

Registered no: 56457103

MERRILL LYNCH B.V.

UNAUDITED

**INTERIM REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED ENDED 30 JUNE 2023**

MERRILL LYNCH B.V.

COMPANY INFORMATION

Directors L.J.M. Duijsens
A.E.Okobia
L. R. Whitley (appointed 01 June 2023)

Registered number 56457103

Registered office Amstelvein 1, Rembrandt Tower
27 Floor, 1096 HA, Amsterdam
The Netherlands

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**DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2023**

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV", the "Company") for the six months ended 30 June 2023.

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 2023 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 2023, 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").

Principal activities

The principal activities of the Company are the issuance of structured notes and economically hedging these instruments through derivatives with a number of group affiliates. In addition the Company grants intercompany loans to affiliated entities and places deposits with 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 2023.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023**

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.

Outlook

Volatility dominated global market conditions (both in markets and in politics) amidst growing concern over geopolitics, record inflation, and rising rates.

Geopolitical risks were heightened during the year, driven by conflict between Russia and Ukraine, tensions between China and Hong Kong/Taiwan, and tensions between the United States ("US") and China. Due to the ongoing conflict between Russia and Ukraine there has been significant volatility in financial and commodities markets, and multiple jurisdictions have implemented various economic sanctions. The Company's direct exposure to Russia remains immaterial.

Meanwhile, in response to consumer price increases over the past two years, most central banks have tightened monetary policies and hiked interest rates to fight inflation which has led to an increased cost of borrowing.

As a result of these geopolitical risk factors, the Company's business, results of performance, financial position and/or operational model could be adversely affected.

Interbank Offered Rate ("IBOR")

Immediately after 30 June 2023, the remaining U.S. dollar ("USD") Interbank Offered Rate ("IBOR") settings (i.e., overnight, one month, three month, six month and 12 month) ceased or became non-representative ("IBOR Cessation"), although the Financial Conduct Authority ("FCA") is requiring IBOR's administrator, ICE Benchmark Administration Limited, to continue publication of the one-month, three-month and six month USD LIBOR settings on a "synthetic" basis (calculated using the relevant CME Term SOFR Reference Rate plus the respective International Swaps and Derivatives Association fixed spread adjustment) for use in legacy contracts, which publication the FCA intends will continue until 30 September 2024.

The Company continues to be part of the BAC-wide transition programme with respect to IBOR and other impacted benchmark rates. The Corporation will continue to monitor developments related to ongoing benchmark reform and the transition to alternative reference rates ("ARRs") for expected impact on the Corporation and financial markets more broadly. In connection with IBOR Cessation, the Company has substantially completed the transition process for its products and contracts referencing USD IBOR to ARR's such as the Secured Overnight Financing Rate, subject to certain remaining notional contractual exposures not significant to the Company.

For further information on the status of the Company's IBOR transition, see note 24 Interest Rate Benchmark Reform.

Results

The directors are satisfied with the Company's performance for the financial period ended 30 June 2023 and financial position at the end of the period. The profit before tax for the financial period, amounted to \$30,309,000 (six months ended 30 June 2022: \$24,704,000).

The loss before tax on the structured notes from debit valuation adjustments was \$99,585,000 (six months ended June 2022: gain of \$192,511,000) due to movements in the BAC credit spreads.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023**

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 levels.

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.

No material climate-related risk variables impacting the financial position of the Company as at 30 June 2023 have been identified.

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

For further information on BAC's ESG approach and Environmental & Social Risk Policy Framework ("ESRPF"), refer to the section titled "Stakeholder Engagement" in the Directors' report 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

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023

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).

Events after the reporting period

On 22 August 2023, the Company's parent MLI LLC made an additional share premium contribution of \$70,000,000.

There have been no significant events affecting the Company since the period end which would have impacted the financial position of the Company if retrospectively applied.

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 period or the preceding year. The directors are delegated to the Company and are employed by other group companies.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023

Board of Directors

The directors of the Company, who were in office during the end of the period and up to the date of approval of this report, except where noted were:

A. Dicko (resigned 1 June 2023)

L.J.M. Duijsens

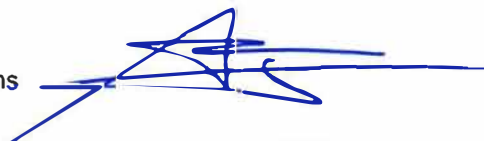
A.E. Okobia

L. R. Whitley (appointed 1 June 2023)

(together authorised to represent the Company)

This report was approved by the Board on 22 September 2023 and signed on its behalf.

L.J.M. Duijsens
Director



A.E. Okobia
Director



L.R. Whitley
Director



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2023**

		Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
	Note		
Net loss on financial instruments at fair value through profit or loss	4	(161,111)	(344,580)
Net (loss)/gain on financial instruments designated at fair value through profit or loss	5	(20,769)	347,869
Other income	6	683	190
Administrative expenses	7	(522)	(151)
(Loss)/profit from operations		(181,719)	3,328
Interest income	8	226,507	21,376
Interest expense		(14,479)	—
Profit before tax		30,309	24,704
Tax expense	11	(8,240)	(6,329)
Profit for the financial period after tax		22,069	18,375
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net (loss)/gain in debit valuation adjustment on structured notes		(99,582)	192,511
Tax relating to movement in debit valuation adjustment on structured notes		25,693	(49,667)
Total other comprehensive (loss)/income		(73,889)	142,844
Total comprehensive (loss)/income		(51,820)	161,219

The notes on pages 12 to 47 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

(Before appropriation of result)

		30 June 2023	31 December 2022
	Note	\$000	\$000
Assets			
Non-current assets			
Debtors	12	7,544,903	5,427,130
Derivative assets	14	460,876	472,317
Total non-current assets		8,005,779	5,899,447
Current assets			
Debtors	12	1,512,165	1,371,319
Derivative assets	14	21,706	144,753
Other assets		4,788	—
Cash and cash equivalents	13	32,783	23,063
Total current assets		1,571,442	1,539,135
Total assets		9,577,221	7,438,582
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	16	7,260,196	4,640,214
Derivative liabilities	14	1,054,068	1,047,997
Deferred tax liability	15	38,167	57,788
Total non-current liabilities		8,352,431	5,745,999
Current liabilities			
Financial liabilities designated at fair value through profit or loss	16	179,800	558,688
Creditors	17	518,885	616,100
Derivative liabilities	14	77,034	113,992
Income tax payable	15	1,245	1,206
Accrued expenses and other liabilities	23	5,581	8,373
Bank overdraft		97	256
Total current liabilities		782,642	1,298,615
Total liabilities		9,135,073	7,044,614

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2023

		30 June 2023	31 December 2022
	Note	\$000	\$000
Issued capital and reserves			
Share capital	18	—	—
Other reserves		758	73,965
Share premium		220,437	120,437
Retained earnings		198,884	152,517
Undistributed profits		22,069	47,049
Total equity		442,148	393,968
Total liabilities and equity		9,577,221	7,438,582

The notes on pages 12 to 47 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2023**

	Share capital \$000	Share premium \$000	Other reserves \$000	Retained earnings \$000	Undistributed profits \$000	Total equity \$000
At 1 January 2023	—	120,437	73,965	152,517	47,049	393,968
Transfer to retained earnings	—	—	682	46,367	(47,049)	—
Profit for the period	—	—	—	—	22,069	22,069
Movement in debit valuation adjustment on structured notes	—	—	(99,582)	—	—	(99,582)
Tax relating to movement in debit valuation adjustment on structured notes	—	—	25,693	—	—	25,693
Share premium contribution	—	100,000	—	—	—	100,000
At 30 June 2023	—	220,437	758	198,884	22,069	442,148

The notes on pages 12 to 47 form part of these financial statements. For further details see note 18.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 31 DECEMBER 2022

	Share capital \$000	Share premium \$000	Other reserves \$000	Retained earnings \$000	Undistributed profits \$000	Total equity \$000
At 1 January 2022	—	120,437	(40,534)	134,254	18,097	232,254
Transfer to retained earnings	—	—	(166)	18,263	(18,097)	—
Profit for the year	—	—	—	—	47,049	47,049
Movement in debit valuation adjustment on structured notes	—	—	154,535	—	—	154,535
Tax relating to movement in debit valuation adjustment on structured notes	—	—	(39,870)	—	—	(39,870)
At 31 December 2022	—	120,437	73,965	152,517	47,049	393,968

The notes on pages 12 to 47 form part of these financial statements. For further details see note 18.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023

		30 June 2023	31 December 2022
	Note	\$000	\$000
Cash flow generated from operating activities			
Profit for the period after tax		22,069	47,049
Adjustments for non-cash items:			
Net loss on financial instruments at fair value through profit or loss	4	161,111	600,431
Net loss/(gain) on financial instruments designated at fair value through profit or loss	5	20,769	(545,001)
Interest income	8	(226,507)	(124,100)
Interest expense		14,479	4,596
Foreign exchange loss on translation of tax liability		156	1,500
Income tax expense		8,240	16,623
Cash generated from operations		<u>317</u>	<u>1,098</u>
Cash flows generated from operating activities:			
Placement of debt instruments at amortised cost	12	(2,933,630)	(3,361,605)
Repayment of debt instruments at amortised cost	12	761,175	337,502
Net movement of derivatives	14	(211,425)	(116,137)
Proceeds from issuance of structured notes	16	3,085,042	3,657,428
Redemption of structured notes	16	(810,384)	(856,978)
Income tax paid	15	(2,283)	(1,454)
(Repayment)/placement of intercompany payables		(214,483)	603,909
Repayment/(placement) of intercompany receivables		235,550	(263,430)
Cash flow (used in)/generated from operating activities		<u>(90,121)</u>	<u>333</u>
Cash flows generated from financing activities:			
Share premium contribution	18	100,000	—
Net cash generated from financing activities		<u>100,000</u>	<u>—</u>
Net increase in cash and cash equivalents		<u>9,879</u>	<u>333</u>
Cash and cash equivalents at the beginning of the period	13	22,807	22,474
Cash and cash equivalents at end of period including bank overdraft		<u><u>32,686</u></u>	<u><u>22,807</u></u>

For further details see note 13 cash and cash equivalents.

The notes on pages 12 to 47 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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 periods 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. 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 geopolitical outlook on the financial statements, including critical accounting estimates and judgements, liquidity and solvency, and found this to be limited.

Management have considered the maturity profile and contractual terms of the liabilities in respect of the structured note portfolio 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.

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.

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.

1.2. New and amended standards adopted by the Company

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework, also known as the 'Pillar Two' rules. On 23 May 2023, the International Accounting Standards Board ("IASB") published International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12. The standard introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, which was effective immediately. The Company has adopted the mandatory temporary exception. The standard also adds disclosure requirements to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes, which will be effective for periods beginning on or after 31 December 2023.

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period. None of these developments have significant impact on the Company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

1. Accounting policies (continued)

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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 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.

1.6. 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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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 which are readily convertible to known amounts of cash.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

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 ("BofASE"). In addition the Company grants intercompany loans and places deposits with MLI. The directors expect the principal activities to continue during 2023.

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 2006/43/EG, 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 on financial instruments at fair value through profit or loss

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Change in fair value of derivative instruments	<u>(161,111)</u>	<u>(344,580)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Change in fair value of structured notes excluding debit valuation adjustment	<u>(20,769)</u>	<u>347,869</u>

6. Other income

Other income of \$683,000 (six months ended 30 June 2022: \$190,000) relates to service fee income from MLI to reimburse the Company for expenditure incurred.

7. Administrative expenses

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Foreign exchange gains	(164)	(7)
Service charge	24	12
Other operating expenses	662	146
	<u>522</u>	<u>151</u>

8. Interest income

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Interest income	<u>226,507</u>	<u>21,376</u>

Interest income due from affiliated companies within debtors was \$226,033,000 (six months ended 30 June 2022: \$21,335,000) and within cash and cash equivalents was \$474,000 (six months ended 30 June 2022: \$41,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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 ('profit before tax' less 'administrative expenses') of the Company by geographic region:

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
APAC	19,865	17,255
EMEA	9,274	6,700
AMRS	1,692	900
	<u>30,831</u>	<u>24,855</u>

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.

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Audit fees	117	96
Non-audit fees	9	16
	<u>126</u>	<u>112</u>

The amounts presented comprise all audit costs charged or accrued for the period.

The accrued audit fees relates to the statutory audit of the Company's financial statements and other audit services relate to comfort letters for the issuance of structured notes. Payment of the 2022 fees was made by an affiliated entity and recharged to the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

11. Tax expense

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Current tax		
Current tax on profit for the year	2,168	1,647
Total current tax expense	<u>2,168</u>	<u>1,647</u>
Deferred tax		
Origination and reversal of temporary differences	6,072	4,681
Total deferred tax expense	<u>6,072</u>	<u>4,681</u>
Total tax expense	<u><u>8,240</u></u>	<u><u>6,328</u></u>

Factors affecting tax expense for the year

The tax on the Company's profit before tax differs from the amount that would arise using the tax rate applicable as follows:

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Profit before tax	30,309	24,704
Tax calculated at standard rate of corporation tax (taxable income <€395,000 at 15% and >€395,000 at 25.8%)	7,773	6,329
Return on excess equity	467	—
Tax rate change	—	—
Total tax expense	<u><u>8,240</u></u>	<u><u>6,329</u></u>

Temporary differences arise on the recognition of gains or losses as BAC credit spreads change.
The Company's effective tax rate for the year is 27.19% (six months ended 30 June 2022: 25.62%).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

12. Debtors

	30 June 2023 \$000	31 December 2022 \$000
Non-current assets		
Debt instruments at amortised cost	<u>7,544,903</u>	<u>5,427,130</u>
Current assets		
Debt instruments at amortised cost	812,291	757,611
Cash collateral receivable from affiliated companies	632,506	576,056
Amounts owed from affiliated companies	67,368	37,652
	<u>1,512,165</u>	<u>1,371,319</u>

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 and EUR, not past due and are not considered to be credit-impaired.

Debt instruments at amortised cost are unsecured and placed with MLI (refer to note 21 for credit ratings). The fair value of debt instruments at amortised cost are valued at \$8,419,152,000 (2022:\$6,130,981,000). The amounts owed from affiliated companies are extended on a short term basis.

13. Cash and cash equivalents

	30 June 2023 \$000	31 December 2022 \$000
Cash at bank and in hand	12,547	3,274
Short term time deposit	20,236	19,789
	<u>32,783</u>	<u>23,063</u>

The short term time deposits are held with BANA, and are interest bearing at 2.36% average rate (2022: 1.18% average rate) maturing on 30 October 2023. The credit rating is A-1 (Standard and Poor's ("S&P")) (2022: A-1 (S&P)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

14. Derivative assets and derivative liabilities

	30 June 2023 \$000	31 December 2022 \$000
Non-current assets	460,876	472,317
Current assets	21,706	144,753
Total derivative assets	<u>482,582</u>	<u>617,070</u>
Non-current liabilities	1,054,068	1,047,997
Current liabilities	77,034	113,992
Total derivative liabilities	<u>1,131,102</u>	<u>1,161,989</u>

Financial assets and liabilities are offset and the net amount reported in the statement of financial position ("SOF") 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 30 June 2023 and 31 December 2022. The column 'net amount' shows the impact on the Company's SOFP if all set-off rights were exercised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

14. Derivative assets and derivative liabilities (continued)**As at 30 June 2023**

	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	482,582	—	482,582	(478,661)	—	3,921
Liabilities						
Derivative liabilities	1,131,102	—	1,131,102	(478,661)	(632,506)	19,935

As at 31 December 2022

	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	620,053	(2,983)	617,070	(569,092)	(19,850)	28,128
Liabilities						
Derivative liabilities	1,164,972	(2,983)	1,161,989	(569,092)	(576,056)	16,841

Derivatives consist of total return swaps and cross currency swaps that are mainly transacted with MLI, BofASE 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

15. Deferred tax liability and income tax receivable

	30 June 2023 \$000	31 December 2022 \$000
Mark-to-market valuation	(39,353)	(33,281)
Debit valuation adjustment - OCI	1,186	(24,507)
	<u>(38,167)</u>	<u>(57,788)</u>
Deferred tax liability at beginning of the year	(57,788)	(3,853)
Charged to the income statement	(6,072)	(14,065)
Tax relating to movement in debit valuation adjustment - OCI	25,693	(39,870)
Deferred tax liability at end of the period	<u>(38,167)</u>	<u>(57,788)</u>

The deferred tax liability is non-current.

	30 June 2023 \$000	31 December 2022 \$000
Income tax (payable)/receivable at beginning of the year	(1,205)	1,398
Charged to the income statement	(2,167)	(2,557)
Impact of foreign exchange rates	(156)	(1,500)
Tax paid	2,283	1,454
Income tax payable at end of the period	<u>(1,245)</u>	<u>(1,205)</u>

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework, also known as the 'Pillar 2' rules. The OECD released additional administrative guidance on the operation of the Pillar 2 global minimum tax rules on 2 February 2023, the new guidance within the document will be incorporated into the commentary previously released in March 2022, with a revised synthesised version to be released later this year. Updated proposed legislation to implement Pillar 2 was published in the Spring Finance Bill 2023 on 23 March 2023. On 23 May 2023, the IASB published International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The standard introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar 2 model rules and adds disclosure requirements to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes. With the exception of the requirement to disclose the application of the mandatory temporary exception immediately upon enactment, the requirements will be effective for periods beginning on or after 31 December 2023.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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

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

Structured notes

	30 June 2023	30 June 2023	31 December 2022	31 December 2022
	Notional	Fair value	Notional	Fair value
	\$000	\$000	\$000	\$000
Non-current liabilities				
Between one year and five years	2,112,819	2,089,753	1,037,991	1,102,933
Between five years and ten years	2,557,004	2,316,608	2,069,760	1,821,321
More than 10 years	3,217,330	2,849,676	2,236,528	1,811,789
Credit spread adjustment	—	4,159	—	(95,829)
	<u>7,887,153</u>	<u>7,260,196</u>	<u>5,344,279</u>	<u>4,640,214</u>
Current liabilities				
Less than 1 year	175,790	179,616	578,396	558,632
Credit spread adjustment	—	184	—	56
	<u>175,790</u>	<u>179,800</u>	<u>578,396</u>	<u>558,688</u>
Total	<u><u>8,062,943</u></u>	<u><u>7,439,996</u></u>	<u><u>5,922,675</u></u>	<u><u>5,198,902</u></u>

Of the credit spread adjustment under non-current liabilities of \$4,159,000, \$6,586,000 (2022: \$(2,339,000)) is categorised as between one and five years, \$11,933,000 (2022: \$23,007,000) is categorised as between five and ten years and \$(14,361,000) (2022: \$75,159,000) is categorised as more than ten years.

The credit spread adjustment under current liabilities is all categorised as less than one year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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

The financial liabilities designated at fair value through profit or loss represent 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 2023	30 June 2023	31 December 2022	31 December 2022
	Notional	Fair value	Notional	Fair value
	\$000	\$000	\$000	\$000
Structured notes				
USD	3,253,248	2,873,454	2,203,191	1,848,318
JPY	1,586,883	1,462,705	1,612,913	1,419,275
EUR	1,918,554	1,810,875	1,111,999	1,027,111
CNY	618,482	623,689	448,305	446,519
GBP	271,528	298,909	197,083	250,700
AUD	214,682	189,036	162,960	140,220
HKD	87,177	85,510	74,770	71,517
CHF	34,752	34,896	40,617	39,667
KRW	49,328	29,806	39,541	21,072
ZAR	26,457	24,865	29,377	28,370
SEK	1,852	1,908	1,919	1,904
Credit spread adjustment	—	4,343	—	(95,771)
	<u>8,062,943</u>	<u>7,439,996</u>	<u>5,922,675</u>	<u>5,198,902</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

17. Creditors

	30 June 2023 \$000	31 December 2022 \$000
Cash collateral payable to affiliated companies	—	19,850
Amounts owed to affiliated undertakings	518,885	596,250
	<u>518,885</u>	<u>616,100</u>

Cash collateral received under legally enforceable master netting agreements are denominated in USD and are payable on demand. Due to the short term nature of these balances there is no material difference between the fair value and the carrying value.

18. Issued capital and reserves

	30 June 2023 \$000	31 December 2022 \$000
Share capital	—	—
Other reserves	758	73,965
Share premium	220,437	120,437
	<u>221,196</u>	<u>194,402</u>

Issued share capital comprises 12,998 ordinary shares of equal voting rights at \$0.01 each. (2022: 12,998 ordinary shares at \$0.01 each).

Other reserves include adjustments of \$3,651,000 (2022: \$3,651,000) related to the merger with Bank of America Issuance B.V. during 2015 and \$4,518,000 (2022: \$75,088,000) which relates to DVA after tax.

On 21 March 2023, the Company's parent MLI LLC made an additional share premium contribution of \$100,000,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

19. Financial instruments by category

The following table analyses the carrying amount of the Company's financial assets and liabilities by measurement category and by statement of financial position heading:

Summary of financial instruments at 30 June 2023

	Amortised cost \$000	Financial instruments mandatorily at fair value through profit or loss \$000	
Assets			
Debtors	9,057,068	—	
Derivative assets	—	482,582	
Cash and cash equivalents	32,783	—	
	<u>9,094,639</u>	<u>482,582</u>	
	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	—	—	7,439,996
Derivative liabilities	—	1,131,102	—
Creditors	518,885	—	—
Accrued expenses and other liabilities	5,581	—	—
Bank overdraft	97	—	—
	<u>524,563</u>	<u>1,131,102</u>	<u>7,439,996</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

19. Financial instruments by category (continued)**Summary of financial instruments at 31 December 2022**

	Amortised cost \$000	Financial instruments mandatorily at fair value through profit or loss \$000
Assets		
Debtors	6,798,449	—
Derivative assets	—	617,070
Cash and cash equivalents	23,063	—
	<u>6,821,512</u>	<u>617,070</u>

	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	—	—	5,198,902
Derivative liabilities	—	1,161,989	—
Creditors	616,100	—	—
Accrued expenses and other liabilities	8,373	—	—
Bank overdraft	256	—	—
	<u>624,729</u>	<u>1,161,989</u>	<u>5,198,902</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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	Debt instruments at amortised cost	Interest income	Debt instruments at amortised cost
	Six months ended 30 June 2023 \$000	30 June 2023 \$000	Six months ended 30 June 2022 \$000	31 December 2022 \$000
Merrill Lynch International	211,434	8,357,194	21,160	6,184,741
Bank of America Corporation	—	—	47	—
	<u>211,434</u>	<u>8,357,194</u>	<u>21,207</u>	<u>6,184,741</u>

Amounts owed from affiliated companies

	Interest income	Amounts owed from affiliated companies	Interest income	Amounts owed from affiliated companies
	Six months ended 30 June 2023 \$000	30 June 2023 \$000	Six months ended 30 June 2022 \$000	31 December 2022 \$000
Merrill Lynch International	10,827	571,605	169	480,443
Bank of America, National Association	854	1,365	—	—
BofA Securities Europe SA	2,918	126,904	—	133,265
	<u>14,599</u>	<u>699,874</u>	<u>169</u>	<u>613,708</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

20. Related party transactions (continued)**Amounts owed to affiliated companies**

	Interest expense	Amounts owed to affiliated companies	Interest expense	Amounts owed to affiliated companies
	Six months ended 30 June 2023 \$000	30 June 2023 \$000	Six months ended 30 June 2022 \$000	31 December 2022 \$000
Merrill Lynch International	13,922	518,732	304	590,418
Bank of America Europe Designated Activity Company	508	8	—	—
Bank of America, National Association	46	8	5	20,095
Bank of America Corporation	—	4	—	5,458
Merrill Lynch Capital Services, Inc.	3	133	—	129
	14,479	518,885	309	616,100

Included in the table above are balances in relation to cash collateral payable to affiliated companies under legally enforceable master netting agreements of \$nil (2022: \$19,850,000). These are denominated in USD and are repayable on demand. See note 17 Creditors for further information.

The carrying value of the Company's financial assets that were pledged as collateral to affiliated companies totalled \$632,506,000 (2022: \$576,056,000).

The short term time deposits are held with Bank of America, N.A., and are interest bearing at 2.36% average rate (2022: 1.18% average rate) maturing on 30 October 2023 amounted to \$20,236,000 (2022: \$19,789,000). Interest income of \$474,000 (2022: \$232,000) was earned on these deposits.

The Company has net derivative liabilities transacted with affiliated companies, which as at 30 June 2023 amounted to \$648,519,000 (2022: \$544,919,000). See note 14 Derivative assets and liabilities for further information.

The Company received service fee income from MLI for the six months ended 30 June 2023 amounting to \$683,000 (for period ending on June 2022: \$457,000).

MLI LLC, the Company's immediate parent, is the holder of all 12,998 (2021: 12,998) ordinary shares (\$129.98) (2021: \$129.98). 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 2023 (2022: none).

Included in the administrative expenses are Directors' fees and remuneration of \$62,000 (six months ended 30 June 2022: \$61,000) relating to three (2022: three) directors. Disbursements for travel and other expenses incurred in relation to matters concerning the Company are charged to the Company separately. Also included in the administrative expenses are fees in relation to one director (six months ended 30 June 2022: one) of \$17,048 (six months ended 30 June 2022: \$12,671), invoiced by a service management company.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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 value of assets or 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, foreign exchange, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

21. Financial risk management (continued)

The table below presents VaR analysis independently for each risk category at 30 June 2023 and 31 December 31 December 2022. Additionally, high and low VaR is presented independently for each risk category and overall.

	30 June 2023 \$000	High 2023 ₀ \$000	Daily average 2023 ₀ \$000	Low 2023 \$000
99% Daily VaR				
Total	7,240	11,880	7,637	6,730
Interest rate risk	6,864	9,590	7,867	6,843
Currency risk	1,282	9,894	922	475
Equity price risk	2,546	4,069	2,873	2,272
Credit risk	941	1,668	918	164
Commodity price risk	14	1,843	51	6

	Year ended 2022 \$000	High 2022 ₀ \$000	Daily average 2022 ₀ \$000	Low 2022 \$000
99% Daily VaR				
Total	7,235	13,397	6,081	3,490
Interest rate risk	8,203	8,576	6,228	3,650
Currency risk	664	9,412	2,321	316
Equity price risk	3,204	3,727	1,492	6
Credit spread risk	386	5,185	1,714	385
Commodity price risk	15	11,455	79	3

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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. These limits were not exceeded during the year ended 31 December 2022

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.

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 period.

The Company is exposed to a concentration of credit risk related to debt instruments at amortised cost totaling \$8,357,194,000 (2022: \$6,184,741,000), all with an affiliated company, MLI. Please refer to note 12. At the end of the reporting period, the credit rating for MLI was A+/A-1(S&P) (31 December 2022: A+/A-1(S&P)).

The outlook for the global environment remains highly uncertain due to unprecedented geopolitical tensions, ongoing supply chain uncertainty, rising inflation and slowing global demand. As such, the Company continues to actively monitor the recoverability of its financial assets and ensures any loss allowance reflects management's best estimate of potential losses on a timely basis.

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

21. Financial risk management (continued)

In addition, to reduce the risk of loss, the Company may require 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 aligned to group processes and tailored to meet 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 2023 and 31 December 2022, 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 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. However, the Company has the right to call the structured note before the contractual maturity date. If the structured note is called, the Company manages its liquidity by actively unwinding asset positions to ensure appropriately balanced cash flows.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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 30 June 2023						
Financial liabilities designated at fair value through profit or loss	—	179,800	746,309	1,350,032	5,163,855	7,439,996
Derivative liabilities	65,964	11,069	28,832	51,985	973,252	1,131,102
Creditors	518,885	—	—	—	—	518,885
Accrued expenses and other liabilities	5,581	—	—	—	—	5,581
Bank overdraft	97	—	—	—	—	97
	<u>590,527</u>	<u>190,869</u>	<u>775,141</u>	<u>1,402,017</u>	<u>6,137,107</u>	<u>9,095,661</u>

	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 2022						
Financial liabilities designated at fair value through profit or loss	127,648	431,040	410,677	694,595	3,534,942	5,198,902
Derivative liabilities	62,441	48,568	24,113	26,658	1,000,209	1,161,989
Creditors	616,100	—	—	—	—	616,100
Accrued expenses and other liabilities	8,373	—	—	—	—	8,373
Bank Overdraft	256	—	—	—	—	256
	<u>814,818</u>	<u>479,608</u>	<u>434,790</u>	<u>721,253</u>	<u>4,535,151</u>	<u>6,985,620</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

21. Financial risk management (continued)**Reputational risk**

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

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

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

Reputational risk items relating to MLBV are considered as part of the EMEA Reputational Risk Committee (the "Reputational Risk Committee"), whose mandate includes consideration of Reputational Risk issues (including matters related to Environmental, Social, and Governance ("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, awareness of reputational risk is integrated into the overall governance process, as well as incorporated into the roles and responsibilities for employees.

Given the nature of reputational risk, BAC does not set quantitative limits to define its associated Risk appetite. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

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

The Reputational Risk Committee is a sub-committee of 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 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 Reputational Risk Committee. Items presented to the EMEA Reputational Risk Committee are maintained through a reporting protocol, which includes description of the reputational risk issue, geographical jurisdiction, reason for escalation and decision reached.

Strategic risk

Strategic Risk is the risk to current or projected financial condition arising from incorrect assumptions about external 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 or competitive environments, in the geographic locations in which MLBV operates (e.g. competitor actions, changing customer preferences, product obsolescence, and technology developments).

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

MLBV strategic plans are set within the context of overall risk appetite. Processes 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 required.

Senior management provides the MLBV 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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.

	30 June 2023 \$000	31 December 2022 \$000
Capitalisation ratio:		
Equity	442,148	393,968
Issued debt	7,439,996	5,198,902
Capitalisation ratio	<u>6%</u>	<u>8%</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

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 30 June 2023 and 31 December 2022:

As at 30 June 2023

	Level 2 \$000	Level 3 \$000	Total \$000
Assets			
Derivative assets	<u>446,537</u>	<u>36,045</u>	<u>482,582</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

22. Fair value measurement (continued)

	Level 2 \$000	Level 3 \$000	Total \$000
Liabilities			
Financial liabilities designated at fair value through profit and loss	7,439,996	—	7,439,996
Derivative liabilities	755,902	375,200	1,131,102
	<u>8,195,898</u>	<u>375,200</u>	<u>8,571,098</u>

As at 31 December 2022

	Level 2 \$000	Level 3 \$000	Total \$000
Assets			
Derivative assets	596,150	20,920	617,070
Liabilities			
Financial liabilities designated at fair value through profit and loss	5,198,902	—	5,198,902
Derivative liabilities	807,974	354,015	1,161,989
	<u>6,006,876</u>	<u>354,015</u>	<u>6,360,891</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

22. Fair value measurement (continued)

- 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 \$36,045,000 as of 30 June 2023 (31 December 2022: \$20,920,000), and represent approximately 7.74% of assets measured at fair value and approximately 0.38% of total assets. Level 3 liabilities were \$375,200,000 as of 30 June 2023 (31 December 2022: \$354,015,000), and represent approximately 33.18% of liabilities measured at fair value and 4.11% of total liabilities.

	Derivative assets \$000	Derivative liabilities \$000
Balance at 1 January 2023	20,920	(354,015)
Losses recognised in the statement of comprehensive income	(1,797)	(18,343)
Settlements	(492)	23,159
Purchases	4,458	—
Sales	—	(25,069)
Transfers in	27,123	(3,997)
Transfers out	(14,167)	3,065
Balance at 30 June 2023	<u>36,045</u>	<u>(375,200)</u>
Unrealised profit/(loss) for level 3	<u>70</u>	<u>(168)</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

22. Fair value measurement (continued)

	Derivative assets \$000	Derivative liabilities \$000
Balance at 1 January 2022	2,327	(54,900)
Gains/(losses) recognised in the statement of comprehensive income	13,319	(266,940)
Settlements	—	(25,906)
Purchases	5,386	—
Transfers in	154	(15,768)
Transfers out	(266)	9,499
Balance at 31 December 2022	<u>20,920</u>	<u>(354,015)</u>
Unrealised profit/(losses) for level 3	<u>12,227</u>	<u>(266,939)</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

22. Fair value measurement (continued)

As at 30 June 2023	Valuation technique	Significant unobservable inputs	Ranges of input	Weighted average	Fair Value \$000
Derivative assets and liabilities					
Credit derivatives	Discounted cash flow, Stochastic recovery correlation model	Credit spreads Upfront points Prepayment speed Default rate Credit correlation Price	3 to 84 0 to 100 points 15% CPR 2% CDR 19% to 60% \$0 to \$100	22 bps 83 points n/a n/a 44% \$63	(13,314)
Interest rate derivatives	Industry standard derivative pricing	Correlation (IR/IR) Correlation (FX/IR) Long-dated inflation rates Long-dated inflation volatilities Interest rate volatilities	(35)% to 89% 11% to 58% 1% to 11% 0% to 5% 0% to 2%	67% 43% 1% 2% 1%	(300,830)
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	0% to 100% 2% to 122%	73% 44%	(25,010)

As at 31 December 2022	Valuation technique	Significant unobservable inputs	Ranges of input	Weighted average	Fair Value \$000
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	61 bps 68 points n/a n/a 55% \$53	(13,175)
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%	54% 44% 3% 2% 1%	(314,385)
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	3.0% to 100% 5.0% to 78.0%	80% 36%	(5,535)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

22. Fair value measurement (continued)**Derivative assets and liabilities (continued)**

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 period end, it could have increased fair value by as much as \$29,527,000 (2022: \$23,467,000) or decreased fair value by as much as \$14,077,000 (2022: \$20,138,000) 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 \$8,419,152,000 (2022: \$6,130,981,000).

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 30 June 2023 of \$5,581,000 (2022: \$8,373,000) which primarily represents amounts payables for trades pending settlement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023**

24. Interest rate benchmark reform

Immediately after 30 June 2023, the remaining U.S. dollar ("USD") Interbank Offered Rate ("IBOR") settings (i.e., overnight, one month, three month, six month and 12 month) ceased or became non-representative ("IBOR Cessation"), although the Financial Conduct Authority ("FCA") is requiring IBOR's administrator, ICE Benchmark Administration Limited, to continue publication of the one-month, three-month and six month USD LIBOR settings on a "synthetic" basis (calculated using the relevant CME Term SOFR Reference Rate plus the respective International Swaps and Derivatives Association fixed spread adjustment) for use in legacy contracts, which publication the FCA intends will continue until 30 September 2024.

The following table summarises significant exposures impacted by interest rate benchmark reform as at 30 June 2023 and 31 December 2022:

	30 June 2023 \$000 USD LIBOR \$000	31 December 2022 \$000 USD LIBOR \$000
Non-derivative financial liabilities	—	40,000
Derivatives	<u>4,704,312</u>	<u>4,708,177</u>

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 30 June 2023. 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.

25. Events after the reporting period

The directors are of the opinion that there are no significant events affecting the Company since the end of six months end which would have impacted the financial position of the Company if retrospectively applied.

On 22 August 2023, Company's parent MLI LLC made an additional share premium contribution of \$70,000,000.

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 period ended 30 June 2023, the Board of Directors do not recommend the payment of a dividend in respect of the period ended 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023

26. Profit appropriation (continued)

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 22 September 2023. They were signed on its behalf by:

L.J.M. Duijsens
Director



A.E. Okobia
Director



L.R. Whitley
Director



Amsterdam
22 September 2023