Registered number: 56457103

MERRILL LYNCH B.V.

UNAUDITED

INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

COMPANY INFORMATION

Directors	A.E.Okobia S. Lilly L.J.M. Duysens
Registered number	56457103
Registered office	Amstelplein 1, Rembrandt Tower 27 Floor, 1096HA, Amsterdam The Netherlands

MERRILL LYNCH B.V.

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DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV", the "Company") for the six months ended 30 June 2019.

Statement of directors' responsibilities

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

The directors confirm that to the best of our knowledge:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its profit and cash flows for the six months then ended; and
- the directors' report gives a true and fair view of the Company's situation as at the reporting date, the events that occurred during the first half of 2019, future outlook, events after the reporting date and the risks to which the Company is exposed.

The Dutch Civil Code requires the directors to prepare financial statements for each financial period. 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 a going concern basis unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Electronic distribution

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

Principal activity

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

There has been no change to the principal activities and the directors expect the principal activities to continue during 2019.

DIRECTORS' REPORT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

Business review

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

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

Results and dividends

The directors are satisfied with the Company's performance for the financial period ended 30 June 2019 and financial position at the end of the period. The profit for financial period, after taxation, amounted to $11,678,000 (2018: $14,404,000).

No dividend was declared during the financial period ended 30 June 2019 (six months ended 30 June 2018: $7,858,000).

Risk management

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

The risk management approach has five components:

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

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

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

Post reporting date events

There have been no significant events affecting the Company since the period end.

Composition of the board

The size and composition of the Board of Directors and the combined experience reflects the best fit for profile and strategy of the Company. On 2 September 2019, E.J. Brouwer resigned and L.J.M. Duysens was appointed to the Board. Currently all members of the Board are male, however the Company is aware of the gender diversity goals as set out in the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Directors.

There were no employees of the Company for the six months ended 30 June 2019 (six months to 30 June 2018: none).

DIRECTORS' REPORT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

Board of Directors

(*together authorised to represent the Company)*

A.E. Okobia
E.J. Brouwer (resigned 2 September 2019)
S. Lilly
L.J.M. Duysens (appointed 2 September 2019)

This report was approved by the board on **19 September 2019** and signed on its behalf.

A.E. Okobia
Director

S. Lilly
Director

L.J.M. Duysens
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	**Six months ended 30 June 2019 $000**	Six months ended 30 June 2018 $000
Net gain on financial instruments at fair value through profit or loss	3	**62,682**	50,312
Net loss on financial instruments designated at fair value through profit or loss	4	**(79,502)**	(59,579)
Administrative expenses		**(222)**	(302)
Other income	6	**240**	1,066
Loss from operations		**(16,802)**	(8,503)
Interest income	5	**28,986**	25,116
Profit before tax		**12,184**	16,613
Tax expense	7	**(506)**	(2,209)
Profit for the period		**11,678**	14,404
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Movement in debit valuation adjustment		**(41,145)**	20,430
Tax relating to movement in debit valuation adjustment		**8,434**	(5,108)
		(32,711)	15,322
Total comprehensive (loss)/income		**(21,033)**	29,726

The notes on pages 10 to 43 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

(Before appropriation of result)

	Note	**30 June 2019 $000**	31 December 2018 $000
Assets			
Non-current assets			
Amounts owed by affiliated undertakings	8	**1,831,697**	1,328,470
Financial assets at fair value through profit or loss	9	**142,932**	160,763
Derivative assets	11	**51,665**	56,297
		2,026,294	1,545,530
Current assets			
Amounts owed by affiliated undertakings	8	**473,504**	931,945
Financial assets at fair value through profit or loss	9	**77,600**	23,352
Derivative assets	11	**88,180**	60,590
Accrued interest receivable and other assets		**43**	45
Cash and cash equivalents	10	**23,053**	22,353
		662,380	1,038,285
Total assets		**2,688,674**	2,583,815
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	12	**2,043,878**	1,308,997
Derivative liabilities	11	**25,756**	35,456
Deferred tax liability	13	**1,732**	11,310
		2,071,366	1,355,763
Current liabilities			
Financial liabilities designated at fair value through profit or loss	12	**359,828**	235,025
Amounts owed to affiliated undertakings	14	**130,305**	72,656
Derivative liabilities	11	**-**	1,127
Income tax payable	13	**1,170**	3,479
Accrued expenses and other liabilities	16	**343**	70
		491,646	312,357
Total liabilities		**2,563,012**	1,668,120
Net assets		**125,662**	915,695

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2019

Issued capital and reserves			
Share capital	17	**-**	-
Share premium	17	**40,437**	809,437
Other reserves	17	**(18,353)**	14,358
Retained earnings		**103,578**	91,900
TOTAL EQUITY		**125,662**	915,695

The notes on pages 10 to 43 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share premium $000	Other reserves $000	Retained earnings $000	Total equity $000
At 1 January 2019	809,437	14,358	91,900	915,695
Profit for the period			11,678	11,678
Movement in debit valuation adjustment	-	(41,145)	-	(41,145)
Tax adjustment	-	8,434	-	8,434
Total comprehensive income for the period	-	(32,711)	11,678	(21,033)
Transactions with owner in their capacity as owner:				
Share premium distribution	(769,000)	-	-	(769,000)
	(769,000)	-	-	(769,000)
At 30 June 2019	**40,437**	**(18,353)**	**103,578**	**125,662**

The notes on pages 10 to 43 form part of these financial statements. For further details see notes 8, 15 and 17.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Other equity	Share premium	Other reserves	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 31 December 2017	750,000	-	3,651	55,396	809,047
Impact on adoption of IFRS 9	-	-	(27,140)	27,140	-
At 1 January 2018	750,000	-	(23,489)	82,536	809,047
Profit for six month period (January to June 2018)	-	-	-	14,404	14,404
Profit for six month period (July to December 2018)	-	-	-	9,845	9,845
Movement in debit valuation adjustment	-	-	47,607	-	47,607
Tax adjustment	-	-	(9,760)	-	(9,760)
Total comprehensive income for the period	-	-	37,847	24,249	62,096
Transactions with owners in their capacity as owners:					
Dividends declared	-	-	-	(7,858)	(7,858)
Conversion of other equity capital to share premium	(750,000)	809,437	-	-	59,437
Distribution in kind	-	-	-	(7,027)	(7,027)
	(750,000	809,437	-	(14,885)	44,552
At 31 December 2018	**-**	**809,437**	**14,358**	**91,900**	**915,695**

The notes on pages 10 to 43 form part of these financial statements. For further details see notes 8, 15 and 17.

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	As at 30 June 2019 $000	As at 31 December 2018 $000
Cash flow generated from/(used in) operating activities			
Profit for the six month period (January to June)		**11,678**	14,404
		11,678	14,404
Adjustments for non-cash items:			
Profit for the six month period (July to December)		**-**	9,845
Net gain/(loss) on financial instruments at fair value through profit or loss	3	**(62,682)**	16,662
Net loss on financial assets designated at fair value through profit or loss	4	**79,502**	11,833
Interest income	5	**(28,986)**	(57,075)
Foreign exchange loss on translation of tax liability		**-**	15
Cash used in operations		**(488)**	(4,316)
Cash flows from operating activities:			
Placement of intercompany loans and deposits	8	**(921,147)**	(593,279)
Repayment of intercompany loans and deposits	8	**422,884**	937,492
Placement of fully funded total return swaps	9	**(147,235)**	(99,877)
Repayment of fully funded total return swaps	9	**110,818**	95,845
Net movement of derivatives	11	**28,897**	34,675
Proceeds from issuance of structured notes	12	**1,038,756**	730,079
Redemption of structured notes	12	**(304,175)**	(387,866)
Income tax paid		**(3,960)**	(1,012)
Placement of intercompany payables		**86,636**	6,129
Placement of intercompany receivables		**(310,286)**	(716,664)
Net increase in cash and cash equivalents		**700**	1,206
Cash and cash equivalents at the beginning of period		**22,353**	21,147
Cash and cash equivalents at the end of the period	10	**23,053**	22,353

The notes on pages 10 to 43 form part of these financial statements.

1. 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.

1.1 Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies, for example, determining the fair value of financial instruments. The financial statements were prepared using the going concern assumption and the directors expect the principal activities to continue in 2019.

1.2 New and amended standards adopted by the Company

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2019 that have had a material impact on the Company.

1.3 Translation of foreign currencies

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

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

1. Accounting policies (continued)

1.4 Financial assets

The Company recognises financial assets in the statement of financial position when it becomes a party of the contractual provisions of the instrument. The Company classifies its financial assets as measured at amortised cost or fair value through profit or loss ("FVPL").

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

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

A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

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

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

1.5 Financial liabilities

The Company recognises financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company classifies its financial liabilities in the following categories: amortised cost or designated at FVPL.

Derivative liabilities held for trading or held for risk management purposes, are measured at fair through profit or loss. Structured instruments issued by the Company that do not meet the accounting definition of a derivative, are classified as liabilities designated as at FVPL. Gains and losses are recognised through the income statement as they arise. All remaining financial liabilities are carried at amortised cost using the effective interest method.

Were the Company designates a financial liability as at FVPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in Other comprehensive income ("OCI") as a debit valuation adjustments reserve.

Amounts presented in the debit valuation adjustments reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the reserve is transferred to retained earnings.

1. Accounting policies (continued)

1.6 Derecognition

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

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

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

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

1.7 Offsetting financial instruments

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

1.8 Segmental reporting

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

1.9 Income and expense recognition

Interest income and expense for all financial instruments measured at amortised cost are recognised on an accruals basis using the effective interest method.

The effective interest rate is applied to the gross carrying amount of the financial asset (for non-credit impaired assets) or to the amortised cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on all trading assets and liabilities, and other financial assets measured at FVPL, are recognised using the contractual interest rate in net gain on financial instruments at FVPL and net loss on financial instruments designated at FVPL, respectively.

1. Accounting policies (continued)

1.10 Current and deferred income tax

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

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

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

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and time deposits.

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

1.13 Dividend distribution

Dividend distributions to the Company's shareholder are recognised as a liability in the financial statements in the period in which the dividends are approved by the Board of Directors.

1.14 Impairment

The Company calculates a probability-weighted loss allowance for expected credit loss ("ECL") on its financial assets that are debt instruments that are not measured at FVPL. For instruments that have had no significant increase in credit risk since initial recognition ECL is calculated on a 12 month basis. In the event that significant financial difficulty or default of a counterparty indicates that an asset is credit-impaired, the ECL allowance is assessed on a lifetime basis, taking into account ECL that result from all possible default events over the expected life of the financial instrument.

Debtor balances are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

1. Accounting policies (continued)

1.15 Critical accounting estimates and judgment in applying accounting policies

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

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

Financial instruments measured at fair value

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

Where models are used to determine fair values, they are periodically reviewed by qualified personnel, independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices.

These estimation techniques are necessarily subjective in nature and involve several assumptions, refer to note 21 for further details.

2. Reporting entity

Merrill Lynch B.V. ("MLBV", or the "Company") is a private company with limited liability (Besloten Vennootschap met Beperkte Aansprakelijkheid) incorporated under the laws of The Netherlands on 12 November 2012 with registration number 56457103.

The principal activities of the Company are the issuance of structured notes and economically hedging these instruments through derivatives and fully funded total return swaps. In addition the Company grants intercompany loans and places deposits with BAC and MLI. The directors expect the principal activities to continue during 2019.

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

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

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

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

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

3. Net gain on financial instruments at fair value through profit or loss

	Six months ended 30 June 2019 $000	Six months ended 30 June 2018 $000
Gain on derivative assets and liabilities	**53,879**	37,867
Change in fair value of fully funded swaps	**8,803**	12,445
	62,682	50,312

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

	Six monthe ended 30 June 2019 $000	Six months ended 30 June 2018 $000
Change in fair value of structured notes	**(79,502)**	(59,579)

5. Interest income

	Six months ended 30 June 2019 $000	Six months ended 30 June 2018 $000
Finance income	**28,986**	25,116

Finance income represents interest income on deposits and intercompany loans. All amounts included in interest income are calculated using the effective interest method.

6. Other income

Operating income of $240,000 (six months ended 30 June 2018: $1,066,000) relates to service fee income from MLI, an affiliate.

7. Tax expense

	Six months ended 30 June 2019 $000	Six months ended 30 June 2018 $000
Current tax		
Current tax on profit for the period	**1,651**	640
	1,651	640

7. Tax expense (continued)

	Six months ended 30 June 2019 $000	Six months ended 30 June 2018 $000
Deferred tax		
Origination and reversal of temporary differences	**(1,144)**	1,569
	(1,144)	1,569
Total tax expense	**506**	2,209

	Six months ended 30 June 2019 $000	Six months ended 30 June 2018 $000
Profit before tax	**12,184**	16,613
Tax calculated at standard rate of corporation tax <€200k at 20% and >€200k at 25% (30 June 2018: <€200k at 20% and >€200k at 25%)	**3,046**	4,153
Net credit not subject to tax	**(2,540)**	(1,944)
Total tax expense	**506**	2,209

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

8. Amounts owed by affiliated undertakings

	30 June 2019 $000	31 December 2018 $000
Non-current assets		
Money market deposit	**1,831,697**	1,328,470
Current assets		
Intercompany loans	**221,923**	931,945
Money market deposit	**251,581**	-
	473,504	931,945

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 and are not considered to be credit-impaired.

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

9. Financial assets at fair value through profit or loss

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

	30 June 2019 Notional $000	**30 June 2019 Fair value $000**	31 December 2018 Notional $000	31 December 2018 Fair value $000
Non-current assets				
Between one year and 5 years	**129,881**	**133,106**	165,977	159,908
More than five years	**9,755**	**10,023**	1,595	1,743
Credit spread adjustment	**-**	**(197)**	-	(888)
	139,636	**142,932**	167,572	160,763
Current assets				
On demand	**81,313**	**79,112**	22,877	23,292
Credit spread adjustment	**-**	**(1,512)**	-	60
	81,313	**77,600**	22,877	23,352
Total	**220,949**	**220,532**	190,449	184,115

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

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

	30 June 2019 Notional $000	**30 June 2019 Fair value $000**	31 December 2018 Notional $000	31 December 2018 Fair value $000
Fully funded total return swaps				
USD	**122,680**	**123,028**	169,272	163,805
GBP	**58,363**	**58,643**	13,857	13,800
EUR	**30,750**	**31,255**	7,320	7,338
CAD	**8,227**	**8,396**	-	-
JPY	**929**	**919**	-	-
Credit spread adjustment	**-**	**(1,709)**	-	(828)
	220,949	**220,532**	190,449	184,115

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 1.15

10. Cash and cash equivalents

	30 June 2019 $000	31 December 2018 $000
Cash at bank and on hand	**3,769**	3,313
Short term time deposit	**19,284**	19,040
	23,053	22,353

The short term time deposits are held with Bank of America, N.A. and are interest bearing at 2.02% average rate (31 December 2018: 2.37% average rate). The credit rating is A-1 (S&P) (2018: A 1 (S&P)).

Cash at hand and bank balances are deposits which the Company is freely to access or use in its operations. Cash and cash equivalents are stated at face value.

11. Derivative assets/liabilities

	30 June 2019 $000	31 December 2018 $000
Non-current assets	**51,665**	56,297
Current assets	**88,180**	60,590
Total derivative assets	**139,845**	116,887

	30 June 2019 $000	31 December 2018 $000
Non-current liabilities	**25,756**	35,456
Current liabilities	**-**	1,127
Total derivative liabilities	**25,756**	36,583

Financial assets and liabilities are offset and the net amount reported in the statement of financial position ("SOFP") where the Company currently has 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. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set-off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements.

11. Derivative assets/liabilities (continued)

As at 30 June 2019

	Gross amounts recognised $000	**Gross amounts offset in the SOFP $000**	**Net amounts presented in the SOFP $000**	**Cash collateral $000**	**Net amount $000**
Assets					
Derivative assets	**181,078**	**(41,233)**	**139,845**	**(125,593)**	**14,252**
Liabilities					
Derivative liabilities	**66,989**	**(41,233)**	**25,756**	**(8,194)**	**17,562**

As at 31 December 2018

	Gross amounts recognised $000	Gross amounts offset in the SOFP $000	Net amounts presented in the SOFP $000	Cash collateral $000	Net amount $000
Assets					
Derivative assets	171,996	(55,109)	116,887	(76,780)	40,107
Liabilities					
Derivative liabilities	91,692	(55,109)	36,583	(3,908)	32,675

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

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

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

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

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

Structured notes

	30 June 2019 Notional $000	**30 June 2019 Fair value $000**	31 December 2018 Notional $000	31 December 2018 Fair value $000
Non-current liabilities				
Between one year and five years	**152,353**	**172,135**	404,300	459,107
Between five years and ten years	**312,605**	**329,753**	220,950	221,788
More than 10 years	**1,545,988**	**1,563,477**	676,472	645,378
Credit spread adjustment	**-**	**(21,487)**	-	(17,276)
	2,010,946	**2,043,878**	1,301,722	1,308,997
Current liabilities				
On demand	**260,144**	**357,236**	145,980	238,216
Credit spread adjustment	**-**	**2,592**	-	(3,191)
	260,144	**359,828**	145,980	235,025
Total	**2,271,090**	**2,403,706**	1,447,701	1,544,022

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:

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

	30 June 2019 Notional $000	**30 June 2019 Fair value $000**	31 December 2018 Notional $000	31 December 2018 Fair value $000
Structured notes				
USD	**1,205,143**	**1,210,623**	738,784	739,258
JPY	**521,061**	**498,391**	268,998	237,287
EUR	**464,301**	**621,666**	397,059	542,923
GBP	**47,594**	**48,082**	13,857	13,784
RUB	**10,464**	**11,590**	9,467	9,307
SEK	**10,453**	**13,438**	11,046	12,584
CAD	**8,227**	**8,369**	-	-
CLP	**3,847**	**10,442**	8,490	9,346
Credit spread adjustment	**-**	**(18,895)**	-	(20,467)
	2,271,090	**2,403,706**	1,447,701	1,544,022

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 1.15.

13. Tax liability

	30 June 2019 $000	31 December 2018 $000
Deferred tax at beginning of year	**11,310**	480
Charged/(credited) to profit and loss	**(1,144)**	1,410
Tax relating to movement in debit valuation adjustment	**(8,434)**	9,760
Tax rate change	**-**	(340)
Deferred tax liability at end of period	**1,732**	11,310

The deferred tax liability is non-current.

13. Tax liability (continued)

	30 June 2019 $000	31 December 2018 $000
Income tax payable at beginning of year	**3,479**	316
Charged to the income statement	**1,651**	4,160
Impact of foreign tax exchange	**-**	15
Tax paid	**(3,960)**	(1,012)
Income tax payable at end of period	**1,170**	3,479

14. Amounts owed to affiliated undertakings

	30 June 2019 $000	31 December 2018 $000
Other amounts payable	**130,305**	72,656

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

15. Dividend payable

The Company did not declare a dividend during the period. During the period ended 30 June 2018, the Company declared $7,858,000 as a dividend to MLID, representing payments on the $750,000,000 other equity capital. The other equity capital was converted to share premium on 1 July 2018, along with the accrued dividends on perpetual borrowing totalling $59,437,000.

16. Accrued expenses and other liabilities

	30 June 2019 $000	31 December 2018 $000
Accrued professional fees and other liabilities	**343**	70

16. Accrued expenses and other liabilities (continued)

	30 June 2019 $000	31 December 2018 $000
Audit fees	**85**	103
Non-audit fees	**21**	21
	106	124

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 accountants organisaties – Wta”) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

The accrued audit and non-audit fees relates to the statutory audit of the Company's 2019 financial statements and services in relation to the 2019 comfort letters for the issuance of structured notes. Payment of the 2018 fees was made by an affiliate entity and recharged to the Company.

17. Issued capital and reserves

	30 June 2019 $000	31 December 2018 $000
Share capital	**-**	-
Share premium	**40,437**	809,437
Other reserves	**(18,353)**	14,358
	22,084	823,795

Issued share capital in 2019 comprises 12,998 Ordinary shares of equal voting rights at $0.01 each. (2018: 12,998 ordinary shares at $0.01 each).

Other reserves include adjustments of $3,651,000 related to merger with Bank of America Issuance B.V during 2015 and $22,004,000 debit which relates to the debit valuation adjustment (DVA) after tax.

In January 2019, the Company approved and paid a share premium distribution of $769,000,000 in cash, representing a return of capital to shareholders in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

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 as at 30 June 2019

	Amortised cost $000	Derivative assets/ liabilities $000	Financial instruments at fair value through profit or loss $000	Financial instruments designated at fair value through profit or loss $000
Assets				
Amounts owed by affiliated undertakings	2,305,201	-	-	-
Financial assets at fair value through profit or loss	-	-	220,532	-
Derivative assets	-	139,845	-	-
Cash and cash equivalents	23,053	-	-	-
	2,328,254	139,845	220,532	-

	Amortised cost $000	Derivative assets/ liabilities $000	Financial instruments at fair value through profit or loss $000	Financial instruments designated at fair value through profit or loss $000
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	-	-	2,403,706
Derivative liabilities	-	25,756	-	-
Amounts owed to affiliated undertakings	130,305	-	-	-
	130,305	25,756	-	2,403,706

18. Financial instruments by category (continued)

Summary of financial instruments as at 31 December 2018

	Amortised cost $000	Derivative assets/ liabilities $000	Financial instruments at fair value through profit or loss $000	Financial instruments designated at fair value through profit or loss $000
Assets				
Amounts owed by affiliated undertakings	2,260,415	-	-	-
Financial assets at fair value through profit or loss	-	-	184,115	-
Derivative assets	-	116,887	-	-
Cash and cash equivalents	22,353	-	-	-
	2,282,768	116,887	184,115	-
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	-	-	1,544,022
Derivative liabilities	-	36,583	-	-
Amounts owed to affiliated undertakings	72,656	-	-	-
	72,656	36,583	-	1,544,022

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 deposits placed with BAC, which at 30 June 2019 amounted to $338,630,000 (31 December 2018: $339,971,000), which are interest bearing and generated interest income for the six months ended 30 June 2019 of $5,875,000 (six months ended 30 June 2018: $4,982,000).

The Company has deposits placed with MLI, which at 30 June 2019 amounted to $1,843,360,000 (31 December 2018: $988,499,000), which are interest bearing and generated interest income for the six months ended 30 June 2019 of $19,487,000 (six months ended 30 June 2018: $9,788,000).

The Company has total return swaps and cross currency swaps transacted with MLI, which at 30 June 2019 amounted to $114,089,000 (31 December 2018: $80,303,000).

The Company has entered into loan contracts with MLI which at 30 June 2019 amounted to $28,853,000 (31 December 2018: $49,943,000), NB Holdings Corporation $13,962,000 (31 December 2018: $83,791,000) and BofAML Jersey Holdings Limited $86,000,000 (31 December 2018: $796,612,000).

The amount owed to affiliated undertakings relate to collateral received under legally enforceable master netting agreements, denominated in USD, which are due and payable on demand and which at 30 June 2019 amounted to $130,305,000 (31 December 2018: $72,656,000).

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

There are no employees in the Company for the six months ended 30 June 2019 (period ended 30 June 2018: none).

The company has service fee income from MLI for the six months ended 30 June 2019 amounted to $240,000 (six months ended 30 June 2018: $1,066,000).

Included in the administrative expenses; are Directors' fees and remuneration relating to one director, two directors do not receive any remuneration. The Company has taken advantage of the disclosure exemption. Disbursements for travel and other expenses incurred in relation to matters concerning the Company are charged to the Company separately.

20. Financial risk management

Legal Entity Governance

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

The risk management approach has five components:

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

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

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

Market risk

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

Trading positions within the entity are subject to various changes in market based risk factors. The majority of this risk is generated by the activities in interest rate, FX, equities, commodities and credit markets. In addition, the values of asset and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility.

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. A single model is used consistently across the trading portfolios, and it uses a historical simulation approach based on a three-year window of historical data. The primary VaR statistic is equivalent to a 99 percent confidence level. This means that for a VaR with a one day holding period, there should not be losses in excess of VaR, on average, 99 out of 100 trading days.

The table that follows presents VaR analysis independently for each risk category for June 2019. Additionally, high and low VaR is presented independently for each risk category and overall.

20. Financial risk management (continued)

	30-Jun 2019 $000	High 2019 $000	Daily average 2019 $000	Low 2019 $000
99% Daily VaR				
Total	**1,542**	2,121	1,613	1,175
Interest rate risk	**1,673**	1,673	1,498	1,188
Currency risk	**338**	2,334	923	96
Equity price risk	**150**	150	85	40
Credit risk	**11**	24	16	11

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.

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

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

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

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 six months ended 30 June 2019.

The credit risks of the Company arise from its affiliate hedging of structured note issuance via derivatives as well as its intercompany loans and deposits. The Company restricts its exposure to credit losses on derivative instruments by entering into master netting arrangements with affiliate counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the 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 is considered to be credit-impaired such that the resulting ECL is not significant to the Company. 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 $1,831,697,000 (31 December 2018: $1,328,470,000), all with affiliated undertakings, please refer to note 8. Financial assets held for trading and financial assets designated at fair value through profit or loss are predominantly taken out with MLI. At the end of the reporting year, the credit rating for outstanding long term debt of the affiliated undertakings are A- and A+ (S&P) for BAC and MLI respectively (2018: A+ for both BAC and MLI).

20. Financial risk management (continued)

Compliance and Operational risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Company arising from the failure of the Company to comply with the requirements of applicable laws, rules and regulations and internal policies and procedures. The Company is committed to the highest level of compliance and has no appetite for violations of legislative or regulatory requirements. The Company seeks to anticipate and assess compliance risks to the core businesses and respond to these risks effectively should they materialize. While the Company strives to prevent compliance violations, it cannot fully eliminate compliance risk, but manage it by establishing permissible thresholds to reduce exposure to financial loss, reputational harm or regulatory sanctions.

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. The Company has designed an operational risk management program that incorporates and documents the process for identifying, measuring, monitoring, controlling and reporting operational risk information to executive management and the board of directors, or appropriate board-level committees. The Company manages operational risk by establishing permissible thresholds to reduce exposure to financial loss, reputational harm or regulatory sanctions.

The Company is committed to maintaining strong compliance and operational risk management practices across all front line units and control functions. The Company manages compliance and operational risk through an integrated set of controls and processes to address external and internal risks, including a complex and dynamic regulatory environment and the evolving products, services and strategies of the front line units and control functions. Every employee is responsible to understand these risks and identify, mitigate and escalate compliance and operational risk and issues.

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

Reputational risk

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

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

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

20. Financial risk management (continued)

For the region there is a dedicated committee, the EU & UK/CEEMEA Reputational Risk Committee (BAC & Bank of America, N.A. ("BANA")), whose mandate includes consideration of reputational risk issues and to provide guidance and approvals for activities that represent specific Reputational Risks which have been referred for discussion by other current control frameworks or lines of business. Reputational risk items relating to MLBV are considered as part of the Regional Reputational Risk Committee.

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

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

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

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

Items requiring increased attention may be escalated from the EU & UK/CEEMEA Reputational Risk Committee to the Global Reputational Risk Committee as appropriate.

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

Strategic risk

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

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

The Company's strategic execution and risk management processes are aligned to the overall BAC strategic plans through a formal planning and approval process and are set within the context of overall risk appetite. The BAC Board is responsible for overseeing the strategic planning process and management's implementation of the resulting strategic plan. BAC's strategic plan is reviewed and approved annually by the BAC Board. Strategic planning at BAC level is representative of more detailed planning undertaken at the business unit, regional and Company level.

Any strategic decisions relating to MLBV are presented and discussed at MLBV Board level. Front line units provide updates to the MLBV Board on their business performance and management of strategic risk. Updates take into account analyses of performance relative to the strategic plan, financial operating plan, risk appetite and performance relative to peers.

20. Financial risk management (continued)

Liquidity risk

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

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

The tables below represent the undiscounted cash flows of the Company's financial liabilities as at 30 June 2019 and 31 December 2018, with the exception of those held for trading or designated at fair value through profit and loss.

The fair values of financial liabilities held for trading and financial liabilities designated at fair value through profit and loss have been disclosed as this is consistent with the values used in the liquidity risk management of these instruments. The maturity analysis of financial liabilities designated at fair value through profit and loss is presented in note 12.

	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
As at 30 June 2019						
Financial liabilities designated at fair value through profit or loss	**126,625**	**233,203**	**90,806**	**308,236**	**1,644,836**	**2,403,706**
Derivative liabilities	**-**	**-**	**450**	**8,860**	**16,446**	**25,756**
Amounts owed to affiliated undertakings	**-**	**130,305**	**-**	**-**	**-**	**130,305**
Accrued expenses and other liabilities	**343**	**-**	**-**	**-**	**-**	**343**
	126,968	**363,508**	**91,256**	**317,096**	**1,661,282**	**2,560,110**

20. Financial risk management (continued)

	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
As at 31 December 2018						
Financial liabilities designated at fair value through profit or loss	2,849	232,176	226,809	229,258	852,930	1,544,022
Derivative liabilities	909	218	223	10,800	24,433	36,583
Amounts owed to affiliated undertakings	-	72,656	-	-	-	72,656
Accrued expenses and other liabilities	70	-	-	-	-	70
	3,828	305,050	227,032	240,058	877,363	1,653,331

Capital risk management

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

The capitalisation ratio of 5% represents the minimum capital requirement for the maximum projected issuances of $2,500,000,000.

20. Financial risk management (continued)

	30 June 2019 $000	31 December 2018 $000
Capitalisation ratio:		
Equity	**125,662**	915,695
Issued debt	**2,403,706**	1,544,022
Capitalisation ratio	**5%**	**59%**

21. Fair value measurement

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

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

The table below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 30 June 2019:

As at 30 June 2019

	Level 2 $000	Level 3 $000	Total $000
Assets			
Financial assets at fair value through profit or loss	**54,136**	**166,396**	**220,532**
Derivative assets	**40,634**	**99,211**	**139,845**
	94,770	**265,607**	**360,377**

21. Fair value measurement (continued)

	Level 2 $000	**Level 3 $000**	**Total $000**
Liabilities			
Financial liabilities designated at fair value through profit and loss	**1,904,280**	**499,425**	**2,403,706**
Derivative liabilities	**16,695**	**9,061**	**25,756**
	1,920,975	**508,486**	**2,429,462**

As at 31 December 2018

	Level 2 $000	Level 3 $000	Total $000
Assets			
Financial assets at fair value through profit or loss	76,399	107,716	184,115
Derivative assets	15,095	101,792	116,887
	91,494	209,508	301,002

Liabilities			
Financial liabilities designated at fair value through profit and loss	1,106,524	437,498	1,544,022
Derivative liabilities	20,984	15,599	36,583
	1,127,508	453,097	1,580,605

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.

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 $265,607,000 as of 30 June 2019 (31 December 2018: $209,508,000), and represent approximately seventy four percent of assets measured at fair value and approximately ten percent of total assets. Level 3 liabilities were $508,486,000 as of 30 June 2019 (31 December 2018: $453,097,000), and represent approximately twenty one percent of liabilities measured at fair value and twenty percent of total liabilities.

	Financial assets at fair value through profit or loss $000	**Derivative assets/ liabilities $000**	**Financial liabilities designated at fair value through profit or loss $000**
Balance at 1 January 2019	**107,716**	**86,193**	**(437,498)**
Losses/(gains) recognised in the statement of comprehensive income	**4,073**	**9,084**	**(597)**
Settlements	**(72,412)**	**(6,591)**	**-**
New issuances	**126,111**	**2,495**	**(8,000)**
Transfers in	**7,730**	**74**	**(53,330)**
Transfers out	**(6,822)**	**(1,105)**	**-**
Balance at 30 June 2019	**166,396**	**90,150**	**(499,425)**

21. Fair value measurement (continued)

	Financial assets at fair value through profit or loss $000	**Derivative assets/ liabilities $000**	**Financial liabilities designated at fair value through profit or loss $000**
Change in unrealised gains or losses for level 3 derivative assets and liabilities and included in net changes on financial assets and liabilities at fair value through profit or loss	**4,073**	**9,084**	**(597)**

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 at fair value through profit or loss $000	Derivative assets/ liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2018	32,501	109,204	(458,038)
Losses/(gains) recognised in the statement of comprehensive income	(2,517)	(32,821)	22,220
Settlements	(21,694)	(1,118)	16,302
New issuances	35,305	11,216	(53,735)
Transfers in	72,412	1,059	-
Transfers out	(8,291)	(1,347)	35,753
Balance at 31 December 2018	107,716	86,193	(437,498)

21. Fair value measurement (continued)

	Financial assets at fair value through profit or loss $000	Derivative assets/ liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Change in unrealised gains or losses for level 3 derivative assets and liabilities and included in net changes on financial assets and liabilities at fair value through profit or loss	(2,517)	(32,821)	22,220

21. Fair value measurement (continued)

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

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

As at 30 June 2019	**Valuation technique**	**Significant unobservable inputs**	**Ranges of input**
Derivative assets and liabilities			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	11.79% to 100% 6.02% to 51.91%
Financial liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	11.79% to 100% 6.02% to 51.91% 7.5% to n/a $0 to $100 0 to 5 years

As at 31 December 2018	**Valuation technique**	**Significant unobservable inputs**	**Ranges of input**
Derivative assets and liabilities			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	15.00% to 100% 4.00% to 84.0%
Financial liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	15.00% to 100% 4.00% to 84.00% 7.5% to n/a $0 to $100 0 to 5 years

21. Fair value measurement (continued)

Sensitivity analysis of unobservable inputs

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Company's valuation control policies. Where the Company has valued the financial instruments concerned using input values drawn from the extremes of the ranges of reasonable possible alternatives, then as at 30 June 2019, it could have increased fair value by as much as $2,744,000 (31 December 2018: $ 518,000) or decreased fair value by as much as $962,000 (31 December 2018: $434,000) with the potential effect impacting profit and loss rather than reserves.

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

Financial assets and liabilities carried at amortised cost

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

The fair value of amounts owed by affiliated undertakings is determined by reference to quoted market prices of similar instruments. Money market deposits are classified as level 2 and are valued at $1,899,614,000 (31 December 2018: $1,407,282,000).

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

22. Events after the reporting period

The directors are of the opinion that there are no significant events that have occurred since 30 June 2019 to the date of this report.

23. Profit appropriation

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

a) The profits of the Company, according to the annual financial statements adopted by the general meeting, are - 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 six months ended 30 June 2019, the Board of Directors do not recommend the payment of a further dividend for the half-year to 30 June 2019.

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

The financial statements were approved by the Board and authorised for issue on 19 September 2019. They were signed on its behalf by:

A.E. Okobia
Director

S. Lilly
Director

L.J.M. Duysens
Director

Amsterdam
19 September 2019