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For identification purposes only

Registered number: 56457103

MERRILL LYNCH B.V.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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COMPANY INFORMATION

Directors	A.E. Okobia E.J. Brouwer S. Lilly
Company secretary	Merrill Lynch Corporate Services Limited
Registered number	56457103
Registered office	Amstelplein 1, Rembrandt Tower 27 Floor, 1096HA, Amsterdam The Netherlands
Independent Auditor	PricewaterhouseCoopers Accountants N.V. Fascinatio Boulevard 350 3065 WB Rotterdam The Netherlands

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV", or the "Company") for the year ended 31 December 2018.

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 31 December 2018 and of its profit and cash flows for the year then ended; and
- the directors' report gives a true and fair view of the Company's situation as at the reporting date, the events that occurred during 2018, 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 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 a going concern basis unless the directors either intends to liquidate the Company or to cease operations, or has 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"). The work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Business review

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

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

Results and dividends

The directors are satisfied with the Company's performance for the financial year ended 31 December 2018 and the financial position at the end of the year. The profit for the financial year, after taxation, amounted to $24,249,000 (2017: $3,399,000).

During the 12 month period, the Company declared a dividend in the amount of $7,858,000 (2017: $15,847,000) to its parent MLID, relating to the accrued payments on the $750,000,000 perpetual borrowing.

The perpetual borrowing from MLID was converted to share premium on 1 July 2018, along with accrued and unpaid dividends on perpetual borrowing totalling $59,437,000. Under Dutch law, the conversion resulted in a reduction in other equity capital of $750,000,000 and increase in share premium totalling $809,437,000, see note 17.

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).

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware, and
- the directors has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Post reporting date events

On 16 January 2019, the Board approved a distribution of share premium of $769,000,000 in cash in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

Composition of the board

The size and composition of the Board of Directors and the combined experience reflects the best fit for profile and strategy of the Company. Currently 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 year ended 2018 (2017: none).

Board of Directors
(together authorised to represent the Company)

A.E. Okobia
E.J. Brouwer
S. Lilly

This report was approved by the board on 29 April 2019 and signed on its behalf.

A.E. Okobia
Director

E.J. Brouwer
Director

S. Lilly
Director

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $000	2017 $000
Net (loss)/gain on financial instruments at fair value through profit or loss	3	**(16,662)**	67,798
Net loss on financial instruments designated at fair value through profit or loss	4	**(11,833)**	(107,795)
Administrative expenses		**(410)**	(488)
Other income/(loss)	6	**1,309**	(14)
Loss from operations		**(27,596)**	(40,499)
Interest income	5	**57,075**	39,661
Profit/(loss) before tax		**29,479**	(838)
Tax (charge)/credit	7	**(5,230)**	4,237
Profit for the year		**24,249**	3,399
Other comprehensive income:			
Items that will not be reclassified to profit and loss:			
Movement in debit valuation adjustment		**47,607**	-
Tax relating to movement in debit valuation adjustment		**(9,760)**	-
		37,847	-
Total comprehensive income		**62,096**	3,399

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

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STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018

(Before appropriation of result)	Note	2018 $000	2017 $000
Assets			
Non-current assets			
Amounts owed by affiliated undertakings	8	**1,328,470**	1,685,276
Financial assets at fair value through profit or loss	9	**160,763**	113,732
Derivative assets	11	**56,297**	147,906
		1,545,530	1,946,914
Current assets			
Amounts owed by affiliated undertakings	8	**931,945**	215,247
Financial assets at fair value through profit or loss	9	**23,352**	66,352
Derivative assets	11	**60,590**	39
Accrued interest receivable and other assets		**45**	23
Cash and cash equivalents	10	**22,353**	21,147
		1,038,285	302,808
Total assets		**2,583,815**	2,249,722
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	12	**1,308,997**	1,163,042
Derivative liabilities	11	**35,456**	21,191
Deferred tax liability	13	**11,310**	480
		1,355,763	1,184,713
Current liabilities			
Amounts owed to affiliated undertakings	14	**72,656**	123,602
Financial liabilities designated at fair value through profit or loss	12	**235,025**	80,449
Dividend payable	15	**-**	51,579
Derivative liabilities	11	**1,127**	-
Income tax payable	13	**3,479**	316
Accrued expenses and other liabilities	16	**70**	16
		312,357	255,962
Total liabilities		**1,668,120**	1,440,675
Net assets		**915,695**	809,047
Issued capital and reserves			
Other reserves	17	**14,358**	3,651
Share premium	17	**809,437**	-
Other equity capital	17	**-**	750,000
Retained earnings		**91,900**	55,396
Total equity		**915,695**	809,047

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

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

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

	Share Premium $000	Other equity capital $000	Other reserves $000	Retained earnings $000	Total equity $000
At 1 January 2017	-	750,000	3,651	67,844	821,495
Profit for the year	-	-	-	3,399	3,399
Transaction with owner in their capacity as owner:					
Dividends declared	-	-	-	(15,847)	(15,847)
At 31 December 2017	-	750,000	3,651	55,396	809,047

The notes on pages 8 to 39 form part of these financial statements. For further details see notes 8, 15 and 17.

For further information of the impacts of adopting IFRS 9, see note 4.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $000	2017 $000
Cash flow generated from/(used in) operating activities			
Profit/(loss) before tax		**29,479**	(838)
		29,479	(838)
Adjustments for non-cash items:			
Net (loss)/gain on financial instruments at fair value through profit or loss	3	**16,662**	(67,798)
Net loss on financial assets designated at fair value through profit or loss	4	**11,833**	107,795
Interest income	5	**(57,075)**	(39,661)
Foreign exchange loss/(gain) on translation of tax liability		**15**	(153)
Income tax expense		**(5,230)**	-
Cash used in operations		**(4,316)**	(655)
Cash flows from operating activities:			
Placement of intercompany loans and deposits	8	**(593,279)**	(280,451)
Repayment of intercompany loans and deposits	8	**937,492**	694,099
Placement of fully-funded total return swaps	9	**(99,877)**	(104,184)
Repayment of fully-funded total return swaps	9	**95,845**	328,706
Net movement of financial instruments held for trading	11	**34,675**	18,290
Proceeds from issuance of structured notes	12	**730,079**	331,051
Redemption of structured notes	12	**(387,866)**	(1,010,390)
Income tax paid		**(1,012)**	(817)
Placement of intercompany payables		**6,129**	68,066
Placement of intercompany receivables		**(716,664)**	(43,804)
Net increase in cash and cash equivalents		**1,206**	(89)
Cash and cash equivalents at the beginning of year		**21,147**	21,236
Cash and cash equivalents at end of year	10	**22,353**	21,147

Non-cash investing and financing activities disclosed in other notes are:

- conversion of other equity capital to share premium – note 17
- distribution in kind – note 8

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. **General information**

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 Bank of America Corporation ("BAC") and Merrill Lynch International ("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 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. Merrill Lynch International, LLC. ("MLID") is the Company's immediate parent; BAC is the Company's ultimate parent, see note 19.

2. **Accounting Policies**

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

2.1 Basis of preparation

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

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

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

2. Accounting Policies (continued)

2.2 New and amended standards adopted by the Company

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

IFRS 9 Financial Instruments

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

Classification of financial assets and liabilities

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

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

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Company applies the impairment requirements of IFRS 9, see note 2.15.

Transition

As permitted by the transitional provisions of IFRS 9, the Company has elected not to restate comparative figures. Assessments as to the business model within which a financial asset is held, and decisions as to the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL, have been made on the basis of facts and circumstances that existed at the date of initial application. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

On adoption of IFRS 9, the debit valuation reserve ("DVA reserve") relates to credit risk on associated fair value changes of liabilities designated at fair value through profit or loss was $27,140,000. These fair value changes are presented in OCI as debit valuation adjustment.

2. Accounting Policies (continued)

IFRS 15 Revenue from contracts with customers

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

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

New standards, amendments and interpretations not yet adopted.

A number of new standards and amendments to standards and interpretations are effective 1 January 2019. None of these are expected to have effect on the financial statements of the Company.

2.3 Translation of foreign currencies

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

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

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

2.4 Financial assets

Policy applicable from 1 January 2018

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

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

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

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

2. Accounting Policies (continued)

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

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

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

Policy applicable prior to 1 January 2018

The Company recognises financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Management determines the classification of the Company's financial assets at initial recognition. The Company classifies its financial assets in the following categories: financial assets at FVPL and loans and receivables.

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

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

(b) Loans and receivables

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

2. Accounting Policies (continued)

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

2.5 Financial liabilities

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

From 1 January 2018, when the Company designates a financial liability as at FVPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a debit valuation adjustments reserve. However, if on initial recognition of the financial liability the Company assesses that presentation in OCI would create, or enlarge, an accounting mismatch, then the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss. 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.

2.6 Derecognition

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

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

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

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

2. Accounting Policies (continued)

2.7 Offsetting financial instruments

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

2.8 Segmental reporting

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

2.9 Shareholders' equity

All issued ordinary shares are classified as equity. The perpetual borrowing from MLID previously classified as other equity was converted to share premium on 1 July 2018, along with accrued and unpaid dividends totalling $59,437,000. Under Dutch law, the conversion to share premium totalling $809,437,000 resulted in a reduction in other equity capital of $750,000,000.

2.10 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 principal trading and net gains/(losses) on other financial instruments at FVPL, respectively.

2.11 Current and deferred income tax

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

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

2. Accounting Policies (continued)

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

2.12 Cash and cash equivalents

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

2.13 Statement of cash flows

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

2.14 Dividend distribution

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

2.15 Impairment

Policy applicable from 1 January 2018

The Company calculates a probability-weighted loss allowance for 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.

2.16 Critical accounting estimates and judgment in applying accounting policies

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

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

2. Accounting Policies (continued)

Financial instruments measured at fair value

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

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

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

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

	2018	2017
	$000	$000
(Loss)/gain on derivate assets and liabilities	**(11,777)**	68,576
Change in fair value of fully funded swaps	**(4,885)**	(778)
	(16,662)	67,798

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

	2018	2017
	$000	$000
Change in fair value of structured notes	**(11,833)**	**(107,795)**

The change in fair value of instruments designated at fair value includes an after tax debit valuation gain of $37,847,000. The debit valuation adjustment is presented in OCI from 1 January 2018 (2017: $27,140,000), which is attributable to changes in credit spreads of BAC.

5. Interest income

	2018	2017
	$000	$000
Finance income	**57,075**	39,661

Finance income represents interest income on deposits and intercompany loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. Other income/(expense)

Operating income of $1,309,000 relates to service fee income from MLI, an affiliate. Prior year expense of $14,000 relates to service fee expense from Bank of America Merrill Lynch International Ltd ("BAMLI"), an affiliate.

7. Tax charge/(credit)

	2018 $000	2017 $000
Current tax		
Current tax on profit for the year	**4,061**	834
Adjustments in respect of prior periods	**99**	(43)
Total current tax charge	**4,160**	791

	2018 $000	2017 $000
Deferred tax		
Origination and reversal of temporary differences	**1,410**	(5,058)
Tax rate change	**(340)**	-
Total deferred tax charge/(credit)	**1,070**	(5,028)
Total tax charge/(credit)	**5,230**	(4,237)

	2018 $000	2017 $000
Profit/(loss) before tax	**29,479**	(838)
Tax calculated at standard rate of corporation tax <€200k at 20% and >€200k at 25% (2017: 25%)	**7,370**	(210)
Tax effect of:		
Net credit not subject to tax	**(1,899)**	(3,985)
Adjustments in respect of prior periods	**99**	(43)
Tax rate change	**(340)**	-
Total tax charge/(credit)	**5,230**	(4,237)

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

8. Amounts owed by affiliated undertakings

	2018	2017
	$000	$000
Non-current assets		
Investment in Merrill Lynch & Co. Canada Ltd	**-**	7,027
Intercompany loan	**-**	750,000
Money market deposit	**1,328,470**	928,249
	1,328,470	1,685,276

	2018	2017
	$000	$000
Current assets		
Intercompany loans	**931,945**	215,247
	931,945	215,247

The investment in Merrill Lynch & Co. Canada Ltd is non-voting preference shares, of which the Company previously held 44.45%. The Board approved distribution in kind to MLID on 4 September 2018 in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

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

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

Non-current money market deposits at amortised cost have a fair value of $1,407,282,000 (2017: $1,002,831,000).

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

9. Financial assets 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:

Fully-funded total return swaps

	2018 Notional $000	**2018 Fair Value $000**	2017 Notional $000	2017 Fair Value $000
Non-current assets				
From 12 months to 5 years	**165,977**	**159,908**	109,551	111,492
Over 5 years	**1,595**	**1,743**	2,000	2,307
Credit spread adjustment	**-**	**(888)**	-	(67)
	167,572	**160,763**	111,551	113,732
Current assets				
Less than 1 year	**22,877**	**23,292**	68,350	66,284
Credit spread adjustment	**-**	**60**	-	68
	22,877	**23,352**	68,350	66,352
Total	**190,449**	**184,115**	179,901	180,084

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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Fully-funded total return swaps

	2018 Notional $000	**2018 Fair Value $000**	2017 Notional $000	2017 Fair Value $000
EUR	**169,272**	**163,805**	15,124	17,138
USD	**7,320**	**7,338**	163,424	160,826
GBP	**13,857**	**13,800**	1,353	2,119
Credit spread adjustment	**-**	**(828)**	-	1
	190,449	**184,115**	179,901	180,084

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

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

The credit spread adjustment represents a credit valuation adjustment which is linked to BAC credit spreads, for more information refer to note 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 2.16

10. Cash and cash equivalents

	2018 $000	*2017* $000
Cash at bank and on hand	**3,313**	2,491
Short-term time deposit	**19,040**	18,656
	22,353	21,147

The short-term time deposits are held with Bank of America, N.A. and are interest bearing at 2.37% average rate (2017: 1.37% average rate). The credit rating is A-1 (S&P) (2017: A-1 (S&P)).

Cash at hand and bank balances and deposits held at call. Cash and cash equivalents are stated at face value.

11. Derivative assets/liabilities

	2018 $000	2017 $000
Non-current assets	**56,297**	147,906
Current Assets	**60,590**	39
Total derivative assets	**116,887**	147,945
Non-current liabilities	**35,456**	21,191
Current liabilities	**1,127**	-
Total derivative liabilities	**36,583**	21,191

For 2018, financial instruments held for trading are presented as derivative assets and liabilities to provide more information to the users of the financial statements.

Derivatives are subject to offsetting and related agreements.

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

Financial assets subject to offsetting and related arrangements

	Gross amounts recognised $000	**Gross amounts offset in the SOFP $000**	**Net amounts presented in the SOFP $000**	**Cash collateral $000**	**Net amount $000**
As at 31 December 2018					
Total assets	**171,996**	**(55,109)**	**116,887**	**(76,780)**	**40,107**
As at 31 December 2017					
Total assets	196,273	(48,328)	147,945	(123,650)	24,295

Financial liabilities subject to offsetting and related arrangements

	Gross amounts recognised $000	**Gross amounts offset in the SOFP $000**	**Net amounts presented in the SOFP $000**	**Cash collateral $000**	**Net amount $000**
As at 31 December 2018					
Total liabilities	**91,692**	**(55,109)**	**36,583**	**(3,908)**	**32,675**
As at 31 December 2017					
Total liabilities	69,519	(48,328)	21,191	(214)	20,977

11. Derivative assets/liabilities (continued)

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	**2018 Notional $000**	**2018 Fair Value $000**	2017 Notional $000	2017 Fair Value $000
Non-current liabilities				
From 12 months to 5 years	**404,300**	**459,107**	601,285	744,817
Over 5 years	**220,950**	**221,788**	108,212	133,290
Over 10 years	**676,472**	**645,378**	270,160	258,018
Credit spread adjustment	**-**	**(17,276)**	-	26,917
	1,301,722	**1,308,997**	979,657	1,163,042
Current liabilities				
Less than 1 year	**145,980**	**238,216**	75,946	80,226
Credit spread adjustment	**-**	**(3,191)**	-	223
	145,980	**235,025**	75,946	80,449
Total	**1,447,701**	**1,544,022**	1,055,602	1,243,491

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)

Structured notes	**2018 Notional $000**	**2018 Fair Value $000**	2017 Notional $000	2017 Fair Value $000
EUR	**397,059**	**542,923**	306,974	467,248
USD	**738,784**	**739,258**	592,985	598,412
SEK	**11,046**	**12,584**	21,220	24,436
JPY	**268,998**	**237,287**	127,780	117,742
GBP	**13,857**	**13,784**	2,396	3,172
CLP	**8,490**	**9,346**	4,247	5,341
RUB	**9,467**	**9,307**	-	-
Credit spread adjustment	**-**	**(20,467)**	-	27,140
	1,447,701	**1,544,022**	1,055,602	1,243,491

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

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

The credit spread adjustment represents a debit valuation adjustment which is linked to BAC credit spreads. The fair value of the structured notes, is determined by using valuation techniques based on valuation models, for more information refer to accounting policy note 2.16.

13. Tax liability

	2018 Deferred tax $000	2017 Deferred tax $000
Deferred tax at beginning of year	**480**	5,508
Charged/(credited) to profit and loss	**1,410**	(5,028)
Tax relating to movement in debit valuation adjustment	**9,760**	-
Tax rate change	**(340)**	-
Deferred tax liability at end of year	**11,310**	480

13. Tax liability (continued)

The deferred tax liability is non-current.

	2018 **$000**	2017 $000
Income tax payable at beginning of year	**316**	495
Charged to the income statement	**4,160**	791
Impact of foreign tax exchange	**15**	(153)
Tax paid	**(1,012)**	(817)
Income tax payable at end of year	**3,479**	316

14. Amounts owed to affiliated undertakings

	2018 **$000**	2017 $000
Other amounts payable	**72,656**	123,602

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

15. Dividend payable

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

The perpetual borrowing from MLID was converted into share premium on 1 July 2018, along with accrued but unpaid dividends totalling $59,437,000.

16. Accrued expenses and other liabilities

	2018 **$000**	2017 $000
Accrued professional fees	**70**	**16**

16. Accrued expenses and other liabilities (continued)

Payments made to PricewaterhouseCoopers Accountants N.V. in relation to the statutory audit. Payment was made by an affiliate entity and recharged to the Company. These fees relate to the audit of the 2018 financial statements, regardless of whether the work was performed during the financial year.

	2018 **$000**	2017 $000
Audit fees	**103**	120
Non-audit fees	**21**	24
	124	144

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.

Total audit fees charged by PwC NL amounts to $103,000 (2017:$120,000). The audit fees relate to the statutory audit of the Company. These fees relate to the audit of the 2018 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. Issued capital and reserves

	2018 **$000**	2017 $000
Other equity capital	**-**	750,000
Share capital	**-**	-
Share premium	**809,437**	-
Other reserves	**14,358**	3,651
	823,795	753,651

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

Other reserves include adjustments which relates to the debit valuation adjustment (DVA) after tax of $10,707,000.

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

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

The investment in Merrill Lynch & Co. Canada Ltd of which the Company previously held 44.45%, during the year the Board approved distribution in kind to MLID for an amount equal to $7,027,000 and is included within retained earnings.

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 2018

	Amortised cost	Derivative assets/ liabilities	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss
	$000	$000	$000	$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

On 1 January 2018 the Company made certain restatements / classifications of financial assets and financial liabilities on adoption of IFRS 9.

18. Financial instruments by category (continued)

Summary of financial instruments at 31 December 2017

	Loans and receivables	Derivative assets/ liabilities	Financial instruments designated at fair value through profit or loss
	$000	$000	$000
Assets			
Amounts owed by affiliated undertakings	1,900,523	-	-
Financial assets designated at fair value through profit or loss	-	-	180,084
Derivative assets	-	147,945	-
Cash and cash equivalents	21,147	-	-
	1,921,670	147,945	180,084
Liabilities			
Financial liabilities designated at fair value through profit or loss	-	-	1,243,490
Derivative liabilities	-	21,191	-
Amounts owed to affiliated undertakings	123,602	-	-
	123,602	21,191	1,243,490

19. Related party transactions

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

The following parties are considered related parties:

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

MLID is the holder of other equity capital of $750,000,000 which carries a fixed rate of 2.08% per annum and payments are accrued subject to prior declaration by the Board of Directors. On 1 July 2018, the other equity capital along with accrued and unpaid dividends totalling to $59,437,000 was converted to share premium.

The Company has deposits placed with BAC, which at 31 December 2018 amounted to $339,971,000 (2017: $360,364,000), which are interest bearing and generated interest income during 2018 of $10,756,000 (2017: $8,425,000).

The Company has deposits placed with MLI, which at 31 December 2018 amounted to $988,499,000 (2017: $567,886,000), which are interest bearing and generated interest income during 2018 of $23,808,000 (2017: $11,330,000).

19. Related party transactions (continued)

The Company has total return swaps and cross currency swaps transacted with MLI, which at 31 December 2018 amounted to $80,303,000 (2017: $126,754,000).

The Company has entered into loan contracts with MLI, BAC and BofAML Jersey Holdings Limited and investment in ML&Co. Canada Ltd., as set out in note 8. The Board approved distribution in kind to MLID on 4 September 2018 in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

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 amounted to $72,656,000 (2015: $123,602,000).

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

There are no employees in the Company for the year ended 2018 (2017: none).

The company has service fee income from MLI during the year amounted to $1,309,000.

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. The Company entered into a cost sharing agreement with Investments 2234 Overseas Holdings B.V., an affiliated company with which costs relating to one of the directors' are shared, through their mutual ultimate parent company, BAC, which is based in North Tryon Street, Charlotte, North Carolina, 28202, U.S.A.

20. Financial risk management

Legal entity governance

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

The risk management approach has five components:

- Culture of managing risk well;
- Risk appetite
- 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

20. Financial risk management (continued)

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.

Credit risk

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

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

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

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

These processes create a comprehensive and consolidated view of companywide credit risks, thus providing executive management with the information required to guide or redirect front line units 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 year ended 31 December 2018.

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

20. Financial risk management (continued)

The Company is exposed to a significant concentration of credit risk related to money market deposits totalling $1,328,470,000 (2017: $928,249,000), all with affiliated undertakings, please refer to note 8. Financial assets held for trading and financial assets designated at fair value through profit or loss are predominantly taken out with MLI. At the end of the reporting year, the credit rating for outstanding long term debt of the affiliated undertakings is A+ (S&P) for both BAC and MLI (2017: A+ for both BAC and MLI).

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 our 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. We seek to anticipate and assess compliance risks to our core businesses and respond to these risks effectively should they materialize. While we strive to prevent compliance violations in everything we do, we cannot fully eliminate compliance risk, but manage it by establishing permissible thresholds to reduce our 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. We have designed an operational risk management program, in compliance with Basel II Advanced Measurement Approach requirements, that incorporates and documents our process for identifying, measuring, monitoring, controlling and reporting operational risk information to executive management and the appropriate boards of directors, or appropriate board-level committees. We manage operational risk by establishing permissible thresholds to reduce our exposure to financial loss, reputational harm or regulatory sanctions.

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

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20. Financial risk management (continued)

management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

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

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

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

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

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

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

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

Strategic risk

Strategic Risk is the risk that results from incorrect assumptions about external 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. Financial risk management (continued)

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

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 31 December 2018 and 31 December 2017, with the exception of those held for trading or designated at fair value through profit and loss.

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

2018

	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
Financial liabilities designated at fair value through profit 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

20. Financial risk management (continued)

2017

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

Capital risk management

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

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

20. Financial risk management (continued)

Capitalisation ratio:

	2018 $000	2017 $000
Equity (including other equity capital)	**915,695**	809,047
Issued debt	**1,544,022**	1,243,491
Capitalisation ratio	**59%**	65%

The perpetual borrowing from MLID was converted to share premium on 1 July 2018, along with accrued and unpaid dividends on perpetual borrowing totalling $59,437,000. Under Dutch law, the conversion resulted in a reduction in other equity capital of $750,000,000 and increase in share premium totalling $809,437,000, see note 17.

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 31 December 2018:

As at 31 December 2018	**Level 2 $000**	**Level 3 $000**	**Total $000**
Assets			
Financial assets at fair value through profit or loss	**76,400**	**107,716**	**184,116**
Derivative assets	**15,095**	**101,792**	**116,887**
	91,495	**209,508**	**301,003**
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)

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

Fair values of level 3 assets

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

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

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

21. Fair value measurement (continued)

The table below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were $209,508,000 as of 31 December 2018 (2017: $147,806,000), and represent approximately seventy percent of assets measured at fair value and approximately eight percent of total assets. Level 3 liabilities were $453,097,000 as of 31 December 2018 (2017: $464,139,000), and represent approximately twenty nine percent of liabilities measured at fair value and twenty seven 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 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)

	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)

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 2017	96,360	64,044	(458,737)
Gains/(losses) recognised in the statement of comprehensive income	1,873	45,462	(19,022)
Settlements	(68,288)	(718)	51,743
New issuances	2,556	416	-
Transfers in	-	-	(32,022)
Transfers out	-	-	-
Balance at 31 December 2017	32,501	109,204	(458,038)

	Financial assets 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	1,873	45,462	(19,022)

21. Fair value measurement (continued)

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

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

2018	**Valuation technique**	**Significant unobservable inputs**	**Ranges of input**
Derivative assets and liabilities and financial assets mandatorily at FVPL			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	15.00% to 100% 4.00% to 84.00%
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% n/a $0 to $100 0 to 5 years

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

Sensitivity analysis of unobservable inputs

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Company's valuation control policies. Where the Company has valued the financial instruments concerned using input values drawn from the extremes of the ranges of reasonable possible alternatives, then at the year end, it could have increased fair value by as much as $518,000 (2017:$ 963,000) or decreased fair value by as much as $434,000 (2017: $963,000) with the potential effect impacting profit and loss rather than reserves.

21. Fair value measurement (continued)

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 $1,407,282,000 (2017: $1,002,831,000).

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

22. Events after the reporting period

On 16 January 2019, the Board approved a distribution of share premium of $769,000,000 in cash in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

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 year ended 31 December 2018, the Board of Directors do not recommend the payment of a further dividend in respect of the year ended 31 December 2018.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The financial statements were approved by the Board and authorised for issue on 29 April 2019. They were signed on its behalf by:

A.E. Okobia
Director

E.J. Brouwer
Director

S. Lilly
Director

Amsterdam
29 April 2019

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OTHER INFORMATION
FOR YEAR ENDED 31 DECEMBER 2018

Independent auditors' report

The independent auditors' report is included on the following page.

Independent auditor's report

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

Report on the financial statements 2018

Our opinion

In our opinion, Merrill Lynch B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 2018 of Merrill Lynch B.V., Amsterdam (hereafter: 'the Company').

The financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the following statements for 2018: the statements of profit or loss and other 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 applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of 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. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

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Independence

We are independent of Merrill Lynch B.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountants-organisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

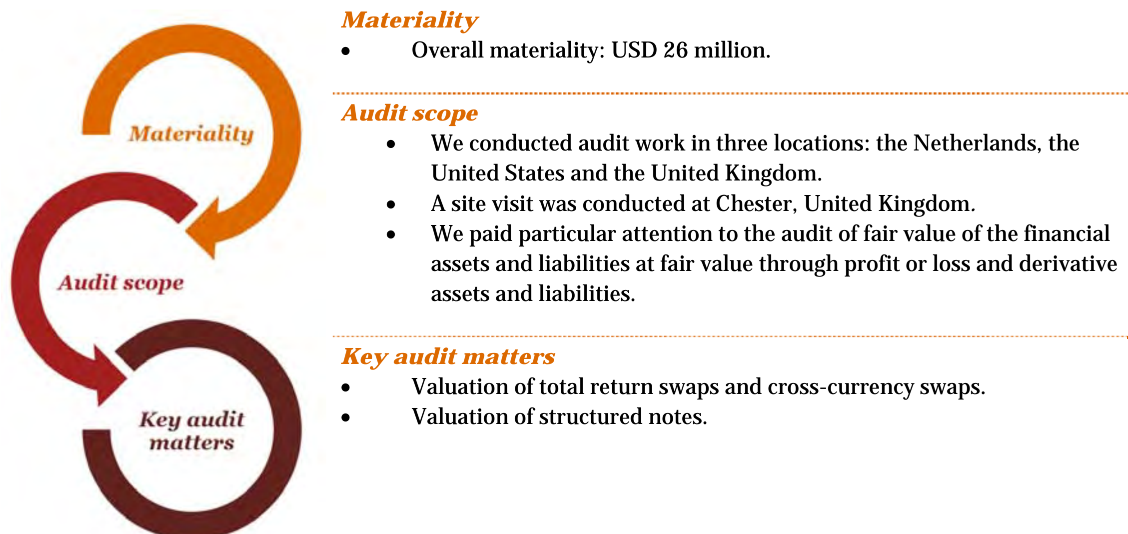
Overview and context

Merrill Lynch B.V.'s main activity is the issuance of structured notes and economically hedging these instruments through derivatives and fully funded total return swaps with other Bank of America Corporation companies. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important 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 the board of directors 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. We therefore included specialists in the area of tax in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: USD 26 million.

Audit scope

- We conducted audit work in three locations: the Netherlands, the United States and the United Kingdom.
- A site visit was conducted at Chester, United Kingdom.
- We paid particular attention to the audit of fair value of the financial assets and liabilities at fair value through profit or loss and derivative assets and liabilities.

Key audit matters

- Valuation of total return swaps and cross-currency swaps.
- Valuation of 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'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. 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, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall materiality	USD 26 million (2017: USD 22 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 1% of total assets.
Rationale for benchmark applied	We used total assets as the primary 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 Company are the selling, offering, issuing, repurchasing, reselling and/or retirement of secured securities and they are structured in such 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 the main indicator of financial performance of the Company, and that total assets is 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 board of directors that we would report to them misstatements identified during our audit above USD 1.3 million (2017: USD 1.1 million) 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 process controls of the Bank of America Corporation Group ('the group') and are performed in the United Kingdom and the United States.

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 component auditor for assurance over the internal control environment. We sent instructions to the component auditor in the United Kingdom, which set out the work to be performed and the agreed scope of testing.

Where the work was performed by the component auditor, 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 performed the following procedures:

- We issued detailed audit instructions to the component auditor prescribing the scope of work to be performed, our risk assessment, the key audit areas, materiality to be applied and the reporting requirements to the group engagement team.
- The reports of the component auditor were assessed by the group engagement team and observations were discussed with the component auditor and with group management.
- The group engagement team met the United Kingdom component team and board of directors of the Company and performed a review of the United Kingdom component auditor team's file, which includes their review work of the component auditor in the United States.

With respect to the existence of amounts owed by affiliated undertakings, financial assets and liabilities at fair value through profit or loss and derivative assets and liabilities, we also used the work performed by the component auditor. Intercompany balances are reconciled centrally by Bank of America Corporation and any differences are investigated by the board of directors. This control is tested centrally by the component auditor. In addition, we have tested any differences resulting from this reconciliation. We have also assessed the creditworthiness of these counterparties.

By performing the procedures above at component level, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Company as a whole to provide a basis for our opinion on the financial statements.

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 the board of directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

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

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.

Key audit matter	***How our audit addressed the matter***
Valuation of total return swaps and cross-currency swaps *Refer to the accounting policies 'Financial assets', 'Financial liabilities', 'Derecognition', 'Critical accounting estimates and judgement in applying accounting policies', 'Financial instruments measured at fair value', note 9 'Financial assets at fair value through profit or loss' and note 11 'Derivative assets/liabilities'.*	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 the board of directors. Furthermore, our audit included testing of the Company's internal controls with respect to the models used throughout the valuation process.

Key audit matter	*How our audit addressed the matter*
Derivative assets amount to USD 90 million as at 31 December 2018. Derivative liabilities amount to USD 33 million. Financial assets at fair value through profit or loss amount to USD 184 million. Derivative assets and liabilities and financial assets at fair value through profit or loss consist of, respectively, unfunded and funded total return swaps and cross-currency swaps that 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. We consider the valuation of the swaps to be a key audit matter, given the magnitude of these positions and the complexity of the valuation models applied.	This included test procedures on controls with respect to model validation around new or amended models and price testing (which includes independent revaluation). 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. We assessed the completeness and accuracy of the disclosures relating to the valuation of financial assets at fair value through profit or loss and derivative assets and liabilities to assess compliance with disclosure requirements included in EU-IFRS.
Valuation of structured notes *Refer to the accounting policies 'Financial liabilities', 'Derecognition', 'Critical accounting estimates and judgement in applying accounting policies', 'Financial instruments measured at fair value', and note 12 'Financial liabilities designated at fair value through profit or loss'.* Financial liabilities designated at fair value through profit or loss amount to USD 1,544 million as at 31 December 2018. 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. We consider the valuation of the structured notes to be 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 the board of directors. 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). 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. We assessed the completeness and accuracy of the disclosures relating to the valuation of financial liabilities designated at fair value through profit or loss to assess compliance with disclosure requirements included in EU-IFRS.

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Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

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 in 2012. Our appointment has been renewed annually, representing a total period of uninterrupted engagement appointment of seven years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 16 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors 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 board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors 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 in a manner that allows us 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Rotterdam, 29 April 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2018 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 other things 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 the board of directors.
- Concluding on the appropriateness of the board of directors' 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 the board of directors 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. In this respect, we also issue an additional report to the board of directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors 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 the board of directors, 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.