extent we can assess, is consistent with the financial statements.

## *Our appointment*

We were appointed as auditors of Merrill Lynch B.V. following the passing of a resolution by the shareholders at the annual meeting held on 29 April 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of four years.

Rotterdam, 26 April 2016
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

## *Appendix to our auditor's report on the financial statements 2015 of Merrill Lynch B.V.*

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### *The auditor's responsibilities for the audit of the financial statements*

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 intentional override of internal control.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

# MERRILL LYNCH B.V.

## ANNUAL REPORT

## FOR THE YEAR ENDED

## 31 DECEMBER 2015

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

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## DIRECTORS' REPORT
**For the year ended 31 December 2015**

The directors present their report and the financial statements of Merrill Lynch B.V. (the "Company") for the year ended 31 December 2015.

**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 for 2015 give a true and fair view of the assets, the liabilities, the financial position and the results of the Company; 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 2015 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.

**Business review**

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

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

*Principal activities and future developments*

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").

On October 1, 2015, the Company entered into a merger with B of A Issuance B.V. ("BA Issuance"), pursuant to Dutch Law, in which BA Issuance ceased to exist and the Company assumed all the assets and liabilities of BA Issuance under a universal title of succession. On October 1, 2015, both the Company and BA Issuance had a common shareholder, being Merrill Lynch International Incorporated ("MLID").

**Business review (continued)**

*Principal activities and future developments (continued)*

There has been no change to the principal activities as a result of the merger and the directors expect the principal activities to continue during 2016.

*Financial performance*
The directors are satisfied with the Company's performance for the financial year ended 31 December 2015 and the financial position at the end of the year. The profit for the financial year, after taxation, amounted to $26,201,000 (2014: $32,870,000).

**Dividends**

During the 12 month period, the Company declared that an amount of $15,847,000 (2014: $15,847,000) be paid as a dividend to its parent, MLID relating to the accrued payments on the $750,000,000 other equity capital, please refer to note 15.

The Company also declared and paid a dividend of $17,880,000 to its parent, MLID as part of the merger with BA Issuance.

**Risk management**

Legal entity risk governance is built on the BAC approach to risk management as documented in the BAC Risk Framework. BAC takes a comprehensive approach to risk management, integrating it with strategic, capital and financial operating plans. BAC manages risk systematically, with focus on BAC as a whole and by business, Governance and Control Functions ("GFCs"), geography, legal entity and / or branch (where appropriate), product, service and transactions.

The risk management approach has five components:

- Risk culture;
- Risk appetite;
- Risk governance;
- Risk reporting; and
- Risk management processes.

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

The Company's risk management objectives and policies, as well as exposures in relation to the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks) are further described in the notes to the financial statements (see note 20).

**Composition of the board**

The size and composition of the Board of Managing Directors and the combined experience reflects the best fit for profile and strategy of the Company. On 25 April 2016, R.H.L de Groot was appointed to the Board. Currently two members of the Board are male and one member if female. The Company is aware of the gender diversity goals as set out in the article 2:276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

**Board of Directors**

*Managing Directors*
*(together authorised to represent the Company)*

A.E. Okobia

A.C. Jones

R.H.L de Groot (appointed 25 April 2016)

**Board of Directors**
**26th April 2016**

## STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 31 December 2015**

| | Note | YEAR ENDED 31 DECEMBER 2015 $'000 | As restated 2014 $'000 |
|---|---|---|---|
| Net gain/(loss) on financial instruments held for trading | 3 | **(8,408)** | 21,252 |
| Net loss on financial instruments designated at fair value through profit or loss | 4 | **(1,738)** | (53,702) |
| Interest income | 5 | **40,994** | 71,124 |
| Operating income | 6 | **-** | 567 |
| | | **30,848** | 39,241 |
| **Administrative expenses** | | **(624)** | (765) |
| **Total profit before tax** | | **30,224** | 38,476 |
| Tax charge | 7 | **(4,023)** | (5,606) |
| **Profit for the year** | | **26,201** | 32,870 |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **26,201** | 32,870 |

Comprehensive income derives wholly from continuing operations.

The profit and total comprehensive income for the year are attributable to the owner of the Company.

The notes on pages 9 to 33 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION
**As at 31 December 2015**

| | Note | AS AT 31 DECEMBER 2015 $'000 | AS AT 31 DECEMBER As restated 2014 $'000 | AS AT 1 JANUARY As restated 2014 $'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Amounts owed by affiliated undertakings | 8 | **1,533,223** | 2,533,672 | 3,345,148 |
| Financial assets designated at fair value through profit or loss | 9 | **179,543** | 319,662 | 548,835 |
| Financial instruments held for trading | 10 | **143,431** | 190,161 | 332,820 |
| Deferred tax asset | 11 | **-** | - | 2,893 |
| **Total non-current assets** | | **1,856,197** | 3,043,495 | 4,229,696 |
| **Current assets** | | | | |
| Amounts owed by affiliated undertakings | 8 | **861,074** | 595,429 | 964,484 |
| Financial assets designated at fair value through profit or loss | 9 | **69,257** | 48,252 | 26,150 |
| Financial instruments held for trading | 10 | **29,869** | 80,972 | 123,821 |
| Cash and cash equivalents | 12 | **20,571** | 71,449 | 71,699 |
| Accrued interest receivable and other assets | | **371** | 335 | 19 |
| **Total current assets** | | **981,142** | 796,437 | 1,186,173 |
| **Total assets** | | **2,837,339** | 3,839,932 | 5,415,869 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Issued share capital | 17 | **0** | 0 | 0 |
| Other reserves | 17 | **3,651** | 55,297 | 55,297 |
| Other equity capital | 17 | **750,000** | 750,000 | 750,000 |
| Retained earnings | | **65,902** | 55,548 | 38,525 |
| **Total equity attributable to the owners of the company** | | **819,553** | 860,845 | 843,822 |
| **Non-current liabilities** | | | | |
| Financial liabilities designated at fair value through profit or loss | 13 | **1,500,630** | 2,266,642 | 3,370,041 |
| Financial instruments held for trading | 10 | **32,313** | 29,188 | 104,173 |
| Deferred tax liability | 11 | **5,738** | 2,089 | - |
| **Total non-current liabilities** | | **1,538,681** | 2,297,919 | 3,474,214 |
| **Current liabilities** | | | | |
| Financial liabilities designated at fair value through profit or loss | 13 | **391,325** | 494,037 | 747,833 |
| Amounts owed to affiliated undertakings | 14 | **59,689** | 145,396 | 289,489 |
| Financial instruments held for trading | 10 | **7,493** | 34,026 | 39,310 |
| Dividend payable | 15 | **19,841** | 3,994 | 15,847 |
| Income tax payable | 11 | **637** | 62 | 1,686 |
| Accrued expenses and other liabilities | 16 | **120** | 3,653 | 3,668 |
| **Total current liabilities** | | **479,105** | 681,168 | 1,097,833 |
| **Total liabilities** | | **2,017,786** | 2,979,087 | 4,572,047 |
| **Total equity and liabilities** | | **2,837,339** | 3,839,932 | 5,415,869 |

For further information on the restated balances, see note 1.

The notes on pages 9 to 33 form part of these financial statements.
The financial statements on pages 5 to 33 were approved by the Board of Directors on 26th April 2016 and signed on its behalf by A.E. Okobia, A.C. Jones and R.H.L de Groot.

## STATEMENT OF CASH FLOWS
**As at 31 December 2015**

| | Note | YEAR ENDED 31 DECEMBER 2015 $000 | As restated 2014 $000 |
|---|---|---|---|
| **Cash flow generated from operating activities** | | | |
| Profit before tax | | **30,224** | 38,476 |
| *Adjustments for non-cash items:* | | | |
| Net loss/(gain) on financial instruments held for trading | 3 | **8,408** | (21,252) |
| Net loss on financial assets designated at fair value through profit or loss | 4 | **1,738** | 53,702 |
| Interest income | 5 | **(40,994)** | (71,124) |
| Foreign exchange gain on translation of tax liability | | **143** | 134 |
| **Cash used in operations** | | **(481)** | (64) |
| Placement of intercompany deposits | 8 | **(29,873)** | (45,000) |
| Repayment of intercompany deposits | 8 | **717,152** | 1,104,550 |
| Placement of fully-funded total return swaps | 9 | **(109,532)** | (71,056) |
| Repayment of fully-funded total return swaps | 9 | **228,646** | 278,127 |
| Settlement of derivatives and coupons received | 10 | **66,017** | 122,104 |
| Proceeds from issuance of structured notes | 13 | **137,562** | 118,177 |
| Redemption of structured notes | 13 | **(1,008,024)** | (1,571,060) |
| Interest paid | | **(3,569)** | (166) |
| Net income tax paid | | **-** | (600) |
| Net increase in intercompany payables | | **2,844** | 92,437 |
| **Net cash generated from operating activities** | | **742** | 27,449 |
| **Cash flows from financing activities** | | | |
| Return of capital | | **(33,740)** | - |
| Dividend paid | 15 | **(17,880)** | (27,699) |
| | | **(51,620)** | (27,699) |
| **Net cash movement in cash and cash equivalents** | | **(50,878)** | (250) |
| Cash and cash equivalents at beginning of year | | **71,449** | 71,699 |
| **Cash and cash equivalents at end of year** | 12 | **20,571** | 71,449 |

The notes on pages 9 to 33 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
As at 31 December 2015

Movements in shareholders' equity during the year ended 31 December 2014 are as follows:

| | Note | Issued share capital $000 | Other reserves $000 | Other equity capital $000 | Share premium $000 | Retained earnings $000 | Total Equity $000 |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2013** | | **0** | **2,771** | **750,000** | **-** | **9,062** | **761,833** |
| **Merrill Lynch B.V** | | 0 | 2,771 | 750,000 | - | 9,062 | 761,833 |
| **B of A Issuance B.V** | | 26 | - | - | 52,500 | 29,463 | 81,989 |
| **Merger reserve** | | (26) | 52,526 | - | (52,500) | - | - |
| **Balance at 1 January 2014** | | **0** | **55,297** | **750,000** | **-** | **38,525** | **843,822** |
| Total comprehensive income for the year | | - | - | - | - | 32,870 | 32,870 |
| Dividends declared | 15 | - | - | - | - | (15,847) | (15,847) |
| **Balance at 31 December 2014** | | **0** | **55,297** | **750,000** | **-** | **55,548** | **860,845** |

Movements in shareholders' equity during the year ended 31 December 2015 are as follows:

| | **Note** | **Issued share capital $000** | **Other reserves $000** | **Other equity capital $000** | **Share premium $000** | **Retained earnings $000** | **Total Equity $000** |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2014** | | **0** | **55,297** | **750,000** | **-** | **55,548** | **860,845** |
| Total comprehensive income for the year | | - | - | - | - | 26,201 | **26,201** |
| Dividends declared | 15 | - | (17,880) | - | - | (15,847) | **(33,727)** |
| Return of capital | | - | (33,740) | - | - | - | **(33,740)** |
| Merger reserve | | - | (26) | - | - | - | **(26)** |
| **Balance at 31 December 2015** | | **0** | **3,651** | **750,000** | **-** | **65,902** | **819,553** |

## 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.

On October 1, 2015, the Company entered into a merger with B of A Issuance B.V., pursuant to Dutch Law, in which BA Issuance ceased to exist and the Company assumed all the assets and liabilities of BA Issuance. Immediately preceding the merger, both the Company and BA Issuance had a common shareholder, being Merrill Lynch International Incorporated. No consideration was paid, and as this is a transaction under common control it is outside the scope of IFRS 3 (Business Combinations). Consistent with the legal transfer of the assets and liabilities under universal title of succession, the financial statements have been prepared as a continuation of the activity of BA Issuance in the Company. As such, predecessor accounting has been applied and the asset and liabilities and results of BA Issuance have been incorporated for the current and prior year as if the merger occurred at the beginning of the prior period. Refer to note 23 for quantitative disclosure of the merger effects.

The accounting policies for the Company have been used; this has resulted in a change of classification of certain Amounts due to Affiliated Entities of BA Issuance from Fair Value to Cost. The difference between the consideration and the assets and liabilities of BA Issuance has been included within Equity as Other Reserves.

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. The directors expect the principal activities to continue during 2016.

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

The Company has chosen Luxembourg as Home Member State in connection with Transparency Directive, based on the fact of the practicality of communication between the Commission de Surveillance du Secteur Financier (CSSF) and the Luxembourg Financial Supervisory Authority.

As a consequence of this choice the Company shall file its annual and Semi Annual financial statements with CSSF.

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 Group, including the Company. Details of the Charter, Membership, Duties, and Responsibilities can be found on the Group's website.

The Company has its registered address at Amstelplein 1 Rembrandt Tower, 11th Floor 1096 HA Amsterdam, the Netherlands. MLID is the Company's immediate parent; BAC is the Company's ultimate parent, refer to 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. Accounting Policies (continued)

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires 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 2016.

The financial statements are prepared under the historical cost convention as modified to include financial assets and liabilities (including derivative instruments) designated at fair value through profit or loss.

***New and amended standards adopted by the Company***

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the Company.

***New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

## 2. Accounting Policies (continued)

### 2.2 Translation of foreign currencies

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

Transactions in foreign currencies are translated into 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 as net gain/(loss) on financial instruments designated at fair value through profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction.

### 2.3 Financial instruments

*a) Classification*

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

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

(ii) Financial instruments held for trading

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

(iii) Loans and receivables

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

*b) Recognition*

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

*c) Measurement*

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

After initial recognition, financial instruments held for trading or designated fair value through profit or loss are measured at fair value, with changes in their fair value recognised as gains or losses in the statement of comprehensive income.

## 2. Accounting Policies (continued)

### 2.3 Financial instruments (continued)

*c) Measurement (continued)*

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

Impairment

Loans and receivables are carried at amortised cost using the effective interest rate method less an allowance for any impairment. Interest calculated using the effective interest rate method is recognised in the statement of comprehensive income

Management assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

*d) Fair value measurement principles*

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

*e) 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 entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

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

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

### 2.4 Offsetting financial 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. Accounting Policies (continued)

### 2.5 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.

### 2.6 Shareholders' equity

All issued ordinary shares are classified as equity. The perpetual borrowing from MLID is classified as equity according to IAS 32 and any dividend on the borrowing is subject to prior declaration by the Board of Directors.

### 2.7 Income and expense recognition

Interest income is recognised using the effective interest 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 income received by the Company may be subject to withholding tax imposed in the country of origin. 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.

### 2.8 Current and deferred income tax

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

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

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

### 2.9 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.

### 2.10 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, investing and financing activities and how the cash flows have affected the Company's cash. Transactions related to the issuance of structured notes are classified as operating activities.

**2. Accounting Policies (continued)**

**2.11 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.

**2.12 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 accounting policies are made to determine fair values that require complex estimates:

**Financial instruments measured at fair value**

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

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

**3. Net gain on financial instruments held for trading**

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Gain on financial instruments held for trading | **69,540** | 195,339 |
| Loss on financial instruments held for trading | **(77,948)** | (174,087) |
| | **(8,408)** | 21,252 |

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

| | 2015<br>$000 | 2014<br>$000<br>As restated |
|---|---|---|
| Change in fair value of fully funded swaps | **2,479** | (10,172) |
| Change in fair value of structured notes | **(4,217)** | (43,433) |
| Net gain/(loss) arising on foreign currency holdings | **-** | (97) |
| | **(1,738)** | (53,702) |

The change in fair value of instruments designated at fair value include a gain of $18,098,000 (2014: gain of $25,039,000) which is attributable to changes in credit spreads of BAC.

## 5. Interest income

| | 2015 $000 | 2014 $000 As restated |
|---|---|---|
| Finance income | **40,994** | 71,124 |

Finance income represents interest income on deposits and intercompany loans.

## 6. Operating income

Operating income relates to service fee income from MLI.

## 7. Tax charge/(credit)

| | 2015 $000 | 2014 $000 As restated |
|---|---|---|
| **Current tax** | | |
| Current tax on profit/(loss) for the year | **578** | 684 |
| Adjustments in respect of prior periods | **(204)** | (60) |
| Foreign taxes | **-** | - |
| Total current tax charge | **374** | 624 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **3,649** | 4,982 |
| Total deferred tax charge/(credit) | **3,649** | 4,982 |
| Total tax charge/(credit) | **4,023** | 5,606 |

The tax for the period is reconciled to the standard rate of corporation tax in the Netherlands (2015: <€200k at 20% and >€200k at 25%, 2014: <€200k at 20% and >€200k at 25%).

| | 2015 $'000 | 2014 $'000 As restated |
|---|---|---|
| **Profit/(loss) before tax** | **30,224** | 38,476 |
| Tax calculated at standard rate of corporation tax 25% (2014: 25%) | **7,556** | 9,619 |
| Tax effects of: | | |
| Net credit not subject to tax | **(3,329)** | (4,021) |
| Impact of foreign exchange differences on the tax charge | **-** | 23 |
| Adjustments in respect of prior periods | **(204)** | (15) |
| **Total tax charge/(credit)** | **4,023** | 5,606 |

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

## 8. Amounts owed by affiliated undertakings

| | 2015 $000 | 2014 $000 As restated |
|---|---|---|
| **Non-current assets** | | |
| Investment in Merrill Lynch & Co. Canada Ltd | 7,027 | 7,027 |
| Intercompany loan | 750,000 | 750,000 |
| Money market deposit | 776,196 | 1,776,645 |
| | 1,533,223 | 2,533,672 |
| **Current assets** | | |
| Intercompany loans | 123,320 | 170,845 |
| Money market deposit | 737,754 | 424,584 |
| | 861,074 | 595,429 |
| | 2,394,297 | 3,129,101 |

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

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

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

Non-current money market deposits at amortised cost have a fair value of $990,805,000 (2014: $1,687,581,000). Current money market deposits at amortised cost have a fair value of $766,052,000 (2014: $428,317,000).

Non-current intercompany loans represent a fixed rate placement with BAC. The intercompany loan has a fair value of $780,783,000 (2014: $790,360,000).

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:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Notional $000 | Fair Value $000 | Notional $000 | Fair Value $000 As restated |
| **Fully-funded total return swaps** | | | | |
| **Current assets** | | | | |
| Less than 1 year | 78,281 | 69,573 | 50,701 | 47,717 |
| Credit spread adjustment | | (316) | | 535 |
| | | 69,257 | | 48,252 |
| **Non-current assets** | | | | |
| From 12 months to 5 years | 177,016 | 177,295 | 355,299 | 303,759 |
| Over 5 years | 2,000 | 1,959 | 12,000 | 11,793 |
| Credit spread adjustment | | 289 | | 4,110 |
| | | 179,543 | | 319,662 |
| **Total assets** | | 248,800 | | 367,914 |

## 9. Financial assets designated at fair value through profit or loss (continued)

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:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Notional $000** | **Fair Value $000** | Notional $000 | Fair Value $000 As restated |
| **Fully-funded total return swaps** | | | | |
| USD | **188,449** | **185,817** | 363,803 | 302,608 |
| EUR | **37,396** | **40,242** | 25,316 | 33,978 |
| GBP | **3,832** | **3,402** | 20,353 | 21,685 |
| AUD | **4,392** | **4,441** | 4,914 | 4,998 |
| MXN | **23,227** | **14,925** | - | - |
| Credit spread adjustment | | **(27)** | - | 4,645 |
| | | **248,800** | | 367,914 |

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 21.

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 2.12.

## 10. Financial instruments held for trading

| | **2015 Fair Value $000** | 2014 Fair Value $000 |
|---|---|---|
| Non-current assets | **143,431** | 190,161 |
| Current assets | **29,869** | 80,972 |
| **Total assets** | **173,300** | 271,133 |
| | | |
| Non-current liabilities | **32,313** | 29,188 |
| Current liabilities | **7,493** | 34,026 |
| **Total liabilities** | **39,806** | 63,214 |

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

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

**10. Financial instruments held for trading (continued)**

**Financial assets subject to offsetting and related arrangements**

| | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the statement of financial position | Net amounts of financial assets presented in the statement of financial position |
|---|---|---|---|
| | $000 | $000 | $000 |
| **As at 31 December 2015** | | | |
| Total return swaps | **223,411** | **-** | **223,411** |
| Cross currency swaps | **-** | **(50,111)** | **(50,111)** |
| **Total assets** | **223,411** | **(50,111)** | **173,300** |
| **As at 31 December 2014** | | | |
| Total return swaps | 314,549 | - | 314,549 |
| Cross currency swaps | 2,960 | (46,376) | (43,416) |
| **Total assets** | 317,509 | (46,376) | 271,133 |

**Financial liabilities subject to offsetting and related arrangements**

| | Gross amounts of recognised financial liabilities | Net amounts of recognised financial assets set off in the statement of financial position | Gross amounts of recognised financial assets set off in the statement of financial position |
|---|---|---|---|
| | $000 | $000 | $000 |
| **As at 31 December 2015** | | | |
| Total return swaps | **29,162** | **(16,511)** | **12,651** |
| Cross currency swaps | **27,155** | **-** | **27,155** |
| **Total liabilities** | **56,317** | **(16,511)** | **39,806** |
| **As at 31 December 2014** | | | |
| Total return swaps | 53,907 | (585) | 53,322 |
| Cross currency swaps | 9,892 | - | 9,892 |
| **Total liabilities** | 63,799 | (585) | 63,214 |

The total return swaps and cross currency swaps that mainly transacted with MLI are predominantly denominated in USD, EUR and GBP.

The Company does not net settle all swap positions. 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.

## 11. Tax liability

| | Deferred tax $000 | Current tax $000 | Total $000 |
|---|---|---|---|
| Tax (asset)/liability as at 31 December 2014 as restated | 2,089 | 62 | 2,151 |
| Charged to the statement of comprehensive income | 3,649 | 374 | 4,023 |
| Impact of foreign tax exchange | | 115 | 115 |
| Tax paid | | 86 | 86 |
| Tax liability as at 31 December 2015 | **5,738** | **637** | **6,375** |

Tax due to temporary differences arises on the recognition of gains or losses as BAC credit spreads change.

## 12. Cash and cash equivalents

| | **2015 $000** | 2014 $000 |
|---|---|---|
| Cash at bank and on hand | **2,264** | 1,557 |
| Short-term demand deposits | **18,307** | 69,892 |
| | **20,571** | 71,449 |

## 13. 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:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Notional $000** | **Fair Value $000** | Notional $000 | Fair Value $000 |
| **Structured notes** | | | | |
| **Current liabilities** | | | | |
| Less than 1 year | **372,808** | **392,731** | 472,354 | 501,279 |
| Credit spread adjustment | | **(1,406)** | | (7,242) |
| | | **391,325** | | 494,037 |
| **Non-current liabilities** | | | | |
| From 12 months to 5 years | **1,106,160** | **1,238,904** | 1,719,416 | 1,830,334 |
| From 5 years to 10 years | **135,239** | **155,286** | 220,576 | 290,110 |
| Over 10 years | **78,964** | **121,897** | 144,850 | 170,445 |
| Credit spread adjustment | | **(15,457)** | | (24,247) |
| | | **1,500,630** | | 2,266,642 |
| | | **1,891,955** | | 2,760,679 |



pwc PricewaterhouseCoopers Accountants N.V. For identification purposes only

### 13. Financial liabilities designated at fair value through profit or loss (continued)

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:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Notional $000** | **Fair Value $000** | Notional $000 | Fair Value $000 |
| **Structured notes** | | | | |
| EUR | **962,563** | **1,155,973** | 1,259,073 | 1,491,494 |
| USD | **607,419** | **635,558** | 996,401 | 973,200 |
| SEK | **43,040** | **47,246** | 40,687 | 50,079 |
| JPY | **23,757** | **23,909** | 62,722 | 64,234 |
| MXN | **20,615** | **12,301** | 7,124 | 8,769 |
| CHF | **15,719** | **10,553** | 20,588 | 11,222 |
| GBP | **10,672** | **10,458** | 127,562 | 141,699 |
| CLP | **3,686** | **6,982** | 4,304 | 6,208 |
| AUD | **5,700** | **5,837** | 13,054 | 16,749 |
| SKK | **-** | **-** | 20,080 | 22,930 |
| SGD | **-** | **-** | 5,601 | 5,584 |
| Credit spread adjustment | | **(16,862)** | | (31,489) |
| | | **1,891,955** | | 2,760,679 |

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 2.12.

### 14. Amounts owed to affiliated undertakings

| | **2015 $000** | 2014 $000 |
|---|---|---|
| Intercompany loan with Bank of America, N.A. | **-** | 98,390 |
| Other loans payable | **59,689** | 47,006 |
| | **59,689** | 145,396 |

The intercompany loan with Bank of America, N.A. ("BANA") represents collateral received against the open derivative position held with BANA and is extended on a short term basis. The loan is denominated in USD and it bears interest at the Federal Funds overnight rate.

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

## 15. Dividend payable

During the year the Company declared that an amount of $15,847,000 (2014: $15,847,000) be paid 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 Company also declared and paid a dividend of $17,880,000 to its parent, MLID as part of the merger with BA Issuance.

The directors do not recommend the payment of a further dividend in respect of the year ended 31 December 2015.

## 16. Accrued expenses and other liabilities

| | **2015 $000** | 2014 $000 |
|---|---|---|
| Service level fees payable | **-** | 3,425 |
| Accrued professional fees | **120** | 228 |
| | **120** | 3,653 |

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

| | **2015 $000** | 2014 $000 |
|---|---|---|
| Audit fees | **120** | 201 |
| Non-audit fees | **46** | 27 |
| | **166** | 228 |

The fees listed above relate to the procedures applied to the Company by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties – Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

Total audit fees charged by PwC NL amounts to $ 120,000. The audit fees relate to the statutory audit of the Company. These fees relate to the audit of the 2015 financial statements, regardless of whether the work was performed during the financial year. The non-audit services relate to services performed in relation to the comfort letters for the issuance of structured notes.

## 17. Share capital

| | **2015 $000** | 2014 $000 |
|---|---|---|
| Issued share capital | **0** | 0 |
| Other reserves | **3,651** | 55,297 |
| Other equity capital | **750,000** | 750,000 |
| | **753,651** | 805,597 |

Issued share capital in 2015 comprises 12,988 Ordinary shares of equal voting rights at $0.01 each. (2014: 12,998 ordinary shares at $0.01 each).

Other reserves include adjustments related to the merger with BA Issuance.

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

## 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 31 December 2015**

| | Notes | 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 | 8 | 2,394,297 | - | - |
| Financial assets designated at fair value through profit or loss | 9 | - | - | 248,800 |
| Financial instruments held for trading | 10 | - | 173,300 | - |
| Cash and cash equivalents | 12 | 20,571 | - | - |
| | | 2,414,868 | 173,300 | 248,800 |
| **Liabilities** | | | | |
| Financial liabilities designated at fair value through profit or loss | 13 | - | - | 1,891,955 |
| Financial instruments held for trading | 10 | - | 39,806 | - |
| Amounts owed to affiliated undertakings | 14 | 59,689 | - | - |
| | | 59,689 | 39,806 | 1,891,955 |

**Summary of financial instruments at 31 December 2014**

| | Notes | 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 | 8 | 3,128,656 | - | - |
| Financial assets designated at fair value through profit or loss | 9 | - | - | 367,994 |
| Financial instruments held for trading | 10 | - | 271,133 | |
| Cash and cash equivalents | 12 | 71,449 | | - |
| | | 3,195,204 | 271,133 | 367,994 |
| Liabilities | | | | |
| Financial liabilities designated at fair value through profit or loss | 13 | - | - | 2,760,679 |
| Financial instruments held for trading | 10 | - | 63,214 | - |
| Amounts owed to affiliated undertakings | 14 | 145,396 | - | - |
| | | 145,396 | 55,873 | 2,760,679 |

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

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 31 December 2015 amounted to $1,107,986,000 (2014: $1,557,205,000) which are interest bearing, generating interest income of $3,257,000 (2014: $4,799,000).

The Company has deposits placed with MLI, which at 31 December 2015 amounted to $406,034,000 (2014: $656,357,000) which are interest bearing, generating interest income of $606,000 (2014: $751,000).

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

Included in the administrative expenses are the Directors' fees and remuneration for the Directors of $51,000 (2014: $62,000). 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

Legal entity risk governance is built on the BAC approach to risk management as documented in the BAC Risk Framework. BAC takes a comprehensive approach to risk management, integrating it with strategic, capital and financial operating plans. BAC manages risk systematically, with focus on BAC as a whole and by business, Governance and Control Functions ("GFCs"), geography, legal entity and / or branch (where appropriate), product, service and transactions.

The risk management approach has five components:

- Risk culture;
- Risk appetite;
- Risk governance;
- Risk reporting; and
- Risk management processes.

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

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

### Market risk

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions.

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 represents exposures to instruments whose values vary with the level or volatility of interest rates. The Company has economically hedged its interest rate risk on the structured notes by entering into total return swaps. Interest price risk is economically hedged using a total return swap.

*b) 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.

**20. Financial risk management (continued)**

**Market risk (continued)**

e) *Commodity risk*

Commodity risk represents exposures to instruments traded in the petroleum, natural gas, power and metals markets. Commodity price risk is economically hedged using a total return swap. Given the fact that the above risks are materially hedged, no further information on sensitivity analysis is presented.

**Credit Risk**

The Company defines credit risk as the loss arising from the inability or failure of a borrower or counterparty to meet its obligations. The Company defines the credit exposure to a counterparty as the loss potential arising from product classifications, including loans, leases, derivatives and other extensions of credit.

In line with the BAC Risk Framework, the credit department manages credit risk based on the risk profile of the borrower or counterparty, which includes repayment sources, underlying collateral (if any), and the expected impacts of the current and forward-looking economic environment on these borrowers. Underwriting, credit management and credit risk limits are proactively reassessed as a borrower's or counterparty's risk profile changes.

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

Managing through these processes creates a comprehensive consolidated view of our enterprise wide credit risk activities, thus providing executive management the information required to guide or redirect strategic plans.

BAC has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, purchasing credit protection and continually assessing the creditworthiness of counterparties. These limits were not exceeded during the year ended 31 December 2015.

The credit risks of the Company arise from the affiliate hedging of structured note issuance via derivatives, as well as the intercompany loans to and deposits and senior loans placed with affiliates. The Company restricts its exposure to credit losses on derivative instruments by entering into a master netting arrangement with an affiliate counterparty. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with 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 $1,513,950,000 (2014: $2,201,229,000), all with affiliated undertakings. 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 Baa1 (Moody's) and A (S&P) for BAC and MLI respectively, (2014: Baa2 and A for BAC and MLI).

## 20. Financial risk management (continued)

### 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 may occur anywhere in the Company, including third party business processes, and is not limited to operations functions. Effects may extend beyond financial losses and may result in reputational risk impacts. An operational loss event can be associated with any of the following seven operational loss event categories as outlined by the Basel Committee for Banking Supervision: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management.

Since operational risk is inherent in every activity across the Company, the Company relies on all employees to contribute to an effective internal control environment and manage operational risk within their roles. The Company manages operational risk by designing and implementing internal controls to identify, measure, monitor and control risks.

Operational risk must be managed by all employees as part of their day-to-day activities. Business and Control Functions are responsible for monitoring, assessing and testing the effectiveness of controls, while continuing to identify, escalate, debate and report operational risks. The independent risk management teams actively oversee the businesses and control functions to monitor adherence to the operational risk management program and to advise and challenge operational risk exposures.

### Reputational risk

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

Reputational risk is managed through established policies and controls as part of the core business and risk management processes. The control environment aims to prevent reputational risk events before they occur. Employees are expected to follow the Bank's Code of Conduct and not engage in any activity that could harm the Bank's reputation. In each business reputational risk is mitigated by the following activities: New Product Reviews, Conflict of Interest Management and appropriate risk management practices and controls.

The organizational and governance structure in place for reputational risk provides strong oversight at both the Company and individual Business levels. Committees exist at all levels, embedded as part of the overall governance model, to focus on oversight and escalation of reputational risk issues and individual roles and accountabilities of our employees.

### Strategic risk

Strategic risk is the risk that results from incorrect assumptions about external and/or internal factors, inappropriate business planning or ineffective / inefficient business strategy execution.

The strategic plan is reviewed and approved annually by the Board with ad-hoc strategic actions approved by the Board as required. At the Business and enterprise levels, Committees exist to assess the strategic risk implications of new business initiatives.

Transparency of our strategic risks is critical to effective risk management. Regular updates are provided to executive management on business performance with more topical presentations made to address other strategic developments when required.

**20. Financial risk management (continued)**

**Compliance risk**

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

Global Compliance is a separate function with governance routines and executive reporting distinct from those of the Businesses or other GCFs. While GCFs are collectively responsible for overseeing the Company's overall compliance with applicable laws, rules and regulations Global Compliance assumes responsibility for Compliance risk. Global Compliance is responsible for identifying and mitigating Compliance risks, escalating compliance risks and issues, and providing ongoing, objective oversight of compliance risk for the Company.

**Liquidity risk**

Liquidity risk is the potential inability to meet contractual and contingent financial obligations, both on- or off- balance sheet, as they come due. Liquidity risk relates to the ability of an entity to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations and continuing to operate as a going concern. The Company maintains intercompany loans and other relationships with affiliates to provide funding for its activities as required.

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

A maturity analysis of issued notes is presented in note 13. The contractual undiscounted cash flows are disclosed in the table below.

| **2015** | **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 | 36,566 | 356,017 | 742,985 | 491,091 | 271,529 | **1,898,188** |
| Amounts owed to affiliated undertakings | - | 59,689 | - | - | - | **59,689** |
| Accrued expenses and other liabilities | - | 120 | - | - | - | **120** |
| **Total liabilities** | **36,566** | **415,826** | **742,985** | **491,091** | **271,529** | **1,957,997** |

**20. Financial risk management (continued)**

**Liquidity risk (continued)**

A maturity analysis of issued notes is presented in note 13. The contractual undiscounted cash flows are disclosed in the table below.

| 2014 | 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 | 178,928 | 326,317 | 403,478 | 1,278,071 | 579,049 | 2,765,843 |
| Amounts owed to affiliated undertakings | 98,390 | 47,006 | - | - | - | 145,396 |
| Accrued expenses and other liabilities | 3,553 | 100 | - | - | - | 3,653 |
| Total liabilities | 280,871 | 373,423 | 403,478 | 1,278,071 | 579,049 | 2,914,892 |

**Capital risk management**

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

The capitalisation ratio of 43.40% allows sufficient headroom for future issuances of structured notes.

| **Capitalisation ratio:** | **2015 $000** | 2014 $000 |
|---|---|---|
| Equity | **819,852** | 860,845 |
| Issued debt | **1,891,955** | 2,760,679 |
| Capitalisation ratio | **43.40%** | 31.20% |

## 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.

**As at 31 December 2015**

| | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **TOTAL $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets designated at fair value through profit or loss | - | **215,718** | **33,082** | **248,800** |
| Financial instruments held for trading | - | **21,908** | **151,392** | **173,300** |
| **Total assets** | - | **237,626** | **184,474** | **422,100** |
| **Liabilities** | | | | |
| Financial liabilities designated at fair value through profit and loss | - | **1,382,086** | **509,869** | **1,891,955** |
| Financial instruments held for trading | - | **46,972** | **(7,166)** | **39,806** |
| **Total liabilities** | - | **1,429,058** | **502,703** | **1,931,761** |

The table below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 31 December 2014:

As at 31 December 2014

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | TOTAL $'000 |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets designated at fair value through profit or loss | - | 336,791 | 31,123 | 367,914 |
| Financial instruments held for trading | - | 78,552 | 192,581 | 271,133 |
| Total assets | - | 415,343 | 223,704 | 639,047 |
| Liabilities | | | | |
| Financial liabilities designated at fair value through profit and loss | - | 2,075,565 | 685,114 | 2,760,679 |
| Financial instruments held for trading | - | 59,964 | 3,250 | 63,214 |
| Total liabilities | - | 2,135,529 | 688,364 | 2,823,893 |

## 21. Fair value measurement (continued)

### Fair values of level 3 assets

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

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

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

The 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.

The table below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were $184,474,000 as of 31 December 2015 (2014: $223,704,000) and represent approximately forty five percent of assets measured at fair value and approximately seven percent of total assets. Level 3 liabilities were $502,703,000 as of 31 December 2015 (2014: $688,364,000) and represent approximately twenty six percent of liabilities measured at fair value and twenty five percent of total liabilities.

| | Financial assets designated at fair value through profit and loss $000 | Financial instruments held for trading $000 | Financial liabilities designated at fair value through profit or loss $000 |
|---|---|---|---|
| **Balance at 1 January 2015** | 31,123 | 189,331 | (685,114) |
| Gains/(losses) recognised in the statement of comprehensive income | (663) | (16,076) | 65,742 |
| Settlements | (11,641) | (7,585) | 76,275 |
| New issuances | 14,263 | 1,697 | (20,828) |
| Transfers in | - | (5,811) | (1,162) |
| Transfers out | - | (2,998) | 55,218 |
| **Balance at 31 December 2015** | 33,082 | 158,558 | (509,869) |
| Total gains/(losses) for the period included in statement of comprehensive income for financial instruments held at the end of the reporting period | (663) | (16,076) | 65,742 |

## 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 instruments held for trading $000 | Financial liabilities designated at fair value through profit or loss $000 |
|---|---|---|---|
| Balance at 1 January 2014 | 43,470 | 190,584 | (1,143,594) |
| Gains recognised in the statement of comprehensive income | (1,257) | 57,382 | 100,863 |
| Settlements | (31,474) | (61,427) | 416,007 |
| New issuances | 17,352 | (356) | (17,607) |
| Transfers in | 3,032 | - | (44,992) |
| Transfers out | - | 3,148 | 4,209 |
| Balance at 31 December 2014 | 31,123 | 189,331 | (685,114) |
| Total gains for the period included in statement of comprehensive income for financial instruments held at the end of the reporting period | (1,257) | 57,382 | 100,863 |

## 22. Events after the reporting period

The directors are of the opinion that there are no significant events that have occurred since 31 December 2015 to the date of this report.

## 23. Effects of legal merger in Statement of Financial Position as at 31 December 2014

On October 1, 2015, the Company entered into a merger with BA Issuance, in which BA Issuance ceased to exist and the Company assumed all the assets and liabilities of BA Issuance under a universal title of succession.

Consistent with the legal transfer of the assets and liabilities under universal title of succession, the financial statements have been prepared as a continuation of the activity of BofA Issuance in the Company. As such, predecessor accounting has been applied and the asset and liabilities and results of BA Issuance have been incorporated for the current and prior year as if the merger occurred at the beginning of the prior period.

## 23. Effects of legal merger in Statement of Financial Position as at 31 December 2014 (continued)

The below presents the subsequent restatement of the statement of financial position as at 31 December 2014 after accounting for the legal merger effects:

| | AS AT 31 DECEMBER As restated 2014 $'000 | Increase/ (Decrease) 2014 $'000 | AS AT 31 DECEMBER 2014 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Amounts owed by affiliated undertakings | **2,533,672** | 328,353 | 2,205,319 |
| Financial assets designated at fair value through profit or loss | **319,662** | - | 319,662 |
| Financial instruments held for trading | **190,161** | 105,496 | 84,665 |
| **Total non-current assets** | **3,043,495** | 433,849 | 2,609,646 |
| **Current assets** | | | |
| Amounts owed by affiliated undertakings | **595,429** | 180,930 | 414,499 |
| Financial assets designated at fair value through profit or loss | **48,252** | - | 48,252 |
| Financial instruments held for trading | **80,972** | - | 80,972 |
| Cash and cash equivalents | **71,449** | 71,449 | - |
| Accrued interest receivable and other assets | **335** | 335 | - |
| **Total current assets** | **796,437** | 252,714 | 543,723 |
| **Total assets** | **3,839,932** | 686,563 | 3,153,369 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued share capital | **0** | - | 0 |
| Other reserves | **55,297** | 52,526 | 2,771 |
| Other equity capital | **750,000** | - | 750,000 |
| Retained earnings | **55,548** | 22,751 | 32,797 |
| **Total equity attributable to the owners of the Company** | **860,845** | 75,277 | 785,568 |
| **Non-current liabilities** | | | |
| Financial liabilities designated at fair value through profit or loss | **2,266,642** | 423,909 | 1,842,733 |
| Financial instruments held for trading | **29,188** | 2,138 | 27,050 |
| Deferred tax liability | **2,089** | 1,534 | 555 |
| **Total non-current liabilities** | **2,297,919** | 427,581 | 1,870,338 |
| **Current liabilities** | | | |
| Financial liabilities designated at fair value through profit or loss | **494,037** | 74,961 | 419,076 |
| Amounts owed to affiliated undertakings | **145,396** | 98,390 | 47,006 |
| Financial instruments held for trading | **34,026** | 7,341 | 26,685 |
| Dividend payable | **3,994** | - | 3,994 |
| Income tax payable | **62** | (540) | 602 |
| Accrued expenses and other liabilities | **3,653** | 3,553 | 100 |
| **Total current liabilities** | **681,168** | 183,705 | 497,463 |
| **Total liabilities** | **2,979,087** | 611,286 | 2,367,801 |
| **Total equity and liabilities** | **3,839,932** | 686,563 | 3,153,369 |

The financial statements were approved by the Board and authorised for issue on 26th April 2016. They were signed on its behalf by:

A.E. Okobia

A.C. Jones

R.H.L de Groot

Amsterdam
26th April 2016

## OTHER INFORMATION
**For the year ended 31 December 2015**

### Profit appropriation

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

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

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

Based on the net result over the year ended 31 December 2015, the Board of Directors do not recommend the payment of a further dividend in respect of the year ended 31 December 2015.

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

### Post balance sheet events

There are no post balance sheet events that have occurred since 31 December 2015 to the date of this report.

### Auditors' report

The auditors' report is included on the following page.