Registered number: 56457103

MERRILL LYNCH B.V.

UNAUDITED

INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

MERRILL LYNCH B.V.

COMPANY INFORMATION

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

CONTENTS

DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2020

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV", the "Company") for the six months ended 30 June 2020.

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 30 June 2020 and of its profit and cash flows for the six months then ended; and
- the directors' report gives a true and fair view of the Company's situation as at the reporting date, the events that occurred during the first half of 2020, future outlook, events after the reporting date and the risks to which the Company is exposed.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable;
- 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Electronic distribution

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

Principal activity

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

There has been no change to the principal activities and the directors expect the principal activities to continue during 2020.

Business review

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

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

Results and dividends

The directors are satisfied with the Company’s performance for the financial period ended 30 June 2020 and financial position at the end of the period. The profit for financial period, after taxation, amounted to $27,588,000 (2019: $11,678,000).

Risk management

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

The risk management approach has five components:

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

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

The Company's approach to each of the risk types are further described in the notes to the financial statements (see note 21).

Post reporting date events

Direct and indirect effects of the coronavirus outbreak are impacting the global economy, markets, and the Company’s counterparties and clients. The Company cannot predict the coronavirus’s potential future direct or indirect effects; however, the Company is taking actions to mitigate the impacts on the Company. The coronavirus’s effects could have a material negative impact on the Company’s future results and operations, assets and liabilities.

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 all members of the Board are male, however the Company is aware of the gender diversity goals as set out in the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new directors.

There were no employees of the Company for the six months ended 30 June 2020 (six months to 30 June 2019: none).

Board of Directors

(together authorised to represent the Company)

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

This report was approved by the board on **17 September 2020** 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 PERIOD ENDED 30 JUNE 2020

	Note	**Six months ended 30 June 2020 $000**	Six months ended 30 June 2019 $000
Net gain on financial instruments at fair value through profit or loss	4	**62,453**	62,682
Net loss on financial instruments designated at fair value through profit or loss	5	**(55,687)**	(79,502)
Other income	7	**305**	240
Administrative expenses		**(110)**	(222)
Profit/(loss) from operations		**6,961**	(16,802)
Interest income	6	**28,227**	28,986
Profit before tax		**35,188**	12,184
Tax expense	9	**(7,600)**	(506)
Profit for the period		**27,588**	11,678
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Movement in debit valuation adjustment		**90,121**	(41,145)
Tax relating to movement in debit valuation adjustment		**(18,614)**	8,434
		71,507	(32,711)
Total comprehensive income/(loss)		**99,095**	(21,033)

The notes on pages 10 to 46 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

(Before appropriation of result)

	Note	30 June 2020 $000	31 December 2019 $000
Assets			
Non-current assets			
Amounts owed by affiliated undertakings	10	**2,402,081**	2,451,463
Financial assets at fair value through profit or loss	11	**170,886**	186,652
Derivative assets	13	**161,641**	86,599
Deferred tax assets	15	**-**	7,148
		2,734,608	2,731,862
Current assets			
Amounts owed by affiliated undertakings	10	**453,202**	318,902
Financial assets at fair value through profit or loss	11	**70,715**	33,573
Derivative assets	13	**22,252**	27,509
Accrued interest receivable and other assets	23	**10,805**	34,381
Cash and cash equivalents	12	**23,732**	22,250
		580,706	436,615
Total assets		**3,315,314**	3,168,477
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	14	**2,686,755**	2,687,371
Derivative liabilities	13	**108,453**	101,445
Deferred tax liability	15	**13,198**	-
		2,808,406	2,788,816
Current liabilities			
Bank overdraft	24	**-**	32,758
Financial liabilities designated at fair value through profit or loss	14	**40,955**	115,088
Amounts owed to affiliated undertakings	16	**118,034**	41,098
Derivative liabilities	13	**9,254**	-
Income tax payable	15	**4,700**	1,196
Accrued expenses and other liabilities	17	**45,351**	2
		218,294	190,142

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2020

	Note	30 June 2020 $000	31 December 2019 $000
Total liabilities		**3,026,700**	2,978,958
Net assets		**288,614**	189,519
Issued capital and reserves			
Share capital	18	**-**	-
Other reserves	18	**6,126**	(65,381)
Share premium	18	**145,437**	145,437
Retained earnings		**137,051**	109,463
TOTAL EQUITY		**288,614**	189,519

The notes on pages 10 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2020	-	145,437	(65,381)	109,463	189,519
Profit for the period	-	-	-	27,588	27,588
Movement in debit valuation adjustment	-	-	90,121	-	90,121
Tax adjustment	-	-	(18,614)	-	(18,614)
Total comprehensive income for the period	-	-	71,507	27,588	99,095
At 30 June 2020	**-**	**145,437**	**6,126**	**137,051**	**288,614**

The notes on pages 10 to 46 form part of these financial statements. For further details see note 18.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2019	-	809,437	14,358	91,900	915,695
Profit for six month period ended 30 June 2019	-	-	-	11,678	11,678
Profit for six month period ended	-	-	-	5,885	5,885
31 December 2019	-	-	(100,499)	-	(100,499)
Tax adjustment	-	-	20,760	-	20,760
Total comprehensive income for the year	-	-	(79,739)	17,563	(62,176)
Transactions with owners in their capacity as owners:					
Share premium contribution	-	105,000	-	-	105,000
Return of share premium	-	(769,000)	-	-	(769,000)
	-	(664,000)	-	-	(664,000)
At 31 December 2019	**-**	**145,437**	**(65,381)**	**109,463**	**189,519**

The notes on pages 10 to 46 form part of these financial statements. For further details see note 18.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020

	Note	30 June 2020 $000	31 December 2019 $000
Cash flow generated from/(used in) operating activities			
Profit for the period		**27,588**	11,678
		27,588	11,678
Adjustments for non-cash items:			
Profit for six month period ended 31 December 2019		**-**	5,885
Net gain on financial instruments at fair value through profit or loss	4	**(62,453)**	(19,091)
Net loss on financial assets designated at fair value through profit or	5	**55,687**	61,146
loss Interest income	6	**(28,227)**	(63,544)
Foreign exchange (loss)/gain on translation of tax liability		**(113)**	148
Cash used in operations		**(7,518)**	(3,778)
Cash flows from operating activities:			
Placement of intercompany loans and deposits	10	**(80,390)**	(1,909,082)
Repayment of intercompany loans and deposits	10	**121,437**	1,362,761
Placement of fully funded total return swaps	11	**(98,886)**	(128,104)
Repayment of fully funded total return swaps	11	**77,509**	91,994
Net movement of derivatives	13	**8,929**	86,732
Proceeds from issuance of structured notes	14	**553,553**	1,166,812
Redemption of structured notes	14	**(590,778)**	(65,234)
Income tax paid	15	**(2,251)**	(4,029)
Placement of intercompany payables		**174,086**	67,472
Placement of intercompany receivables		**(121,451)**	(34,405)
Cash flow generated from operating activities		**34,240**	631,139
Proceeds from share capital contribution	18	**-**	105,000
Share premium distribution	18	**-**	(769,000)
Net cash used in financing activities		**-**	(664,000)
Net increase/(decrease) in cash and cash equivalents		**34,240**	(32,861)
Cash and cash equivalents at the beginning of period	12	**(10,508)**	22,353
Cash and cash equivalents at the end of the period		**23,732**	(10,508)

The notes on pages 10 to 46 form part of these financial statements. Cash and cash equivalents are net of bank overdrafts ($nil at 30 June 2020 and $32,758,000 at 31 December 2019).

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 interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 - Interim Financial Reporting as per the requirements of IAS34.19.

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

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies, for example, determining the fair value of financial instruments.

The 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 and financial statements. The financial statements have, therefore, been prepared on a going concern basis and the directors expect the principal activities to continue in 2020. Disclosures in respect to liquidity risk and capital management are set out in note 21.

1.2 New and amended standards adopted by the Company

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2020 that have had a material impact on the Company.

1.3 Translation of foreign currencies

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

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

1. Accounting policies (continued)

1.4 Financial assets

The Company recognises financial assets in the statement of financial position when it becomes a party 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").

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

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

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

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.

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.

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 other comprehensive income ("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. Accounting policies (continued)

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.

1.8 Segmental reporting

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

1. Accounting policies (continued)

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 affiliated undertakings, 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 loss on financial instruments designated at FVPL, respectively.

1.10 Other income

The Company has disclosed operating income/(loss) instead of turnover as this more accurately reflects the results and nature of the Company's activities.

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

1. Accounting policies (continued)

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 also 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.

1.15 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.

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

a) Valuation of financial instruments

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.

b) Deferred tax

The Company has recognised a deferred tax liability in its financial statements which requires judgement in determining the likelihood of its realisation at each reporting date. The Company's expectations as to the level of future taxable profits take into account the Company's long-term financial and strategic plans, and anticipated future tax-adjusting items. In making this assessment, account is taken of business plans, the Board approved operating plan and the expected future economic outlook, as well as the risks associated with future regulatory change. Management also apply judgement when determining the appropriate period over which future profits are considered probable. These forecasts require the use of assumptions and estimates. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. See note 15 for further information concerning deferred tax.

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 and fully funded total return swaps. In addition the Company grants intercompany loans and places deposits with Bank of America Corporation ("BAC") and Merrill Lynch International ("MLI"). The directors expect the principal activities to continue during 2020.

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 ("MLID") is the Company’s immediate parent; BAC is the Company’s ultimate parent, see note 21.

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

	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
Gain on derivative assets and liabilities	**98,097**	53,879
Change in fair value of fully funded swaps	**(35,644)**	8,803
	62,453	62,682

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

	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
Change in fair value of structured notes	**(55,687)**	(79,502)

6. Interest income

	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
Finance income	**28,227**	28,986

Finance income represents interest income on deposits and intercompany loans.

7. Other income

Operating income of $305,000 (six months ended 30 June 2019: $240,000) relates to service fee income from MLI, an affiliate.

8. Auditors remuneration

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

	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
Audit fees	**84**	85
Non-audit fees	**20**	21
	104	106

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 2020 financial statements and services in relation to the 2020 comfort letters for the issuance of structured notes. Payment of the 2019 fees was made by an affliated entity and recharged to the Company.

9. Tax expense

	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
Profit before tax	**35,188**	12,184
Tax calculated at standard rate of corporation tax <€200k at 19% and >€200k at 25% (30 June 2019: <€200k at 20% and >€200k at 25%)	**8,797**	3,046
Net credit not subject to tax	**(429)**	(2,540)
Tax rate change	**(768)**	-
Total tax expense	**7,600**	506

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

10. Amounts owed by affiliated undertakings

	30 June 2020 $000	31 December 2019 $000
Non-current assets		
Money market deposits	**2,402,081**	2,451,463

	30 June 2020 $000	31 December 2019 $000
Current assets		
Intercompany loans	**353,914**	232,462
Money market deposits	**99,288**	86,440
	453,202	318,902

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

Money market deposits are unsecured and placed with BAC and MLI (refer to note 21 for credit ratings). The fair value of money market deposits are valued at $2,448,862,000 (2019: $2,431,793,000).

Current intercompany loans are extended on a short term basis. The Company also has collateral received from affiliated companies presented within intercompany loans totalling $74,395,000 (2019: $21,743,000).

11. Financial assets at fair value through profit or loss

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

	30 June 2020 Notional $000	**30 June 2020 Fair value $000**	31 December 2019 Notional $000	31 December 2019 Fair value $000
Non-current assets				
Between one year and 5 years	**129,760**	**129,844**	167,378	173,418
More than five years	**40,882**	**40,904**	12,378	12,087
Credit spread adjustment	**-**	**138**	-	1,147
	170,642	**170,886**	179,756	186,652
Current assets				
Less than 1 year	**70,467**	**70,502**	32,418	33,532
Credit spread adjustment	**-**	**213**	-	41
	70,467	**70,715**	32,418	33,573
Total	**241,109**	**241,601**	212,174	220,225

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

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

	30 June 2020 Notional $000	30 June 2020 Fair value $000	31 December 2019 Notional $000	31 December 2019 Fair value $000
Fully funded total return swaps				
USD	**201,053**	**201,201**	183,746	190,147
GBP	**741**	**741**	6,092	6,116
EUR	**20,188**	**20,185**	17,734	18,312
JPY	**19,127**	**19,123**	4,602	4,462
Credit spread adjustment	**-**	**351**	-	1,188
	241,109	**241,601**	212,174	220,225

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

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

The credit spread adjustment represents a credit valuation adjustment which is linked to BAC credit spreads, for more information refer to note 22.

The fair value of the fully funded total return swaps are determined by using valuation techniques based on valuation models, for more information refer to note 22.

12. Cash and cash equivalents

	30 June 2020 $000	31 December 2019 $000
Cash at bank and on hand	**4,072**	2,742
Short term time deposit	**19,660**	19,508
	23,732	22,250

The short term time deposits are held with Bank of America, N.A., and are interest bearing at 1.90% average rate (2019: 2.33% average rate). The credit rating is A+ / A-1 (S&P) (2019: A+ / A-1 (S&P).

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

13. Derivative assets/liabilities

	30 June 2020 $000	31 December 2019 $000
Non-current assets	**161,641**	86,599
Current assets	**22,252**	27,509
Total derivative assets	**183,893**	114,108

	30 June 2020 $000	31 December 2019 $000
Non-current liabilities	**108,453**	101,445
Current liabilities	**9,254**	-
Total derivative liabilities	**117,707**	101,445

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

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2020 and 31 December 2019. The column 'net amount' shows the impact on the Company's SOFP if all set-off rights were exercised.

13. Derivative assets/liabilities (continued)

As at 30 June 2020

	Gross amounts recognised $000	Gross amounts offset in the SOFP $000	Net amounts presented in the SOFP $000	Cash collateral $000	Net amount $000
Assets					
Derivative assets	**205,358**	**(21,465)**	**183,893**	**(111,360)**	**72,533**
Liabilities					
Derivative liabilities	**139,172**	**(21,465)**	**117,707**	**(45,647)**	**72,060**

As at 31 December 2019

	Gross amounts recognised $000	Gross amounts offset in the SOFP $000	Net amounts presented in the SOFP $000	Cash collateral $000	Net amount $000
Assets					
Derivative assets	152,524	(38,416)	114,108	(34,634)	79,474
Liabilities					
Derivative liabilities	139,861	(38,416)	101,445	(21,336)	80,109

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

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

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

14. 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 'post reporting date events' 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

	30 June 2020 Notional $000	**30 June 2020 Fair value $000**	31 December 2019 Notional $000	31 December 2019 Fair value $000
Non-current liabilities				
Between one year and five years	**326,466**	**311,147**	383,386	421,443
Between five years and ten years	**287,087**	**295,992**	630,514	631,271
More than 10 years	**2,029,040**	**2,088,308**	1,619,858	1,554,334
Credit spread adjustment	**-**	**(8,692)**	-	80,323
	2,642,593	**2,686,755**	2,633,758	2,687,371
Current liabilities				
Less than 1 year	**69,712**	**39,847**	88,109	114,607
Credit spread adjustment	**-**	**1,108**	-	481
	69,712	**40,955**	88,109	115,088
Total	**2,712,305**	**2,727,710**	2,721,867	2,802,459

14. 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:

	30 June 2020 Notional $000	**30 June 2020 Fair value $000**	31 December 2019 Notional $000	31 December 2019 Fair value $000
Structured notes				
USD	**1,323,564**	**1,339,712**	1,491,661	1,502,604
JPY	**868,709**	**816,369**	721,550	668,063
EUR	**444,578**	**499,865**	447,389	490,304
KRW	**41,563**	**38,001**	17,295	16,307
HKD	**19,355**	**22,373**	-	-
RUB	**9,263**	**10,238**	10,629	11,082
SEK	**4,532**	**8,028**	4,513	6,181
GBP	**741**	**708**	6,092	6,278
CAD	**-**	**-**	19,264	19,284
CLP	**-**	**-**	3,474	1,552
Credit spread adjustment	**-**	**(7,584)**	-	80,804
	2,712,305	**2,727,710**	2,721,867	2,802,459

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

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

The credit spread adjustment represents a debit valuation adjustment which is linked to BAC credit spreads. The fair value of the structured notes is determined by using valuation techniques based on valuation models, for more information refer to note 22.

15. Tax liability

	30 June 2020 $000	31 December 2019 $000
Deferred tax (asset)/liability at beginning of year	**(7,148)**	11,310
Charged to profit and loss	**2,500**	2,809
Tax relating to movement in debit valuation adjustment	**18,614**	(21,977)
Tax rate change	**(768)**	710
Deferred tax liability/(asset) at end of period	**13,198**	(7,148)

The deferred tax liability/(asset) is non-current.

	30 June 2020 $000	31 December 2019 $000
Income tax payable at beginning of year	**1,196**	3,479
Charged to the income statement	**5,868**	1,598
Impact of foreign exchange rates	**(113)**	148
Tax paid	**(2,251)**	(4,029)
Income tax payable at end of period	**4,700**	1,196

16. Amounts owed to affiliated undertakings

	30 June 2020 $000	31 December 2019 $000
Other amounts payable	**118,034**	41,098

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

17. Accrued expenses and other liabilities

	30 June 2020 $000	31 December 2019 $000
Other payables	**45,351**	2

18. Issued capital and reserves

	30 June 2020 $000	31 December 2019 $000
Share capital	**-**	-
Share premium	**145,437**	145,437
Other reserves	**6,126**	(65,381)
	151,563	80,056

Issued share capital in 2020 comprises 12,998 Ordinary shares of equal voting rights at $0.01 each. (2019: 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 $2,475,000 which relates to the debit valuation adjustment (DVA) after tax.

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 30 June 2020

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000
Assets		
Amounts owed by affiliated undertakings	2,855,283	-
Financial assets at fair value through profit or loss	-	241,601
Derivative assets	-	183,893
Accrued interest receivable and other assets	10,805	-
Cash and cash equivalents	23,732	-
	2,889,820	425,494

	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	-	-	2,727,710
Derivative liabilities	-	117,707	-
Amounts owed to affiliated undertakings	118,034	-	-
Accrued expenses and other liabilities	45,351	-	-
	163,385	117,707	2,727,710

19. Financial instruments by category (continued)

Summary of financial instruments at 31 December 2019

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000
Assets		
Amounts owed by affiliated undertakings	2,770,365	-
Financial assets at fair value through profit or loss	-	220,225
Derivative assets	-	114,108
Accrued interest receivable and other assets	34,381	-
Cash and cash equivalents	22,250	-
	2,826,996	334,333

	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	32,758	-	-
Financial liabilities designated at fair value through profit or loss	-	-	2,802,459
Derivative liabilities	-	101,445	-
Amounts owed to affiliated undertakings	41,098	-	-
Accrued expenses and other liabilities	2	-	-
	73,858	101,445	2,802,459

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:

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

The Company has deposits placed with BAC, which at 30 June 2020 amounted to $111,367,000 (31 December 2019: $185,534,000), which are interest bearing and generated interest income for the six months ended 30 June 2020 of $1,992,000 (six months ended 30 June 2019: $5,875,000).

The Company has deposits placed with Merrill Lynch Luxembourg Finance S.A. ("MLLFSA"), which at 30 June 2020 amounted to $9,000 (31 December 2019: $9,000).

The Company has deposits placed with MLI, which at 30 June 2020 amounted to $2,389,993,000 (31 December 2019: $2,352,360,000), which are interest bearing and generated interest income for the six months ended 30 June 2020 of $24,883,000 (six months ended 30 June 2019: $19,487,000).

The Company has net total return swaps and cross currency swaps transacted with MLI, which at 30 June 2020 amounted to $66,186,000 (31 December 2019: $12,663,000). See note 13 for further information.

The Company has entered into loan contracts with MLI which amounted to $186,154,000 (31 December 2019: $87,538,000), NB Holdings Corporation $91,779,000 (31 December 2019: $91,413,000) BofAML Jersey Holdings Limited $nil (31 December 2019: $30,156,000) and BofA Securities Europe SA $44,198,000 (31 December 2019: $21,721,000), BAC $1,581,000 (31 December 2019: $1,634,000) and Bank of America N.A. $30,202,000 (31 December 2019: $nil) as set out in note 10.

The amount owed to affiliated undertakings relates to collateral received under legally enforceable master netting agreements, denominated in USD, which are due and payable on demand amounted to $118,034,000 (31 December 2019: $41,098,000).

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

There are no employees in the Company for the period ended 30 June 2020 (period end 30 June 2019: none).

The Company has service fee income from MLI for the six months ended 30 June 2020 amounting to $305,000 (six months ended 30 June 2019: $240,000).

Included in the administrative expenses; are Directors' fees and remuneration relating to one director. Two directors did not receive any remuneration. The Company has taken advantage of the exemption from disclosing these amounts, available under Dutch company law. 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.

Financial instruments 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.

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

21. Financial risk management (continued)

	30-Jun 2020 $000	High 2020 $000	Daily average 2020 $000	Low 2020 $000
99% Daily VaR				
Total	**3,522**	**11,699**	**5,009**	**492**
Interest rate risk	**2,877**	**3,641**	**2,449**	**138**
Currency risk	**543**	**2,869**	**764**	**169**
Equity price risk	**1,675**	**2,031**	**559**	**101**
Credit risk	**7**	**10,433**	**2,883**	**7**
Commodity	**15**	**20**	**5**	**-**

	Year-end 2019 $000	High 2019 $000	Daily average 2019 $000	Low 2019 $000
99% Daily VaR				
Total	1,922	2,999	1,687	990
Interest rate risk	1,932	3,379	1,603	834
Currency risk	370	2,585	588	69
Equity price risk	222	949	230	9
Credit spread risk	84	255	86	-
Commodity price risk	2	6	-	-

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 six months ended 30 June 2020.

21. Financial risk management (continued)

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

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

The Company is exposed to a significant concentration of credit risk related to money market deposits totalling $2,501,369,000 (31 December 2019: $2,537,903,000), all with affiliated undertakings, please refer to note 10. Financial assets at FVPL is predominantly taken out with MLI. At the end of the reporting year, the credit rating for outstanding long term debt of the affiliated undertakings is A- / A-2 (S&P) for BAC and A+ / A-1 (S&P) for MLI (31 December 2019: A- (S&P) for BAC and A+ (S&P) for MLI).

Compliance and operational risk

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

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

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

Front line units ("FLUs") and control functions, including enterprise areas of coverage such as Global Information Security and Outsourcing (both third party and internal risks), are first and foremost responsible for managing all aspects of their businesses, including their compliance and operational risk. FLUs and control functions are required to understand their business processes and related risks and controls, including the related regulatory requirements, and monitor and report on the effectiveness of the control environment.

21. Financial risk management (continued)

In order to actively monitor and assess the performance of their processes and controls, they must conduct comprehensive quality assurance activities and identify issues and risks to remediate control gaps and weaknesses. FLUs and control functions must also adhere to compliance and operational risk appetite limits to meet strategic, capital and financial planning objectives. Finally, FLUs and control functions are responsible for the proactive identification, management and escalation of compliance and operational risks across the Company.

Liquidity risk

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

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

The tables below represent the undiscounted cash flows of the Company's financial liabilities as at 30 June 2020 and 31 December 2019, 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.

	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
As at 30 June 2020						
Financial liabilities designated at fair value through profit or loss	**10,096**	**30,859**	**112,967**	**198,180**	**2,375,608**	**2,727,710**
Derivative liabilities	**-**	**9,254**	**4,836**	**28,593**	**75,024**	**117,707**
Amounts owed to affiliated undertakings	**-**	**118,034**	**-**	**-**	**-**	**118,034**
Accrued expenses and other liabilities	**45,351**	**-**	**-**	**-**	**-**	**45,351**
	55,447	**158,147**	**117,803**	**226,773**	**2,450,632**	**3,008,802**

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 2019						
Financial liabilities designated at fair value through profit or loss	9,930	105,158	225,496	201,611	2,260,264	2,802,459
Derivative liabilities	-	-	1,538	9,491	90,416	101,445
Amounts owed to affiliated undertakings	-	41,098	-	-	-	41,098
Bank overdraft	32,758	-	-	-	-	32,758
Accrued expenses and other liabilities	2	-	-	-	-	2
	42,690	146,256	227,034	211,102	2,350,680	2,977,762

21. Financial risk management (continued)

Reputational risk

Reputational risk is the potential risk that negative perceptions of BAC's conduct or business practices will adversely affect its profitability or operations.

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

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

For the region there is a dedicated committee, the European Union ("EU") & United Kingdom/Central and Eastern Europe Middle East and Africa ("UK/CEEMEA") Reputational Risk Committee, whose mandate includes consideration of reputational risk issues and to provide guidance and approvals for activities that represent specific reputational risks which have been referred for discussion by other current control frameworks or lines of business. Reputational risk items relating to MLBV are considered as part of the Regional Reputational Risk Committee.

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

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

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

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

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

21. Financial risk management (continued)

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 ongoing 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 and resolution 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.

MLBV strategy execution and risk management are aligned to the overall BAC strategic plans through 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.

The BAC Board is responsible for overseeing the strategic planning process and management's implementation of the resulting strategic plan. BAC's strategic plan is reviewed and approved annually by the BAC Board in consideration of the capital plan, financial operating plan, liquidity requirements and risk appetite. Significant strategic actions, such as capital actions, material acquisitions or divestitures, and recovery and resolution plans are reviewed and approved by the BAC Board as required. Strategic planning at BAC level is representative of more detailed planning undertaken at the business unit, regional and MLBV level.

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

Routines exist to discuss the strategic risk implications of new, expanded, or modified businesses, products or services and other strategic initiatives, and to provide formal review and approval where appropriate. Independent risk management, Corporate Audit and other control functions provide input, challenge and oversight to FLU and regional level strategic plans and initiatives. Corporate Audit reviews the strategic plan and provides feedback to regional management, the Board and the BAC Board as necessary regarding the impact to the control environment.

Focused regional performance updates are provided to executive leadership and the BAC Board on a periodic basis. Updates take into account analyses of performance relative to the strategic plan, risk appetite, performance relative to peers, the strength of capital and liquidity positions and stress tests (which address potential macroeconomic events, changing regulatory requirements and various market growth rate assumptions).

21. Financial risk management (continued)

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 should maintain an internal capital requirement of a minimum 5% of the issuances.

	30 June 2020 $000	31 December 2019 $000
Capitalisation ratio:		
Equity	**288,614**	189,519
Issued debt	**2,727,710**	2,802,459
Capitalisation ratio	**11%**	**7%**

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 assets at FVPL and financial liabilities designated at FVPL

The fair values of financial assets at fair value through profit or loss and financial liabilities designated at fair value through profit or loss are 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.

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 30 June 2020:

As at 30 June 2020

	Level 2 $000	Level 3 $000	Total $000
Assets			
Financial assets at fair value through profit or loss	**176,565**	**65,036**	**241,601**
Derivative assets	**163,409**	**20,484**	**183,893**
	339,974	**85,520**	**425,494**

22. Fair value measurement (continued)

	Level 2 $000	Level 3 $000	Total $000
Liabilities			
Financial liabilities designated at fair value through profit and loss	**2,554,423**	**173,287**	**2,727,710**
Derivative liabilities	**107,923**	**9,784**	**117,707**
	2,662,346	**183,071**	**2,845,417**

As at 31 December 2019

	Level 2 $000	Level 3 $000	Total $000
Assets			
Financial assets at fair value through profit or loss	175,434	44,791	220,225
Derivative assets	102,681	11,427	114,108
	278,115	56,218	334,333

Liabilities			
Financial liabilities designated at fair value through profit and loss	2,560,635	241,824	2,802,459
Derivative liabilities	63,262	38,183	101,445
	2,623,897	280,007	2,903,904

22. Fair value measurement (continued)

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.
- 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 $85,521,000 as of 30 June 2020 (31 December 2019: $56,218,000), and represent approximately twenty percent of assets measured at fair value and approximately three percent of total assets. Level 3 liabilities were $183,071,000 as of 30 June 2020 (31 December 2019: $280,007,000), and represent approximately six percent of liabilities measured at fair value and six percent of total liabilities.

22. Fair value measurement (continued)

	Financial assets at fair value through profit or loss $000	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2020	44,791	11,427	(38,183)	(241,824)
Gain/(losses) recognised in the statement of comprehensive income	7,972	1,355	23,997	12,197
Settlements	(4,720)	(8,121)	4,803	75,557
New issuances	21,699	16,287	(86)	-
Transfers in	13,445	249	(1,247)	(19,217)
Transfers out	(18,151)	(713)	932	-
Balance at 30 June 2020	65,036	20,484	(9,784)	(173,287)

	Financial assets at fair value through profit or loss $000	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Unrealised (losses)/gains for level 3	7,972	1,355	23,997	12,197

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

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.

22. Fair value measurement (continued)

	Financial assets at fair value through profit or loss $000	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2019	107,716	101,792	(15,599)	(437,498)
Gain/(losses) recognised in the statement of comprehensive income	4,784	(4,190)	(4,708)	16,921
Settlements	(72,412)	(70,814)	10,318	209,729
New issuances	18,458	8,187	(32,846)	(7,993)
Transfers in	-	41	-	(22,983)
Transfers out	(13,755)	(23,589)	4,652	-
Balance at 31 December 2019	44,791	11,427	(38,183)	(241,824)

	Financial assets at fair value through profit or loss $000	Derivative assets/ liabilities $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Unrealised (losses)/gains for level 3	4,784	(4,190)	(4,708)	16,921

22. Fair value measurement (continued)

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

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

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.

As at 30 June 2020	Valuation technique	Significant unobservable inputs	Ranges of input
Derivative assets and liabilities			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	6.4% to 100% 4.0% to 234.3%
Financial liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	6.4% to 100% 4.0% to 234.3% 7.5% to n/a $0 to $100 0 to 5 years

As at 31 December 2019	Valuation technique	Significant unobservable inputs	Ranges of input
Derivative assets and liabilities			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	9.08% to 100% 4.53% to 100.88%
Financial liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	9.08% to 100% 4.53% to 100.88% 7.5% to n/a $0 to $100 0 to 5 years

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 $655,000 (31 December 2019: $1,799,000) or decreased fair value by as much as $483,000 (31 December 2019: $650,000) with the potential effect impacting profit and loss rather than reserves.

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

Financial assets and liabilities carried at amortised cost

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

The fair value of amounts owed by affiliated undertakings is determined by reference to quoted market prices of similar instruments. Money market deposits are classified as level 2 and are valued at $2,539,727,000 (31 December 2019: $2,542,252,000).

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 interest receivable and other assets

The Company had a receivable balance at 30 June 2020 of $10,805,000 (31 December 2019: $34,143,000).

24. Bank overdraft

The Company had a bank overdraft position at 30 June 2020 of $nil (31 December 2019: $32,758,000).

25. Events after the reporting period

The Company cannot predict the coronavirus's potential future direct or indirect effects; however, the Company is taking actions to mitigate the impacts on the Company. The coronavirus's effects could have a material negative impact on the Company's future results of operations, assets and liabilities.

26. Profit appropriation

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

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

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

Based on the net result over the six months ended 30 June 2020, the Board of Directors do not recommend the payment of a dividend in respect of the half-year to 30 June 2020.

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

The financial statements were approved by the Board and authorised for issue on 17 September 2020. They were signed on its behalf by:

A.E. Okobia
Director

S. Lilly
Director

L.J.M. Duijsens
Director

Amsterdam
17 September 2020