Registered no: 56457103

MERRILL LYNCH B.V.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

MERRILL LYNCH B.V.

COMPANY INFORMATION

Directors	L.J.M. Duijsens S. Lilly A.E.Okobia
Registered number	56457103
Registered office	Amstelplein 1, Rembrandt Tower 27 Floor, 1096 HA, Amsterdam The Netherlands
Independent auditors	PricewaterhouseCoopers Accountants N.V. Thomas R. Malthusstraat 5 1066 JR Amsterdam The Netherlands

MERRILL LYNCH B.V.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV", the "Company") for the year ended 31 December 2021.

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 their knowledge:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 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 2021, 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") 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.

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;
- state whether applicable IFRS's as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with IFRS as adopted by the EU 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. 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 accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Principal activities

The principal activities of the Company are the issuance of structured notes and economically hedging these instruments through derivatives with another group affiliate. 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 2022.

Business review and market environment

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 (“MLI LLC”) and the ultimate parent of the Company is BAC.

Coronavirus ("COVID-19")

The effects of the pandemic have adversely affected, and may continue to adversely affect the Company’s businesses and results of operations, and the pandemic’s duration and future impacts on global health, the global economy and its businesses, results of operations and financial condition remain uncertain. Pandemic developments and certain responses have also resulted in inflationary pressure and ultimately may contribute to the development of a prolonged, disruptive period of high inflation globally. There has been no material impact to the accounting estimates or going concern assessment for the Company.

The Company continues to execute its business continuity plans in connection with the pandemic, both locally and as part of BAC’s coordinated response. The Company continues to closely monitor the pandemic and related risks as they evolve.

However, the Company continued to be profitable in 2021 and the cash position is positive. Based on a current analysis, management does not expect a material impact on the Company's working capital, liquidity and solvency.

Transition from London Interbank Offered Rate ("LIBOR") and other benchmark rates

Subject to the continued publication of certain non-representative LIBOR benchmark rates based on a modified calculation, all British Pound Sterling, Euro, Swiss Franc and Japanese Yen LIBOR rates and one week and two month US dollar (“USD”) LIBOR rates ceased or became no longer representative of the underlying market the rates seek to measure immediately after 31 December 2021, and the remaining USD LIBOR rates (i.e., overnight, one month, three month, six month and 12 month) will become non-representative immediately after 30 June 2023.

As a result, a major transition has been and continues to be in progress in the global financial markets with respect to the replacement of Interbank Offered Rates ("IBORs"). This is a complex process impacting a variety of the Company’s business and operations. IBORs have historically been used in many of the Company’s products and contracts. In response, BAC has established an enterprise-wide IBOR transition programme. The programme was established and continues to drive the BAC's industry and regulatory engagement, client and financial contract changes, internal and external communications, technology and operations modifications, including updates to its operational models, systems and processes, introduction of new products, migration of existing clients, and programme strategy and governance.

As of 31 December 2021, the Company has transitioned or otherwise has addressed IBOR-based products and contracts referencing the rates that ceased or became non-representative after 31 December 2021. The Company launched capabilities and services to support the issuance and trading in products indexed to various Alternative Reference Rates ("ARRs") and developed employee training programmes as well as other internal and external sources of information on the various challenges and opportunities that the replacement of IBORs has presented and continues to present. With respect to the transition of LIBOR products referencing USD LIBOR rates ceasing or becoming non-representative as of 30 June 2023, a significant majority of the Company’s notional contractual exposure to such LIBOR currencies, of which the significant majority is derivatives contracts, have been remediated (i.e., updated to include fallback provisions to ARRs based on market driven protocols, regulatory guidance and industry-recommended fallback provisions and related mechanisms) and the Company is continuing to remediate the remaining USD LIBOR exposure. The remaining exposure will require active dialogue with clients to modify the contracts. For any residual exposures after 30

June 2023 that continue to have no fallback provisions, the Company is assessing and planning to leverage relevant contractual and statutory solutions, including relevant legislation, to transition such exposure to ARRs.

The Company continues to monitor current and potential regulatory, tax and accounting impacts of the transition, engage impacted clients in connection with the transition to ARRs and work actively with global regulators, industry working groups and trade associations in connection with the transition to ARRs. For an indicative analysis of exposure to LIBOR and other benchmark rates, that are yet to transition to alternative benchmark rate, see Note 24 Interest Rate Benchmark Reform.

Results and capital contribution

The directors are satisfied with the Company's performance for the financial year ended 31 December 2021 and financial position at the end of the year. The profit for the financial year after tax amounted to $18,097,000 (2020 - $24,791,000). This was driven primarily from the interest income on deposits placed with affiliated entities of $23,972,000 (2020: $42,370,000) and net gain of $896,000 (2020: $6,700,000) on the fair value of the structured notes and derivatives used to economically hedge these instruments.

Gain on debit valuation adjustment on the structured notes after tax was $35,657,000 (2020: loss of $10,810,000) due to movements in the BAC credit spreads.

On 18 November 2021, the Company's parent MLI LLC made an additional share premium contribution of $85,000,000.

Outlook

As noted in the business review & market environment section of the Directors' Report, whilst there is some uncertainty over the future impacts of COVID-19 and the Ukraine situation, the 2021 results, balance sheet position and cash flow of the Company do not indicate any significant change to the Company's outlook. There are no expected changes to the principal activities of the Company, the valuation models applied or the funding structures in place.

Management of climate change risk

Climate-related risks are divided into two major categories: (1) risks related to the transition to a low-carbon economy, which may entail extensive policy, legal, technology and market changes, and (2) risks related to the physical impacts of climate change, driven by extreme weather events, such as hurricanes and floods, as well as chronic longer-term shifts, such as rising average global temperatures and sea level rise. These changes and events can have broad impacts on operations, supply chains, distribution networks, customers, and markets and are otherwise referred to, respectively, as transition risk and physical risk. These risks can impact both financial and non-financial risk types. The impacts of transition risk can lead to and amplify credit risk or market risk by reducing MLBV customers operating income or the value of their assets as well as expose us to reputational and/or litigation risk due to increased regulatory scrutiny or negative public sentiment. Physical risk can lead to increased credit risk by diminishing borrowers repayment capacity or impacting the value of collateral. There has been no significant impact on the financial results or balance sheet of MLBV.

BAC's Risk Framework (as adopted by MLBV) establishes clear ownership and accountability for managing risk across the three lines of defence: FLUs, independent risk management and Corporate Audit. The same approach to ownership and accountability is followed for climate risk as for other risks facing BAC.

Further information about BAC's approach to ESG matters can be accessed via the www.bankofamerica.com/ESRPF at and BAC's Task Force for Climate-related Financial Disclosures available at www.bankofamerica.com/TCFD.

Global compliance and operational risk

The Company's overall approach to managing risk, including compliance risk, is governed by the BAC Risk

Framework. As part of this, the Global Compliance & Operational Risk and the Global Financial Crimes teams work in partnership to offer continuous challenge and oversight in order to minimise the risk of legal or regulatory sanctions, material financial loss or reputational damage, including but not limited to, the risks associated with bribery and corruption, economic sanctions, money laundering, terrorist and criminal financing, and internal and external fraud.

In this respect, BAC has a Code of Conduct in place which provides basic guidelines of business practice, and professional and personal conduct that are expected from employees. Likewise BAC has whistleblowing arrangements in place which will allow employees to report suspected malpractices such as unethical conduct, violations of law etc. on an anonymous and/or confidential basis.

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 21).

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 auditors are unaware, and
- the director 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 auditors are aware of that information.

Post reporting date events

Post year end, financial markets and commodities markets have been impacted by the Russia/Ukraine conflict, including the implementation of various economic sanctions by multiple jurisdictions on select Russian government and military leaders, financial institutions, business leaders and the Central Bank of Russia. In addition, the government of Russia has implemented economic sanctions on selected non-Russian institutions and prevented outflows of selected currencies from Russia. While the Company's exposure to the conflicted areas is limited, the potential impact of the conflict and sanctions regime on European and global markets and institutions remains uncertain, and episodes of economic and market volatility may continue to occur. As a result, the Company's business, results of performance, financial position and/or operational model could be adversely affected.

Composition of the board

The size and composition of the Board of Directors and the combined experience reflects the best fit for the profile and strategy of the Company. Currently the Board are all 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.

The Company did not have any employees in the current or the preceding year. The directors are delegated to the Company and are employed by other group companies.

Board of Directors

(together authorised to represent the Company)

L.J.M. Duijsens
S. Lilly
A.E. Okobia

This report was approved by the Board on 29 April 2022 and signed on its behalf.

A. E. Okobia
Director

S. Lilly
Director

L.J.M. Duijsens
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021 $000**	2020 $000
Net (loss)/gain on financial instruments at fair value through profit or loss	4	**(30,347)**	51,971
Net gain/(loss) on financial instruments designated at fair value through profit or loss	5	**31,241**	(58,696)
Other income	6	**457**	455
Administrative expenses	7	**(438)**	(270)
Profit/(loss) from operations		**913**	(6,540)
Interest income	8	**23,972**	42,370
Profit before tax		**24,885**	35,830
Tax expense	11	**(6,788)**	(11,039)
Profit for the financial year after tax		**18,097**	24,791
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Net gain/(loss) in debit valuation adjustment on structured notes		**46,908**	(26,422)
Tax relating to movement in debit valuation adjustment on structured notes		**(11,251)**	15,612
Total other comprehensive income/(loss)		**35,657**	(10,810)
Total comprehensive income		**53,754**	13,981

The notes on pages 12 to 49 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

(Before appropriation of result)

	Note	2021 $000	2020 $000
Assets			
Non-current assets			
Debtors	12	**3,018,655**	2,107,916
Derivative assets	14	**150,170**	214,457
Deferred tax asset	15	**-**	13,246
Total Non-current assets		**3,168,825**	2,335,619
Current assets			
Debtors	12	**366,449**	301,330
Derivative assets	14	**16,184**	9,700
Income tax receivable	15	**1,398**	332
Other assets		**1,711**	4,372
Cash and cash equivalents	13	**22,474**	22,676
Total Current assets		**408,216**	338,410
Total assets		**3,577,041**	2,674,029
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	16	**2,950,283**	2,238,864
Derivative liabilities	14	**219,677**	141,301
Deferred tax liability	15	**3,853**	-
Total Non-current liabilities		**3,173,813**	2,380,165
Current liabilities			
Financial liabilities designated at fair value through profit or loss	16	**145,832**	86,430
Creditors	17	**2,973**	100,220
Derivative liabilities	14	**9,176**	13,651
Accrued expenses and other liabilities	23	**12,993**	63
Total Current liabilities		**170,974**	200,364
Total liabilities		**3,344,787**	2,580,529

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	**2021 $000**	2020 $000
Issued capital and reserves			
Share capital	18	**-**	-
Other reserves	18	**(40,534)**	(76,191)
Share premium	18	**120,437**	35,437
Retained earnings		**134,254**	109,463
Undistributed profits		**18,097**	24,791
Total equity		**232,254**	93,500
Total liabilities and equity		**3,577,041**	2,674,029

The notes on pages 12 to 49 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium	Other reserves	Retained earnings	Undistributed profits	Total equity
	$000	$000	$000	$000	$000	$000
At 1 January 2021	-	35,437	(76,191)	109,463	24,791	93,500
Transfer to retained earnings	-	-	-	24,791	(24,791)	0
Profit for the year	-	-	-	-	18,097	18,097
Movement in debit valuation adjustment on structured notes	-	-	46,908	-		46,908
Tax relating to movement in debit valuation adjustment on structured notes	-	-	(11,251)	-		(11,251)
Total comprehensive income for the year	-	-	35,657	24,791	(6,694)	53,754
Transactions with owners in their capacity as owners:						
Share premium contribution	-	85,000	-	-		85,000
At 31 December 2021	**-**	**120,437**	**(40,534)**	**134,254**	**18,097**	**232,254**

The notes on pages 12 to 49 form part of these financial statements. For further details see note 18.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Other reserves	Retained earnings	Undistributed profit	Total equity
	$000	$000	$000	$000	$000	$000
At 1 January 2020	-	145,437	(65,381)	91,900	17,563	189,519
Transfer to retained earnings	-	-	-	17,563	(17,563)	-
Profit for the year	-	-	-	-	24,791	24,791
Movement in debit valuation adjustment on structured notes	-	-	(26,422)	-	-	(26,422)
Tax relating to movement in debit valuation adjustment on structured notes	-	-	15,612	-	-	15,612
Total comprehensive income for the year	-	-	(10,810)	17,563	7,228	13,981
Transactions with owners in their capacity as owners:						
Return of share premium	-	(110,000)	-	-		(110,000)
At 31 December 2020	**-**	**35,437**	**(76,191)**	**109,463**	**24,791**	**93,500**

The notes on pages 12 to 49 form part of these financial statements. For further details see note 18.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $000	2020 $000
Cash flow used in operating activities			
Profit for the year after tax		**18,097**	24,791
		18,097	24,791
Adjustments for non-cash items:			
Net loss/(gain) on financial instruments at fair value through profit or loss	4	**30,347**	(51,971)
Net (gain)/loss on financial liabilities designated at fair value through profit or loss	5	**(31,241)**	58,696
Interest income	8	**(23,972)**	(42,370)
Foreign exchange loss/(gain) on translation of tax liability		**649**	(779)
Income tax expense		**6,788**	11,039
Cash used in operations		**668**	(594)
Cash flows generated from operating activities:			
Placement of debt instruments at amortised cost	12	**(1,362,171)**	(188,287)
Repayment of debt instruments at amortised cost	12	**445,834**	726,083
Net movement of derivatives	14	**57,311**	(4,572)
Proceeds from issuance of structured notes	16	**1,313,681**	490,317
Redemption of structured notes	16	**(420,662)**	(1,036,987)
Income tax paid	15	**(2,656)**	(2,274)
(Repayment)/placement of intercompany payables		**(84,317)**	164,071
Repayment/(placement) of intercompany receivables		**(32,890)**	(4,573)
Cash flow (used in)/generated from operating activities		**(85,202)**	143,184
Cash flows used in financing activities:			
Share premium contribution/(distribution)	18	**85,000**	(110,000)
Net cash generated from/(used in) financing activities		**85,000**	(110,000)
Net (decrease)/increase in cash and cash equivalents		**(202)**	33,184
Cash and cash equivalents at the beginning of year	13	**22,676**	(10,508)
Cash and cash equivalents at the end of the year		**22,474**	22,676

For further details see note 13 for cash and cash equivalents.
The notes on pages 12 to 49 form part of these financial statements.

1. Accounting policies

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

1.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value. The Company does not maintain historical cost information on items held 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 directors have a reasonable expectation, based on current and anticipated future performance, capital and liquidity position that the Company will continue in operational existence for a period of at least 12 months from the date of approval of the annual report. The financial statements have, therefore, been prepared on a going concern basis and the directors expect the principal activities to continue in 2022. Disclosures in respect to liquidity risk and capital management are set out in note 21.

As part of the consideration of whether to adopt the going concern basis in preparing the financial statements, management assessed the impact of the COVID-19 pandemic on the financial statements, including critical accounting estimates and judgements, liquidity and solvency, and found this to be limited. Consideration was also made of the quantitative viability of the Company, with no going concern issues identified.

Management also evaluated the financial position of the counterparties of its debtors, mostly comprising loans to affiliated companies, and their ability to repay the notional and interest to the Company. The Company will continue to monitor its solvency and liquidity position. Whilst uncertainty remains, management do not believe, that the impact of the COVID-19 pandemic would have material adverse effect on the Company's liquidity position.

Following the assessment, it is deemed appropriate by the directors that the Company continues to adopt the going concern basis for the preparation of the financial statements.

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

Change in methodology for measuring the change in fair value of a financial liability due to the Corporation's own credit spread

BAC issues structured notes from its Global Markets Central Funding Desk. These structured notes are measured at fair value through earnings except for changes in fair value that are due to changes in the Corporation's own credit spread, generally referred to as debit valuation adjustment ("DVA"), which are presented in other comprehensive income ("OCI"). As IFRS does not dictate a valuation method and multiple valuation methods are applied in practice, the Corporation implemented a valuation method that it considered to faithfully represent the portion of the total change in fair value of the structured notes that relates to the Corporation's own credit spread.

During 2020, the Corporation enhanced the methodology for estimating DVA by prospectively calculating the transaction values for macro floating rate notes ("MFRNs") as if they had been executed on an individual note by note basis. Under this approach both the floating rate note ("FRN") and the daily MFRNs are used as a proxy for structured notes DVA, which results in a better estimate that faithfully captures the changes in value related to changes in own credit of the structured notes

In July 2021, the DVA estimation methodology was further enhanced. It was observed in the model that as credit spreads widened and then retraced to similar starting levels, the calculation of the DVA balance failed to revert back to the level at which it was initially measured. This effect was caused by the linearity of the process capturing first order credit risks but failing to capture second order risks arising from the optionality within the structured notes (“convexity effects”).

After considering different measurement alternatives, the Corporation determined the best option available to prospectively enhance the estimation process is by adding a term which captures the change in value driven by convexity effects to the current proxy based on the value of the FRN and apportioned change in value of the MFRNs. Under this approach the methodology results in a better estimate that more faithfully captures the changes in value related to changes in own credit of the structured notes over an increasing/decreasing or decreasing/increasing credit cycle.

The Corporation has determined this to be a change in accounting estimate that it will apply prospectively as of 1 July 2021, the period of adoption. As of 1 July 2021, the impact of changing methods was $191,451 from 'Other reserves' into 'Net gain/(loss) on financial instruments designated at fair value through profit or loss'.

1.2 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 2021 that have had a material impact on the Company.

1. Accounting policies (continued)

1.2 New and amended standards adopted by the Company (continued)

Interest Rate Benchmark Reform - Phase 2

On 1 January 2021, the entity adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), addressing a number of issues in financial reporting areas that arise when IBORs are reformed or replaced.

The entity applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the entity has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the entity had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balance as a result of retrospective application.

The amendments provide a practical expedient that permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with ARRs to be accounted for prospectively by updating a given instrument’s effective interest rate, provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The entity has adopted the amendment, which have no material effect on its financial statements. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform. The entity did not adopt the relief since no existing lease arrangement is affected by the reform.

Lastly, the amendment provides various hedge accounting reliefs which are not applicable to the entity.

The amendments introduced additional disclosure requirements regarding the entity’s management of the transition to alternative benchmark rates, its progress as at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition.

The objective of the amendments is to provide certain reliefs and additional disclosures. The relief taken by the Company on transition relates to changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform. This relief requires the change, as a practical expedient, to be treated as a change to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to alternative risk free rates takes place on
an economically equivalent basis.

Refer to note 24 where these disclosures have been included.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transaction.

1. Accounting policies (continued)

1.3 Translation of foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated into US dollars at rates of exchange ruling at the reporting date. Exchange gains and losses are recognised in the statement of comprehensive income.

1.4 Financial assets

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 as measured at amortised cost or fair value through profit or loss ("FVPL").

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing those financial assets

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 and these are presented as debtors under balance sheet:

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

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

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

1. Accounting policies (continued)

1.5 Financial liabilities

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

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

Where 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.

1.6 Derecognition of financial assets and liabilities

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

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

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

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

1.7 Offsetting financial instruments

Where the Company has the legal right to net settle and intends to do so (with any of its debtors or creditors) on a net basis, or to realise the asset and settle the liability simultaneously, the balance included within the financial statements is the net balance due to or from the counterparty. Counterparties are assessed to identify if net settlement criteria are met. Where this is achieved, assets and liabilities facing the counterparty are offset (see note 14).

1. Accounting policies (continued)

1.8 Segmental reporting

The Company's results are wholly derived from a single class of business, being the Global Markets segment. The directors review and analyse performance of the Company based on these activities. Segmental performance is analysed geographically as the Company operates globally under one management structure (see note 9 Segmental analysis).

1.9 Income and expense recognition

Amortised cost and effective interest rate

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider expected credit losses. For financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes all amounts received or paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

Calculation of interest income and expense

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 amounts owed by and from affiliated companies, other financial assets measured at FVPL and financial liabilities designated at FVPL are recognised using the contractual interest rate in net gains/(losses) on other financial instruments at FVPL and net gain/(loss) on financial instruments designated at FVPL, respectively.

1. Accounting policies (continued)

1.10 Other income

Other income includes service fee income from charges made to affiliated companies to reimburse the Company for expenditure incurred.

1.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in shareholders' funds. In this case, the tax is recognised in OCI or directly in shareholders' funds, respectively.

Current tax, including Dutch 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 reporting date.

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised over the Company's planning horizon.

1.12 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term time deposits of maturities of three months or less.

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

1.14 Dividend distribution

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

1. Accounting policies (continued)

1.15 Impairment

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

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

Management considered the impact of the COVID-19 pandemic on its impairment assessment process and concluded that this is adequately reflected in the estimates as part of the probability of default used.

2. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. It also requires management to exercise judgement in the process of applying the Company’s accounting policies. The estimates and assumptions that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimates

Valuation of financial instruments at fair value through profit and loss

Fair value is defined under IFRS 13 - Fair Value Measurement, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company’s policy for valuation of financial instruments is included in notes 1.4 and 1.5. 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 rates, commodity prices or equity prices and correlations between these inputs.

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

3. 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 that are transacted with Merrill Lynch International ("MLI"), Bank of America, National Association ("BANA") and BofA Securities Europe SA. In addition the Company grants intercompany loans and places deposits with Bank of America Corporation ("BAC") and MLI. The directors expect the principal activities to continue during 2021.

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

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

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

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

The Company has its registered address at Amstelplein 1, Rembrandt Tower, 27 Floor, 1096HA, Amsterdam, The Netherlands. Merrill Lynch International, LLC ("MLI LLC") is the Company’s immediate parent; BAC is the Company’s ultimate parent, see note 20.

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

	2021	2020
	$000	$000
Change in fair value of derivative instruments	**(30,347)**	51,971

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

	2021 $000	2020 $000
Change in fair value of structured notes excluding debit valuation adjustment	**31,241**	(58,696)

6. Other income

Operating income of $457,000 (2020: $455,000) relates to service fee income from MLI, an affiliate for issuance of certain FICC and equity linked products, including certificates and other financial instruments.

7. Administrative expenses

	2021 $000	2020 $000
Foreign exchange (gain)	**(13)**	(240)
Service charge	**56**	55
Other operating expenses	**395**	455
	438	270

8. Interest income

	2021 $000	2020 $000
Interest income	**23,972**	42,370

Interest income due from affiliated companies within debtors was $23,959,000 (2020: $42,205,000) and within cash and cash equivalents was $13,000 (2020: $165,000).

9. Segmental analysis

The Company operates in three geographic regions, being Europe, Middle East and Africa ("EMEA"), the Americas ("AMRS") and Asia Pacific ("APAC"). The Company identifies its geographic performance based on the regional business unit structure. The methodology for allocating revenue to geographic regions is dependent on estimates and management judgement.

The table below presents the total net operating revenues of the Company by geographic region:

	2021 **$000**	2020 $000
APAC	**19,651**	25,516
EMEA	**4,536**	8,106
AMRS	**1,079**	2,478
	25,266	36,100

10. Auditors' remuneration

The Company accrued the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2021 **$000**	2020 $000
Audit fees	**167**	84
Non-audit fees	**20**	20
	187	104

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

The accrued audit and non-audit fees relates to the statutory audit of the Company's 2021 financial statements and services in relation to the 2021 comfort letters for the issuance of structured notes. Payment of the 2020 fees was made by an affiliated entity and recharged to the Company.

11. Tax expense

	2021 **$000**	2020 $000
Current tax		
Current tax on profit for the year	**941**	1,525
Total current tax expense	**941**	1,525
Deferred tax		
Origination and reversal of temporary differences	**5,252**	8,191
Tax rate change	**595**	1,323
Total deferred tax expense	**5,847**	9,514
Total tax expense	**6,788**	11,039

	2021 **$000**	2020 $000
Profit before tax	**24,885**	35,830
Tax calculated at standard rate of corporation tax (taxable income <€245,000 at 15% and >€245,000 at 25%) (2020: < €200,000 at 16.5% and >€200,000 at 25%)	**6,193**	8,958
Net expenses not deductible for tax purposes/(net credit not subject to tax)	**-**	758
Tax rate change	**595**	1,323
Total tax expense	**6,788**	11,039

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

12. Debtors

	2021 $000	2020 $000
Non-current assets		
Debt instruments at amortised cost	**3,018,655**	2,107,916
Current assets		
Debt instruments at amortised cost	**141,984**	112,417
Cash collateral	**61,596**	33,517
Amounts owed from affiliated companies	**162,869**	155,396
	366,449	301,330

Debt instruments at amortised cost and amounts owed from affiliated companies mainly consist of funds raised through the issuance of structured notes and are carried at amortised cost. The balances are largely denominated in USD, EUR, JPY and GBP, not past due and are not considered to be credit-impaired.

Debt instruments at amortised cost are unsecured and placed with BAC and MLI (refer to note 21 for credit ratings). The fair value of debt instruments at amortised cost are valued at $3,166,970,000 (2020:$2,297,939,00). The amounts owed from affiliated companies are extended on a short term basis.

13. Cash and cash equivalents

	2021 $000	2020 $000
Cash at bank and in hand	**2,765**	2,976
Short term time deposit	**19,709**	19,700
	22,474	22,676

The short term time deposits are held with Bank of America, N.A., and are interest bearing at 0.12% average rate (2020: 0.82% average rate) maturing on 28 January 2022. The credit rating is A-1 (Standard and Poor's ("S&P")) (2020: A-1 (S&P)).

14. Derivative assets and derivative liabilities

	2021	2020
	$000	$000
Non-current assets	**150,170**	214,457
Current assets	**16,184**	9,700
Total derivative assets	**166,354**	224,157

	2021	2020
	$000	$000
Non-current liabilities	**219,677**	141,301
Current liabilities	**9,176**	13,651
Total derivative liabilities	**228,853**	154,952

Financial assets and liabilities are offset and the net amount reported in the statement of financial position ("SOFP") where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention and ability to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set-off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2021 and 31 December 2020. The column 'net amount' shows the impact on the Company's SOFP if all set-off rights were exercised.

14. Derivative assets and derivative liabilities (continued)

As at 31 December 2021

	Gross amounts recognised $000	**Gross amounts offset in the SOFP $000**	**Net amounts presented in the SOFP $000**	**Financial instruments $000**	**Cash collateral $000**	**Net amount $000**
Assets						
Derivative assets	**173,958**	**(7,604)**	**166,354**	**(165,010)**	**(1,344)**	**-**
Liabilities						
Derivative liabilities	**236,457**	**(7,604)**	**228,853**	**(165,010)**	**(61,596)**	**2,247**

As at 31 December 2020

	Gross amounts recognised $000	Gross amounts offset in the SOFP $000	Net amounts presented in the SOFP $000	Financial instruments $000	Cash collateral $000	Net amount $000
Assets						
Derivative assets	240,535	(16,378)	224,157	(121,531)	(100,164)	2,462
Liabilities						
Derivative liabilities	171,330	(16,378)	154,952	(121,531)	(33,421)	-

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14. Derivative assets and derivative liabilities (continued)

Derivatives consist of total return swaps and cross currency swaps that are mainly transacted with MLI and BANA and are predominantly denominated in USD, EUR, JPY 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 an offsetting adjustment has been applied to those positions. Cash collateral relates to collateral received and pledged under legally enforceable master netting agreements.

15. Deferred tax asset/liability and income tax receivable/(payable)

	2021 $000	2020 $000
Deferred tax asset at beginning of year	**13,246**	7,148
Charged to profit and loss	**(5,253)**	(8,191)
Tax relating to movement in debit valuation adjustment	**(11,635)**	11,868
Tax rate change	**(211)**	2,421
Deferred tax (liability)/asset at end of year	**(3,853)**	13,246

The deferred tax asset is non-current.

	2021 $000	2020 $000
Income tax receivable/(payable) at beginning of year	**332**	(1,196)
Charged to the income statement	**(941)**	(1,525)
Impact of foreign exchange rates	**(649)**	779
Tax paid	**2,656**	2,274
Income tax receivable at end of year	**1,398**	332

For 2021, the top corporation tax rate remained at 25%. However, the lower tier tax bracket was extended to EUR 245,000 and the tax rate on the lower tier tax bracket reduced to 15%. The top corporation tax rate was increased to 25.8% as of 1 January 2022, and the lower tier tax rate bracket further extended to EUR 395,000. This will have a consequential impact on the Company's future tax change. Therefore, any deferred tax balances have been remeasured at the tax rate to be applied when temporary differences are expected to reverse.

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

Management have considered the below maturity profile and contractual terms of the liabilities in respect of the structured note portfolio below and consider there to be sufficient sources of short term funds available to the Company to meet the contractual maturity of the structured notes in the context of the current environment detailed in the 'business review and market environment' section of the directors' report.

The below table presents the aggregated amounts of the Company's financial liabilities designated at FVPL, categorised by maturity dates:

Structured notes

	2021 Notional $000	**2021 Fair value $000**	2020 Notional $000	2020 Fair value $000
Non-current liabilities				
Between one year and five years	**443,746**	**455,344**	345,198	359,058
Between five years and ten years	**802,341**	**790,147**	116,569	124,598
More than 10 years	**1,728,358**	**1,645,049**	1,676,528	1,648,311
Credit spread adjustment	**-**	**59,743**	-	106,897
	2,974,445	**2,950,283**	2,138,295	2,238,864
Current liabilities				
Less than 1 year	**142,228**	**145,526**	85,359	86,144
Credit spread adjustment	**-**	**306**	-	286
	142,228	**145,832**	85,359	86,430
Total	**3,116,673**	**3,096,115**	2,223,654	2,325,294

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

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

	2021 Notional $000	**2021 Fair value $000**	2020 Notional $000	2020 Fair value $000
Structured notes				
USD	**1,458,780**	**1,430,560**	755,685	793,836
JPY	**1,005,168**	**946,246**	910,104	846,119
EUR	**512,309**	**530,512**	475,140	500,824
KRW	**42,059**	**31,364**	46,028	39,286
HKD	**19,239**	**19,446**	19,350	20,085
RUB	**-**	**-**	8,921	9,225
SEK	**-**	**-**	1,065	1,401
GBP	**9,872**	**9,995**	6,290	6,264
CNY	**27,004**	**27,307**	1,071	1,071
AUD	**28,332**	**26,364**	-	-
CHF	**1,372**	**1,364**	-	-
ZAR	**12,538**	**12,908**	-	-
Credit spread adjustment	**-**	**60,049**	-	107,183
	3,116,673	**3,096,115**	2,223,654	2,325,294

The structured notes programme 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 note 22.

17. Creditors

	2021 $000	2020 $000
Cash collateral	**1,460**	100,180
Amounts owed to affiliated undertakings	**1,513**	40
	2,973	100,220

Cash 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.

18. Issued capital and reserves

	2021 $000	2020 $000
Share capital	**-**	-
Other reserves	**(40,534)**	(76,191)
Share premium	**120,437**	35,437
	79,903	(40,754)

Issued share capital in 2021 comprises 12,998 Ordinary shares of equal voting rights at $0.01 each. (2020: 12,998 ordinary shares at $0.01 each).

Other reserves include adjustments of $3,651,000 related to the merger with Bank of America Issuance B.V. during 2015 and $44,184,000 debit which relates to DVA after tax.

On 11 December 2020, the Board approved the return of share premium to the parent company of $110,000,000 in cash in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

On 18 November, 2021, the Company's parent MLI LLC made an additional share premium contribution of $85,000,000.

19. 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 2021

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000
Assets		
Debtors	3,385,103	-
Derivative assets	-	166,354
Other assets	1,711	-
Cash and cash equivalents	22,474	-
	3,409,288	166,354

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000	Financial instruments designated at fair value through profit or loss $000
Liabilities			
Financial liabilities designated at fair value through profit or loss	-	-	3,096,115
Derivative liabilities	-	228,853	-
Creditors	2,973	-	-
Accrued expenses and other liabilities	12,993	-	-
	15,966	228,853	3,096,115

19. Financial instruments by category (continued)

Summary of financial instruments at 31 December 2020

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000
Assets		
Debtors	2,409,246	-
Derivative assets	-	224,157
Other assets	4,372	-
Cash and cash equivalents	22,676	-
	2,436,294	224,157

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000	Financial instruments designated at fair value through profit or loss $000
Liabilities			
Bank overdraft	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	2,325,294
Derivative liabilities	-	154,952	-
Creditors	100,220	-	-
Accrued expenses and other liabilities	63	-	-
	100,283	154,952	2,325,294

20. 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:

Debt instruments at amortised cost:

	Interest income 2021 $000	**Debt instruments at amortised cost 2021 $000**	Interest income 2020 $000	Debt instruments at amortised cost 2020 $000
Merrill Lynch International	**23,300**	**3,155,302**	37,645	2,156,928
Bank of America Corporation	**394**	**5,337**	2,902	63,405
	23,694	**3,160,639**	40,547	2,220,333

Amounts owed from affiliated companies:

	Interest income 2021 $000	**Amounts owed from affiliated companies 2021 $000**	Interest income 2020 $000	Amounts owed from affiliated companies 2020 $000
Merrill Lynch International	**271**	**163,934**	977	154,066
Bank of America Corporation	**-**	**245**	566	1,330
BofA Securities Europe SA	**-**	**45,316**	-	33,515
	271	**209,495**	1,543	188,911

Debt instruments at amortised cost and amounts owed from affiliated companies are set out in note 12.

20. Related party transactions (continued)

The carrying amounts of the Company's financial asset that have been pledged as collateral to affiliated company for liabilities totalling $61,596,000 (2020: $33,517,000).

The short term time deposits are held with Bank of America, N.A., and are interest bearing at 0.12% average rate (2020: 0.82% average rate) maturing on 28 January 2022 amounted to $19,709,000 (2020: $19,700,000.)

The Company has net derivatives transacted with affiliated companies, which at 31 December 2021 amounting to $(62,499,000) (2020: $69,205,000). See note 14 for further information.

The creditors relates to cash collateral received from affiliated companies under legally enforceable master netting agreements, denominated in USD, which are due and payable on demand amounting to $1,460,000 (2020: $100,180,000) and a general intercompany payable amounting to $1,503,000 (2020: $40,000) See note 17 for further information.

The Company has service fee income from MLI for the year ended 31 December 2021 amounting to $457,000 (2020: $455,000)

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

On 18 November 2021, MLI LLC made an additional share premium contribution of $85,000,000.

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

There are no employees in the Company for the year ended 31 December 2021 (2020: none).

Included in the administrative expenses are Directors' fees and remuneration of $173,159 (2020: $140,230) relating to two directors. 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.

21. 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 the Company). The Risk Framework applies to all BAC employees. 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.

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

Market risk

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

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

Value at Risk ("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.

21. Financial risk management (continued)

The table that follows presents VaR analysis independently for each risk category at 31 December 2021 and 31 December 2020. Additionally, high and low VaR is presented independently for each risk category and overall.

	Year end 2021 $000	**High 2021 $000**	**Daily average 2021 $000**	**Low 2021 $000**
99% Daily VaR				
Total	**3,443**	**4,863**	**2,733**	**1,719**
Interest rate risk	**3,595**	**4,416**	**2,621**	**1,688**
Currency risk	**883**	**1,711**	**618**	**146**
Equity price risk	**116**	**1,469**	**78**	**27**
Credit risk	**992**	**1,051**	**181**	**10**
Commodity price risk	**4**	**224**	**14**	**2**

	Year end 2020 $000	High 2020 $000	Daily average 2020 $000	Low 2020 $000
99% Daily VaR				
Total	2,705	11,699	4,043	492
Interest rate risk	2,577	3,641	2,588	138
Currency risk	233	2,869	614	169
Equity price risk	62	2,620	647	31
Credit spread risk	11	10,433	1,435	6
Commodity price risk	5	382	10	-

21. Financial risk management (continued)

Credit Risk

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

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

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

These processes create a comprehensive and consolidated view of the Company's 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 2021.

The credit risks of the Company arise from its affiliate hedging of structured note issuance via derivatives as well as its intercompany loans and deposits. The Company restricts its exposure to credit losses on derivative instruments by entering into master netting arrangements with affiliate counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the affiliate are terminated and settled on a net basis.

Additionally, the Company grants intercompany loans and places deposits with affiliates. None of the loans to affiliate companies is past due or is considered to be credit-impaired such that the resulting ECL is not significant to the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting year.

The Company is exposed to a concentration of credit risk related to debt instruments at amortised cost totaling $3,160,639,000 (2020: $2,220,333,000), all with affiliated companies, please refer to note 12. At the end of the reporting year, the credit rating for outstanding long term debt of the affiliated companies is A- / A-2 (S&P) for BAC and A+ /A-1 (S&P) for MLI (2020: A- /A-2 (S&P) for BAC and A+ /A-1 (S&P) for MLI).

As the global environment remains impacted by COVID-19 and uncertainty, the Company continues to actively monitor the recoverability of its financial assets and ensures any loss allowance reflects on a timely basis management's best estimate of potential losses.

Derivatives trading

The Company typically enters into ISDA master agreements or their equivalent ("master netting agreements") with its derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for risk management purposes. Agreements are negotiated bilaterally

21. Financial risk management (continued)

and can require complex terms. The enforceability of master netting agreements under bankruptcy laws in certain countries is not free from doubt, and receivables and payables with counterparties in these countries are accordingly recorded on a gross basis for risk assessment purposes.

In addition, to reduce the risk of loss, the Company usually requires collateral that is permitted by documentation such as repurchase agreements or Credit Support Annex to an ISDA. From an economic standpoint, the Company evaluates risk exposures net of related collateral that meets specified standards. The Company also attempts to mitigate its default risk on derivatives whenever possible by entering into transactions with provisions that enable it to terminate or reset the terms of the derivative contracts under certain defined conditions.

Compliance and operational risk ("C&OR Risk")

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Company arising from the failure of the Company to comply with the requirements of applicable laws, rules and regulations and internal policies and procedures. Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events.

BAC has compliance and operational risk management programmes (“C&OR Programmes”) in place to identify, mitigate and manage the C&OR Risk for the group, which includes relevant activities of the Company. The C&OR Programmes include policies and standards among others in relation to Anti-Bribery and Anti-corruption, fraud, global financial crimes etc.

The Company's directors are confident that the C&OR Risk of the Company is thus appropriately managed.

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, and is imbedded in BAC processes, based on 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 2021 and 31 December 2020, with the exception of those designated at fair value through profit or loss and derivatives.

The fair values of financial liabilities designated at fair value through profit or loss and derivatives have been disclosed as this is consistent with the values used in the liquidity risk management of these instruments.

The Company manages liquidity for these instruments by actively unwinding asset positions to ensure appropriately balanced cash flows.

21. Financial risk management (continued)

	Less than 3 months $000	**Between 3 months and 1 year $000**	**Between 1 and 2 years $000**	**Between 2 and 5 years $000**	**Over 5 years $000**	**Total $000**
As at 31 December 2021						
Financial liabilities designated at fair value through profit or loss	**31,380**	**114,452**	**178,740**	**281,148**	**2,490,395**	**3,096,115**
Derivative liabilities	**1,977**	**7,199**	**20,137**	**8,565**	**190,975**	**228,853**
Creditors	**-**	**2,973**	**-**	**-**	**-**	**2,973**
Accrued expenses and other liabilities	**12,993**	**-**	**-**	**-**	**-**	**12,993**
	46,350	**124,624**	**198,877**	**289,713**	**2,681,370**	**3,340,934**

	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
As at 31 December 2020						
Financial liabilities designated at fair value through profit or loss	10,676	75,754	114,511	244,546	1,879,807	2,325,294
Derivative liabilities	11,151	2,500	6,688	4,992	129,621	154,952
Creditors	-	100,220	-	-	-	100,220
Bank overdraft	-	-	-	-	-	-
Accrued expenses and other liabilities	63	-	-	-	-	63
	21,890	178,474	121,199	249,538	2,009,428	2,580,529

21. Financial risk management (continued)

Reputational risk

Reputational risk is the potential risk that negative perceptions of MLBV may adversely impact its profitability or operations.

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

At the BAC enterprise level, reputational risk is reviewed by the Enterprise Risk Committee and the Management Risk Committee, which provide primary oversight of reputational risk. Additionally, top reputational risks are reviewed by the Global Risk Management ("GRM") Leadership team and the BAC Board.

At regional level, reputational risk items are considered as part of the Europe Middle East and Africa ("EMEA") Reputational Risk Committee, whose mandate includes consideration of reputational risk issues (including matter related to ESG factors) and provision of 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.

Ultimately, to ensure that reputational risk is mitigated through regular business activity, monitoring and oversight of the 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 appetite. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

The reporting of reputational risk issues is captured as part of management routines for the Reputational Risk Committee. Tracking of items presented to this Committee is maintained through a reporting protocol, which provides detail such as the description of the reputational risk issue, the geographical jurisdiction, the reason for escalation and the decision reached by the Committee. A summary report of issues discussed at the Reputational Risk Committee is provided to the EMEA Regional Risk Committee on a quarterly basis.

Strategic risk

Strategic risk is the risk that results from incorrect assumptions about external and/or internal factors, inappropriate business plans (e.g. too aggressive, wrong focus, ambiguous), ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic and competitive environments in the geographic locations in which MLBV operates (such as competitor actions, changing customer preferences, product obsolescence, and technology developments).

Strategic risk is managed through the assessment of effective delivery of strategy. Strategic risk is monitored continuously by the executive management team through a number of existing processes ranging from monitoring of financial and operating performance, through to the management of recovery plans and also with the regular assessment of earnings and risk profile throughout the year.

The executive management team provides the Board with reports on progress in meeting the strategic plan, as well as whether timelines and objectives are being met and if additional or alternative actions need to be implemented.

21. Financial risk management (continued)

MLBV strategy execution and risk management involves a formal planning and approval process. The MLBV strategic plans are set within the context of overall risk appetite and the strategic planning process includes an evaluation of the internal and external environment and the group's strengths, weaknesses, opportunities and threats.

Routines exist to discuss the strategic risk implications of new, expanded, or modified businesses, products or services and other strategic initiatives, and to provide approvals where appropriate. Independent risk management, Corporate Audit and other control functions provide input, challenge and oversight to FLUs and strategic decisions and initiatives relating to MLBV.

Regular updates to the Board on business performance and management of strategic risk take into account analyses of performance relative to the strategic plan, risk appetite, the strength of capital and liquidity positions and stress tests (which address potential macroeconomic events, changing regulatory requirements and various market growth rate assumptions).

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 Company's capitalisation ratio is consistent with BAC’s Capital Management Policy. On 18 November, 2021, the Company's parent MLI LLC made an additional share premium contribution of $85,000,000. Taking into account guidelines issued by the Dutch Ministry of Finance, the equity at risk that is taken into account for purposes of determining the Equity risk remuneration is capped at 4% of the total amount of outstanding financial liabilities.

	2021 **$000**	2020 $000
Capitalisation ratio:		
Equity	**232,254**	93,500
Issued debt	**3,096,115**	2,325,294
Capitalisation ratio	**8%**	**4%**

22. Fair value measurement

In accordance with IFRS 13 – Fair Value Measurement, financial instruments carried at fair value have been categorised into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial instruments are considered Level 1 when their 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.

Financial liabilities designated at FVPL

The fair values of financial liabilities designated at fair value through profit or loss is primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair values of these financial instruments. In less liquid markets, market price quotes may not be readily available. Some of these instruments are valued using a net asset value approach, which considers the value of the underlying assets. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer’s financial statements and changes in credit ratings made by one or more rating agencies.

Derivative assets and liabilities

The fair values of derivative assets and liabilities traded in the over the counter ("OTC") market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. When third party pricing services are used, the methods and assumptions are reviewed by the Company. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available, or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair value of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate.

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 2021:

As at 31 December 2021

	Level 2 $000	Level 3 $000	Total $000
Assets			
Derivative assets	**164,027**	**2,327**	**166,354**

22. Fair value measurement (continued)

	Level 2 $000	**Level 3 $000**	**Total $000**
Liabilities			
Financial liabilities designated at fair value through profit and loss	**3,096,115**	**-**	**3,096,115**
Derivative liabilities	**173,953**	**54,900**	**228,853**
	3,270,068	**54,900**	**3,324,968**

As at 31 December 2020

	Level 2 $000	Level 3 $000	Total $000
Assets			
Derivative assets	209,293	14,864	224,157

	Level 2 $000	Level 3 $000	Total $000
Liabilities			
Financial liabilities designated at fair value through profit and loss	2,219,599	105,695	2,325,294
Derivative liabilities	142,948	12,004	154,952
	2,362,547	117,699	2,480,246

Fair values of level 3 assets and liabilities

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.

By definition unobservable inputs relate to mark-to-model financial instruments having unobservable model inputs that have an overall significant impact on the financial instrument fair value. Classification on Level 3 is essentially a result of failure to be classified on either Levels 1 or 2. It is important to note some key points regarding the use of unobservable inputs for the purposes of estimating fair value:

- Unobservable inputs can only be used in the absence of reliable observable market data.

22. Fair value measurement (continued)

- If unobservable inputs are used, they must reflect the assumptions market participants would use when pricing the asset or liability, including assumptions about risk. If the Company's own data is used to develop unobservable inputs, this should be adjusted if reasonably available information suggests other market participants would use different data.
- Assumptions about risk include the risk or uncertainty inherent in a particular valuation model used to estimate fair value, as well as the inputs used by the valuation model. A fair value estimate produced from a valuation model must be adjusted for these risks if a market participant would do so in their pricing of an asset or liability.

The table below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were $2,327,000 as of 31 December 2021 (2020: $14,864,000), and represent approximately 1.34% of assets measured at fair value and approximately 0.06% of total assets. Level 3 liabilities were $54,900,000 as of 31 December 2021 (2020: $12,004,000), and represent approximately 1.65% of liabilities measured at fair value and 2.13% of total liabilities.

	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2021	**14,864**	**(12,004)**	**(105,695)**
Losses recognised in the statement of comprehensive income	**(11,702)**	**(23,286)**	**-**
Settlements	**(1,537)**	**(19,283)**	**-**
Sales	**-**	**-**	**-**
Purchases	**644**	**-**	**-**
Transfers in	**768**	**(2,185)**	**-**
Transfers out	**(710)**	**1,858**	**105,695**
Changes in fair value - classified in OCI	**-**	**-**	**-**
Balance at 31 December 2021	**2,327**	**(54,900)**	**-**
Unrealised (losses) for level 3	**(12,431)**	**(3,938)**	**-**

Unrealised losses relate to profit or loss from positions still held at year end and is included within net (loss)/gain on financial instruments at fair value through profit or loss or net gain/(loss) on financial instruments designated at fair value through profit or loss.

22. Fair value measurement (continued)

The transfers into Level 3 from Level 2 during the year were due to lack of observable market pricing data subsequent to purchase. The transfers out of Level 3 to Level 2 during the year were due to increased availability of observable pricing data on underlying positions.

	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2020	11,427	(38,183)	(241,824)
Gain/(losses) recognised in the statement of comprehensive income	8,592	22,909	8,656
Settlements	(21,015)	4,995	71,910
Sales	-	(1,845)	-
Purchases	16,290	-	8,450
Transfers in	1,589	(577)	(19,498)
Transfers out	(2,019)	697	67,410
Changes in fair value - classified in OCI	-	-	(799)
Balance at 31 December 2020	14,864	(12,004)	(105,695)
Unrealised gains for level 3	7,025	24,477	1,024

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.

The Company uses multiple market approaches in valuing certain of its Level 3 financial instruments. For example, market comparables and discounted cash flows are used together. Therefore, the balances disclosed encompass both of these techniques.

22. Fair value measurement (continued)

As at 31 December 2021	Valuation technique	Significant unobservable inputs	Ranges of input
Derivative assets and liabilities			
Credit derivatives	Discounted cash flow, Stochastic recovery correlation model	Credit spreads Upfront points Prepayment speed Default rate Credit correlation Price	7 to 155 16 to 100 points 15% CPR 2% CDR 20% to 60% $0 to $120
Interest rate derivatives	Industry standard derivative pricing	Correlation (IR/IR) Correlation (FX/IR) Long-dated inflation rates Long-dated inflation volatilities Interest rate volatilities	(1)% to 90% (1)% to 58% (10)% to 11% 0% to 2% 0% to 2%
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	3.0% to 100% 5.0% to 78.0%
Financial liabilities designated at fair value			
Structured notes	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price	3.0% to 100% 5.0% to 78.0% 0% to 19.0% $0 to $125

As at 31 December 2020	Valuation technique	Significant unobservable inputs	Ranges of input
Derivative assets and liabilities			
Credit derivatives	Discounted cash flow, Stochastic recovery correlation model	Credit spreads Upfront points Prepayment speed Default rate Credit correlation Price	7 to 155 0 to 100 points 15% to 100% CPR 2% CDR 21% to 64% $0 to $122
Interest rate derivatives	Industry standard derivative pricing	Correlation (IR/IR) Correlation (FX/IR) Long-dated inflation rates Long-dated inflation volatilities Interest rate volatilities	15% to 96% 0% to 46% (7)% to 84% 0% to 1% 0% to 2%
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	2.0% to 100% 7.0% to 64.0%
Financial liabilities designated at fair value			
Structured notes	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price	2.0% to 100% 7.0% to 64.0% 0% to 11.0% $0 to $124

22. Fair value measurement (continued)

Derivative assets and liabilities

For equity derivatives, commodity derivatives, interest rate derivatives and structured liabilities, a significant change in long-dated rates, volatilities and correlation inputs (e.g., the degree of correlation between an equity security and an index, between two different commodities, between two different interest rates, or between interest rates and foreign exchange rates) would result in a significant impact to the fair value; however, the magnitude and direction of the impact depends on whether the Company is long or short the exposure. For structured liabilities, a significant increase in yield or decrease in price would result in a significantly lower fair value. A significant decrease in duration may result in a significantly higher fair value.

Sensitivity analysis of unobservable input

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. Were the Company to have 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 $8,585,000 (2020: $59,000) or decreased fair value by as much as $5,824,000 (2020: $24,000) with the potential effect impacting profit and loss rather than reserves.

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

Financial assets and liabilities carried at amortised cost

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

The fair value of amounts owed by affiliated companies is determined by reference to quoted market prices of similar instruments. Debt instruments at amortised cost are classified as level 2 and are valued at $3,166,970,000 (2020: $2,297,939,000) .

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.

23. Accrued expenses and other liabilities

The Company has a payable balance as at 31 December 2021 of $12,993,000 (2020: $63,000) which represents amounts payable for trades pending settlement.

24. Interest rate benchmark reform

The following table summarises the significant exposures impacted by interest rate benchmark reform as at 31 December 2021:

	USD LIBOR $000	JPY LIBOR $000	EUR LIBOR $000	Other LIBOR $000	TOTAL $000
Non-derivative financial assets	**1,584,127**	**647,756**	**60,272**	**2,185**	**2,294,340**
Non-derivative financial liabilities	**40,000**	**-**	**-**	**-**	**40,000**
Derivatives	**6,021,745**	**785,931**	**-**	**-**	**6,807,676**

The table above represents indicative exposures to interest rate benchmark reform, which have yet to transition to an alternative benchmark rate. The exposure disclosed is for positions with contractual maturities after 31 December 2021. Balances are reported using the notional contract amount and where derivatives have both pay and receive legs with exposure to benchmark reform such as cross currency swaps, the notional contract amount is disclosed for both legs. Refer to note 1.2 for details on interest rate benchmark reform - phase 2. A majority of the aggregate notional amount of the Company's IBOR based products maturing after 2021 include or have been updated to include fallbacks to ARRs.

25. Events after the reporting period

Post year end, financial markets and commodities markets have been impacted by the Russia/Ukraine conflict, including the implementation of various economic sanctions by multiple jurisdictions on select Russian government and military leaders, financial institutions, business leaders and the Central Bank of Russia. In addition, the government of Russia has implemented economic sanctions on selected non-Russian institutions and prevented outflows of selected currencies from Russia. While the Company's exposure to the conflicted areas is limited, the potential impact of the conflict and sanctions regime on European and global markets and institutions remains uncertain, and episodes of economic and market volatility may continue to occur. As a result, the Company's business, results of performance, financial position and/or operational model could be adversely affected.

26. Profit appropriation

Based on the net result over the year ended 31 December 2021, the Board of Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021.

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

The financial statements were approved by the Board and authorised for issue on 29 April 2022. They were signed on its behalf by:

L.J.M. Duijsens
Director

S. Lilly
Director

A.E. Okobia
Director

Amsterdam
29 April 2022

OTHER INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Independent auditor's report

The independent auditor's 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 2021

Our opinion

In our opinion, the financial statements of Merrill Lynch B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021, 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 2021 of Merrill Lynch B.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the following statements for 2021: the statement of profit or loss and other comprehensive income, changes in equity and cash flows; and
- the notes, comprising 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 Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (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 regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach, fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

The Company's main activity is the issuance of structured notes and economically hedging these instruments through derivatives 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. We also paid attention to the risk related to climate change. In note 2 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of derivative assets and derivative liabilities, and the valuation of structured notes, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

The Company assessed the possible effects of climate change on its financial position. We refer to section 'Management of climate change risk' of the directors' report. We discussed their assessment and their governance thereof with the management and evaluated the potential impact on the Company including underlying assumptions and estimates as included in the financial statements. Given the nature of the Company's activities, the impact of climate change is not considered to impact our key audit matter.

Other areas of focus, that were not considered as key audit matters, are areas such as the impact of COVID-19, IBOR reform and taxation.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of the Company. We therefore included specialists in the areas of valuation and tax in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: USD 35 million.

Audit scope

- We conducted audit work in three locations: the Netherlands, the United States and the United Kingdom.

Key audit matters

- Valuation of derivative assets and derivative liabilities.
- Valuation of structured notes.

Materiality

The scope of our audit was 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 35 million (2020: USD 27 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. On this basis, we believe that profits are not the main indicator of financial performance of the Company, and that total assets is the most relevant and suitable 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 any misstatements identified during our audit above USD 1.7 million (2020: USD 1.3 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 the auditors of Bank of America Corporation Group companies for assurance over the IT environment and the above mentioned controls.

Where the work was performed by the auditors of Bank of America Corporation Group companies, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient and 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 prescribing the scope of work to be performed, our risk assessment, the key audit areas and the reporting requirements.
- The reports were assessed, and observations were discussed with the auditors of Bank of America Corporation Group companies and with management.
- We have gained digital access to the audit file of the auditors of Bank of America Corporation Group companies and performed a remote file review.

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 auditors of Bank of America Corporation Group companies. Intercompany balances are reconciled centrally by Bank of America Corporation and any differences are investigated by the Company. This control is tested centrally by the auditors of Bank of America Corporation Group companies. In addition, we have tested any differences resulting from this reconciliation. We have also assessed the creditworthiness of these counterparties.

By performing the procedures described 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 taken as a whole to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the internal control system. This included the board of directors' risk assessment process, the board of directors' process for responding to the risks of fraud and monitoring the internal control system, as well as the outcomes.

We evaluated the design and relevant aspects of the internal control system and in particular the fraud risk assessment, as well as the code of conduct and whistleblowing procedures, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We have asked members of the board of directors whether they are aware of any actual or suspected fraud.

As part of our process of identifying fraud risks, we have evaluated fraud risk factors with respect to financial reporting for fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We have identified the following fraud risk and performed the following specific procedures:

Identified fraud risk	*Audit work and observations*
The risk of management override of control Inherently, management is in a unique position to perpetrate fraud, because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls in: • The appropriateness of journal entries and other adjustments made in the preparation of the financial statements. • Estimates. • Significant transactions, if any, outside the normal course of business for the entity.	We evaluated the design and implementation of the internal control measures that are intended to mitigate the risk of management override of control and to the extent relevant for our audit tested the effectiveness of these controls. Furthermore, we evaluated the design and implementation of the controls in the processes for generating and processing journal entries and making of estimates. We have selected journal entries based on risk criteria and performed specific audit procedures on these, also paying attention to significant transactions, if any, outside normal business operations. We also performed specific audit procedures on management estimates, with specific attention to the valuation of the notes and hedging transactions with other group companies. We refer to the section 'Key audit matters' for the performed audit procedures. Our work did not lead to specific indications of fraud or suspicions of fraud regarding the risk of management override of control by the board of directors.

We incorporated an element of unpredictability in our audit. We reviewed lawyer's letters, where relevant, and correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach Going Concern

The board of directors prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least 12 months from the date of preparation of the financial statements. Our procedures to evaluate the board of directors' going concern assessment include, amongst others:

- Considering whether management identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks).

- Considering whether the board of directors' going concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the board of directors regarding the board of directors' most important assumptions underlying their going concern assessment. The main areas assessed by the board of directors are the financial performance and financial position of the Company.
- Analysing the financial position as at balance sheet date in relation to the financial position as at prior year balance sheet date to assess whether events or circumstances exist that may lead to a going concern risk.
- Evaluating the financial position of the Company, the creditworthiness of the counterparties to the financial assets and trade and other receivables with other Bank of America Corporation undertakings by assessing observable data from rating agencies, developments in credit spreads, current financial data (such as recent financial information and cash flows) and other publicly available data and by discussing and obtaining information from the group auditor.
- Assessing that the Company's issuances are economically hedged with other Bank of America Corporation undertakings.
- Performing inquiries of the board of directors as to their knowledge of going concern risks beyond the period of the board of directors' assessment.

Our procedures did not result in outcomes contrary to the board of directors' assumptions and judgements used in the application of the going-concern assumption.

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.

Due to the nature of the Company, key audit matters do not change significantly year over year. Compared to last year there have been no changes in key audit matters.

Key audit matter	***Our audit work and observations***
Valuation of derivative assets and derivative liabilities *Refer to the accounting policies note 1.4 'Financial assets', note 1.5 'Financial liabilities', note 1.6 'Derecognition of financial assets and liabilities', note 2 'Critical accounting estimates and judgements', note 14 'Derivative assets and derivative liabilities'.* Derivative assets amount to USD 166 million as at 31 December 2021. Derivative liabilities amount to USD 229 million as at 31 December 2021. Derivative assets and liabilities consist of cross-currency, interest rate and total return swaps that are used to economically hedge the structured notes issued.	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. This included test procedures on controls with respect to model validation around new or amended models and price testing (which includes independent revaluation).

Key audit matter	*Our audit work and observations*
The valuation of these derivatives are 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.	We evaluated the adequacy of the disclosures relating to the valuation of derivative assets and liabilities to assess compliance with disclosure requirements included in EU-IFRS.
Valuation of structured notes *Refer to the accounting policies note 1.5 'Financial liabilities', note 1.6 'Derecognition of financial assets and liabilities', note 2 'Critical accounting estimates and judgements, and note 16 'Financial liabilities designated at fair value through profit or loss'.* Financial liabilities designated at fair value through profit or loss amount to USD 3,096 million as at 31 December 2021. 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 engaged our valuation experts to substantively revalue a sample of structured notes using independent models and independently sourced inputs. We evaluated the adequacy 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.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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 all the information regarding the directors' report and the other 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 the 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 procedures 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 and ESEF

Our appointment

We were appointed as auditors of Merrill Lynch B.V. This followed the passing of a resolution by the shareholders at the annual general meeting held in 2012. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of ten years.

European Single Electronic Format (ESEF)

Merrill Lynch B.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the financial statements of Merrill Lynch B.V., complies in all material respects with the RTS on ESEF.

The board of directors is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual report in XHTML format; and
- Examining whether the annual report in XHTML format is in accordance with the RTS on ESEF.

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, for the period to which our statutory audit relates, are disclosed in note 10 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 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 framework 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 in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered 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.

Amsterdam, 29 April 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA

Appendix to our auditor's report on the financial statements 2021 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 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 actions taken to eliminate threats or safeguards applied.

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.