MERRILL LYNCH B.V.

UNAUDITED

INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED

30 JUNE 2016

CONTENTS

DIRECTORS' REPORT
For the six months ended 30 June 2016

The directors present their report and the financial statements of Merrill Lynch B.V. (the "Company") for the six months ended 30 June 2016.

Statement of directors' responsibilities

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

The Directors' confirm that to the best of our knowledge:

- the interim financial statements give a true and fair view of the assets, the liabilities, the financial position and the results of the Company; 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 six months ended 30 June 2016 and the risks to which the Company is exposed.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Business review

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

The ultimate parent of the Company is Bank of America Corporation ("BAC").

Principal activities and future developments

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

On October 1, 2015, the Company entered into a merger with B of A Issuance B.V. ("BA Issuance"), pursuant to Dutch Law, in which BA Issuance ceased to exist and the Company assumed all the assets and liabilities of BA Issuance under a universal title of succession. On October 1, 2015, both the Company and BA Issuance had a common shareholder, being Merrill Lynch International Incorporated ("MLID").

Business review (continued)

Principal activities and future developments (continued)

There has been no change to the principal activities as a result of the merger and the directors expect the principal activities to continue during 2016.

Financial performance
The directors are satisfied with the Company's performance for the financial period ended 30 June 2016 and the financial position at the end of the period. The profit for the financial period, after taxation, amounted to $6,297,000 (2015: profit $4,527,000).

Dividends

During the 6 month period, the Company declared that an amount of $7,901,000 (2015: $15,847,000) be paid as a dividend to its parent, MLID relating to the accrued payments on the $750,000,000 other equity capital, please refer to note 15.

Risk management

Legal entity risk governance is built on the BAC approach to risk management as documented in the BAC Risk Framework. BAC takes a comprehensive approach to risk management, integrating it with strategic, capital and financial operating plans. BAC manages risk systematically, with focus on BAC as a whole and by business, Governance and Control Functions ("GFCs"), geography, legal entity and / or branch (where appropriate), product, service and transactions.

The risk management approach has five components:

- Risk culture;
- Risk appetite;
- Risk governance;
- Risk reporting; and
- Risk management processes.

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

The Company's risk management objectives and policies, as well as exposures in relation to the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks) are further described in the notes to the financial statements (see note 20).

Composition of the board

The size and composition of the Board of Managing Directors and the combined experience reflects the best fit for profile and strategy of the Company. On 25 April 2016, R.H.L de Groot was appointed to the Board. Currently two members of the Board are male and one member is female. The Company is aware of the gender diversity goals as set out in the article 2:276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

DIRECTORS' REPORT (continued)
For the six months ended 30 June 2016

Board of Directors

Managing Directors
(together authorised to represent the Company)

A.E. Okobia

A.C. Jones

R.H.L de Groot (appointed 25 April 2016)

Board of Directors
28 September 2016

STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016

		SIX MONTHS ENDED 30 JUNE	
			As restated
	Note	**2016**	2015
		$'000	$'000
Net gain on financial instruments held for trading	3	**7,997**	1,368
Net loss on financial instruments designated at fair value through profit or loss	4	**(20,664)**	(17,818)
Interest income	5	**18,199**	21,906
Operating income	6	**462**	14
		5,994	5,470
Administrative expenses		**(230)**	(248)
Total profit before tax		**5,764**	5,222
Tax credit/(charge)	7	**533**	(695)
Profit for the period		**6,297**	4,527
Other comprehensive income		**-**	-
Total comprehensive income		**6,297**	4,527

Comprehensive income derives wholly from continuing operations.

The profit and total comprehensive income for the year are attributable to the owner of the Company.

The notes on pages 9 to 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	**AS AT 30 JUNE 2016 $'000**	AS AT 31 DECEMBER 2015 $'000
ASSETS			
Non-current assets			
Amounts owed by affiliated undertakings	8	**1,311,972**	1,533,223
Financial assets designated at fair value through profit or loss	9	**150,579**	179,543
Financial instruments held for trading	10	**6,141**	143,431
Total non-current assets		**1,468,692**	1,856,197
Current assets			
Amounts owed by affiliated undertakings	8	**965,576**	861,074
Financial assets designated at fair value through profit or loss	9	**236,938**	69,257
Financial instruments held for trading	10	**132,455**	29,869
Cash and cash equivalents	12	**20,631**	20,571
Accrued interest receivable and other assets		**129**	371
Total current assets		**1,355,729**	981,142
Total assets		**2,824,421**	2,837,339
EQUITY AND LIABILITIES			
Equity			
Issued share capital	17	**0**	0
Other reserves	17	**3,651**	3,651
Other equity capital	17	**750,000**	750,000
Retained earnings		**64,298**	65,902
Total equity attributable to the owners of the company		**817,949**	819,553
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	13	**902,559**	1,500,630
Financial instruments held for trading	10	**11,762**	32,313
Deferred tax liability	11	**4,787**	5,738
Total non-current liabilities		**919,108**	1,538,681
Current liabilities			
Financial liabilities designated at fair value through profit or loss	13	**959,433**	391,325
Amounts owed to affiliated undertakings	14	**86,452**	59,689
Financial instruments held for trading	10	**13,235**	7,493
Dividend payable	15	**27,743**	19,841
Income tax payable	11	**471**	637
Accrued expenses and other liabilities	16	**30**	120
Total current liabilities		**1,087,364**	479,105
Total liabilities		**2,006,472**	2,017,786
Total equity and liabilities		**2,824,421**	2,837,339

The notes on pages 9 to 33 form part of these financial statements.

The financial statements on pages 5 to 33 were approved by the Board of Directors on 28 September 2016 and signed on its behalf by A.E. Okobia, A.C. Jones and R.H.L de Groot.

STATEMENT OF CASH FLOWS
As at 30 June 2016

		AS AT 30 JUNE	
		AS AT 30 JUNE	AS AT 31 DECEMBER
	Note	**$000**	$000
Cash flow generated from operating activities			
Profit before tax		**5,764**	30,224
Adjustments for non-cash items:			
Net loss/(gain) on financial instruments held for trading	3	**(7,997)**	8,408
Net loss on financial assets designated at fair value through profit or loss	4	**20,664**	1,738
Interest income	5	**(18,199)**	(40,994)
Foreign exchange gain on translation of tax liability		**(35)**	143
Cash used in operations		**197**	(481)
Placement of intercompany deposits	8	**(0)**	(29,873)
Repayment of intercompany deposits	8	**151,465**	717,152
Placement of fully-funded total return swaps	9	**(230,643)**	(109,532)
Repayment of fully-funded total return swaps	9	**91,926**	228,646
Settlement of derivatives and coupons received	10	**27,894**	66,017
Proceeds from issuance of structured notes	13	**230,643**	137,562
Redemption of structured notes	13	**(281,270)**	(1,008,024)
Interest paid		**(91)**	(3,569)
Net income tax paid		**-**	-
Net increase in intercompany payables		**9,939**	2,844
Net cash generated from operating activities		**60**	742
Cash flows from financing activities			
Return of capital		**(0)**	(33,740)
Dividend paid	15	**(0)**	(17,880)
		(0)	(51,260
Net cash movement in cash and cash equivalents		**60**	(50,878)
Cash and cash equivalents at beginning of year		**20,571**	71,449
Cash and cash equivalents at end of period	12	**20,631**	20,571

The notes on pages 9 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
As at 30 June 2016

Movements in shareholders' equity during the period ended 30 June 2016 are as follows:

	Note	Issued share capital $000	Other reserves $000	Other equity capital $000	Share premium $000	Retained earnings $000	Total Equity $000
Balance at 31 December 2015		**0**	**3,651**	**750,000**	**-**	**65,902**	**819,553**
Total comprehensive income for the year		-	-	-	-	6,297	6,297
Dividends declared	15	-	-	-	-	(7,901)	(7,901)
Balance at 30 June 2016		**0**	**3,651**	**750,000**	**-**	**64,298**	**817,949**

Movements in shareholders' equity during the period ended 30 June 2015 are as follows:

	Note	**Issued share capital** **$000**	**Other reserves** **$000**	**Other equity capital** **$000**	**Share premium** **$000**	**Retained earnings** **$000**	**Total Equity** **$000**
Balance at 31 December 2014		**0**	**55,297**	**750,000**	**-**	**55,548**	**860,845**
Total comprehensive income for the year		-	-	-	-	4,527	**4,527**
Dividends declared	15	-	-	-	-	(7,858)	**(7,858)**
Balance at 30 June 2015		**0**	**55,297**	**750,000**	**-**	**52,217**	**857,514**

1. General information

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.

On October 1, 2015, the Company entered into a merger with B of A Issuance B.V., pursuant to Dutch Law, in which BA Issuance ceased to exist and the Company assumed all the assets and liabilities of BA Issuance. Immediately preceding the merger, both the Company and BA Issuance had a common shareholder, being Merrill Lynch International Incorporated. No consideration was paid, and as this is a transaction under common control it is outside the scope of IFRS 3 (Business Combinations). Consistent with the legal transfer of the assets and liabilities under universal title of succession, the financial statements have been prepared as a continuation of the activity of BA Issuance in the Company. As such, predecessor accounting has been applied and the asset and liabilities and results of BA Issuance have been incorporated for the current and prior year as if the merger occurred at the beginning of the prior period. Refer to note 23 for quantitative disclosure of the merger effects.

The accounting policies for the Company have been used; this has resulted in a change of classification of certain Amounts due to Affiliated Entities of BA Issuance from Fair Value to Cost. The difference between the consideration and the assets and liabilities of BA Issuance has been included within Equity as Other Reserves.

The principal activities of the Company are the issuance of structured notes and economically hedging these instruments through derivatives and fully-funded total return swaps. In addition the Company grants intercompany loans to affiliated entities and places deposits with BAC and MLI. The directors expect the principal activities to continue during 2016.

The directive 2013/50/EU of the European Parliament and the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirement 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, its place of incorporation, as Home Member State in connection with the Netherlands Authority for the Financial Markets.

As a consequence of this choice the Company shall file its annual and semi annual financial statements with the Netherlands Authority for the Financial Markets.

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

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

2. Accounting Policies

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

2. Accounting Policies (continued)

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS and IFRS Interpretations Committee ("IFRS IC") 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 preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies, for example, determining the fair value of financial instruments. The financial statements were prepared using the going concern assumption and the directors expect the principal activities to continue in 2016.

The financial statements are prepared under the historical cost convention as modified to include financial assets and liabilities (including derivative instruments) designated at fair value through profit or loss.

New and amended standards adopted by the Company

There are no IFRSs or IFRS IC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the Company.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

2. Accounting Policies (continued)

2.2 Translation of foreign currencies

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

Transactions in foreign currencies are translated into US dollars at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange ruling at the reporting date. Exchange gains and losses are recognised as net gain/(loss) on financial instruments designated at fair value through profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction.

2.3 Financial instruments

a) Classification

(i) Financial instruments designated at fair value through profit or loss.

All structured notes issued and fully-funded total return swaps are classified as financial instruments designated at fair value through profit or loss upon initial recognition. Designation of any financial asset or financial liability at fair value through profit or loss is made upon initial recognition at the Company's discretion provided that certain conditions are met. These investments are managed and their performance is evaluated on a fair value basis, in accordance with the Company's structured notes program. Assets and liabilities in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Financial instruments held for trading

All derivative financial instruments are classified as financial instruments held for trading. Assets and liabilities in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or floating payments that are not quoted in an active market other than fully-funded return swaps classified as financial instruments designated at fair value through profit or loss. Loans and receivables are carried at amortised cost using the effective interest rate method less an allowance for any impairment. Assets and liabilities in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

b) Recognition

The Company recognises a financial instrument on its statement of financial position when it becomes a party to the contractual provisions of the instrument.

c) Measurement

Financial instruments are measured initially at fair value (generally transaction price) plus, in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of these financial instruments.

After initial recognition, financial instruments held for trading or designated fair value through profit or loss are measured at fair value, with changes in their fair value recognised as gains or losses in the statement of comprehensive income.

2. Accounting Policies (continued)

2.3 Financial instruments (continued)

c) Measurement (continued)

Transaction costs on financial instruments at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised as part of the effective interest rate.

Impairment

Loans and receivables are carried at amortised cost using the effective interest rate method less an allowance for any impairment. Interest calculated using the effective interest rate method is recognised in the statement of comprehensive income

Management assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

d) Fair value measurement principles

For financial instruments where there is no quoted market price (unlisted financial instruments), fair values have been estimated using quoted prices for instruments with characteristics either identical or similar to those held by the Company.

e) Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another entity. 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 collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when they are extinguished, that is to say when the obligation is discharged or cancelled or expires.

2.4 Offsetting financial instruments

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

2. Accounting Policies (continued)

2.5 Segmental reporting

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

2.6 Shareholders' equity

All issued ordinary shares are classified as equity. The perpetual borrowing from MLID is classified as equity according to IAS 32 and any dividend on the borrowing is subject to prior declaration by the Board of Directors.

2.7 Income and expense recognition

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Interest income received by the Company may be subject to withholding tax imposed in the country of origin. Interest arising from financial instruments designated at fair value through profit or loss is included in the change in fair value of financial instruments designated at fair value through profit or loss.

2.8 Current and deferred income tax

Current tax is measured at the amount expected to be paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period date and are expected to apply when the related deferred income tax asset is realised.

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 only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible into known amounts of cash; which are subject to an insignificant risk of changes in value and which have a maturity of three months or less at acquisition. In the statement of financial position, bank overdrafts are shown within current liabilities.

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

2. Accounting Policies (continued)

2.11 Dividend distribution

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

2.12 Critical accounting estimates and judgment in applying accounting policies

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

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

Financial instruments measured at fair value

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

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

3. Net gain on financial instruments held for trading

	SIX MONTHS ENDED 30 JUNE	
	2016	2015
	$000	$000
Gain on financial instruments held for trading	**22,265**	70,688
Loss on financial instruments held for trading	**(14,268)**	(69,320)
	7,997	1,368

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

	SIX MONTHS ENDED 30 JUNE	
	2016	2015
	$000	$000
		As restated
Change in fair value of fully funded swaps	**(6,618)**	(7,584)
Change in fair value of structured notes	**(14,046)**	(10,234)
	(20,664)	(17,818)

The change in fair value of instruments designated at fair value include a loss of $1,502,000 (2015: loss of $7,447,000) which is attributable to changes in credit spreads of BAC.

5. Interest income

	SIX MONTHS ENDED 30 JUNE	
	2016	2015
	$000	$000
		As restated
Finance income	**18,199**	21,906

Finance income represents interest income on deposits and intercompany loans.

6. Operating income

Operating income relates to service fee income from MLI.

7. Tax charge/(credit)

	SIX MONTHS ENDED 30 JUNE	
	2016	2015
	$000	$000
		As restated
Current tax		
Current tax on profit/(loss) for the year	**418**	100
Adjustments in respect of prior periods	**-**	(35)
Foreign taxes	**-**	-
Total current tax charge	**418**	65
Deferred tax		
Origination and reversal of temporary differences	**(951)**	630
Total deferred tax charge/(credit)	**(951)**	630
Total tax (credit)/charge	**(533)**	695

The tax for the period is reconciled to the standard rate of corporation tax in the Netherlands (2016: <€200k at 20% and >€200k at 25%, 2015: <€200k at 20% and >€200k at 25%).

	SIX MONTHS ENDED 30 JUNE	
	2016	2015
	$'000	$'000
		As restated
Profit/(loss) before tax	**5,764**	5,222
Tax calculated at standard rate of corporation tax 25% (2015: 25%)	**1,441**	1,306
Tax effects of:		
Net credit not subject to tax	**(1,974)**	(575)
Impact of foreign exchange differences on the tax charge	**-**	-
Adjustments in respect of prior periods	**-**	(36)
Total tax charge/(credit)	**(533)**	695

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

8. Amounts owed by affiliated undertakings

	AS AT 30 JUNE 2016 $000	AS AT 31 DECEMBER 2015 $000
Non-current assets		
Investment in Merrill Lynch & Co. Canada Ltd	**7,027**	7,027
Intercompany loan	**750,000**	750,000
Money market deposit	**554,945**	776,196
	1,311,972	1,533,223
Current assets		
Intercompany loans	**158,036**	123,320
Money market deposit	**807,540**	737,754
	965,576	861,074
	2,277,548	2,394,297

The investment in Merrill Lynch & Co. Canada Ltd is in non-voting preference shares.

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

Money market deposits are uncollateralised and are owed by BAC and MLI.

Non-current money market deposits at amortised cost have a fair value of $672,801,000 (2015: $990,805,000). Current money market deposits at amortised cost have a fair value of $805,104,000 (2015: $766,052,000).

Non-current intercompany loans represent a fixed rate placement with BAC. The intercompany loan has a fair value of $781,777,000 (2015: $780,783,000).

Current intercompany loans are extended on a short term basis and as a result the carrying value approximates to the fair values of the loans.

9. Financial assets designated at fair value through profit or loss

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

	AS AT 30 JUNE 2016		AS AT 31 DECEMBER 2015	
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Fully-funded total return swaps				
Current assets				
Less than 1 year	**250,864**	**236,894**	78,281	69,573
Credit spread adjustment		**44**		(316)
		236,938		69,257
Non-current assets				
From 12 months to 5 years	**146,908**	**148,660**	177,016	177,295
Over 5 years	**2,000**	**1,978**	2,000	1,959
Credit spread adjustment		**(59)**		289
		150,579		179,543
Total assets		**387,517**		248,800

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

	AS AT 30 JUNE 2016		AS AT 31 DECEMBER 2015	
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Fully-funded total return swaps				
USD	**376,891**	**365,864**	188,449	185,817
EUR	**16,486**	**15,099**	37,396	40,242
GBP	**3,478**	**3,576**	3,832	3,402
AUD	**2,917**	**2,993**	4,392	4,441
MXN	**-**	**-**	23,227	14,925
Credit spread adjustment		**(15)**	-	(27)
		387,517		367,914

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

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

The credit spread adjustment represents a credit valuation adjustment which is linked to BAC credit spreads, for more information refer to note 21.

The fair value of the fully-funded total return swaps are determined by using valuation techniques based on valuation models, for more information refer to accounting policy note 2.12.

10. Financial instruments held for trading

	AS AT 30JUNE 2016 Fair Value $000	AS AT 31 DECEMBER 2015 Fair Value $000
Non-current assets	**6,141**	143,431
Current assets	**132,455**	29,869
Total assets	**138,596**	173,300
Non-current liabilities	**11,762**	32,313
Current liabilities	**13,235**	7,493
Total liabilities	**24,997**	39,806

Financial instruments held for trading are subject to offsetting and related arrangements.

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

Financial assets subject to offsetting and related arrangements

	Gross amounts of recognised financial assets	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**
	$000	**$000**	**$000**
As at 30 June 2016			
Total return swaps	**138,596**	**-**	**138,596**
Cross currency swaps	**-**	**-**	**-**
Total assets	**138,596**	**-**	**138,596**
As at 31 December 2015			
Total return swaps	223,411	-	223,411
Cross currency swaps	-	(50,111)	(50,111)
Total assets	223,411	(50,111)	173,300

10. Financial instruments held for trading (continued)

Financial liabilities subject to offsetting and related arrangements

	Gross amounts of recognised financial liabilities	Net amounts of recognised financial assets set off in the statement of financial position	Gross amounts of recognised financial assets set off in the statement of financial position
	\$000	**\$000**	**\$000**
As at 30 June 2016			
Total return swaps	**7,800**	**(52,794)**	**(44,994)**
Cross currency swaps	**69,991**	**-**	**69,991**
Total liabilities	**77,791**	**(52,794)**	**24,997**
As at 31 December 2015			
Total return swaps	29,162	(16,511)	12,651
Cross currency swaps	27,155	-	27,155
Total liabilities	56,317	(16,511)	39,806

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

The Company does not net settle all swap positions. Only where the total return swaps and cross-currency swaps relate to a single structured note, the Company net settles those swaps upon maturity or buyback of the note and as a result offsetting has been applied to those positions.

11. Tax liability

	Deferred tax \$000	Current tax \$000	Total \$000
Tax (asset)/liability as at 31 December 2015	5,738	637	6,375
Charged to the statement of comprehensive income	(951)	418	(533)
Impact of foreign tax exchange		16	16
Tax paid		(600)	(600)
Tax liability as at 30 June 2016	**4,787**	**471**	**5,258**

Tax due to temporary differences arises on the recognition of gains or losses as BAC credit spreads change.

12. Cash and cash equivalents

	AS AT 30 JUNE 2016 \$000	AS AT 31 DECEMBER 2015 \$000
Cash at bank and on hand	**2,312**	2,264
Short-term demand deposits	**18,319**	18,307
	20,631	20,571

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

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

		AS AT 30 JUNE 2016		AS AT 31 DECEMBER 2015
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Structured notes				
Current liabilities				
Less than 1 year	**871,524**	**953,655**	372,808	392,731
Credit spread adjustment		**5,778**		(1,406)
		959,433		391,325
Non-current liabilities				
From 12 months to 5 years	**554,233**	**622,668**	1,106,160	1,238,904
From 5 years to 10 years	**204,124**	**220,598**	135,239	155,286
Over 10 years	**62,205**	**63,248**	78,964	121,897
Credit spread adjustment		**(3,955)**		(15,457)
		902,559		1,500,630
		1,861,992		1,891,955

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

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

	AS AT 30 JUNE 2016		AS AT 31 DECEMBER 2015	
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Structured notes				
EUR	**948,668**	**1,112,621**	962,563	1,155,973
USD	**654,444**	**657,661**	607,419	635,558
SEK	**39,637**	**41,385**	43,040	47,246
JPY	**20,858**	**18,828**	23,757	23,909
MXN	**2,167**	**2,143**	20,615	12,301
CHF	**13,228**	**10,015**	15,719	10,553
GBP	**6,221**	**6,350**	10,672	10,458
CLP	**3,946**	**8,173**	3,686	6,982
AUD	**2,917**	**2,993**	5,700	5,837
Credit spread adjustment		**1,823**		(16,862)
		1,861,992		1,891,955

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

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

The credit spread adjustment represents a debit valuation adjustment which is linked to BAC credit spreads. The fair value of the structured notes, is determined by using valuation techniques based on valuation models, for more information refer to accounting policy note 2.12.

14. Amounts owed to affiliated undertakings

	AS AT 30 JUNE 2016 $000	AS AT 31 DECEMBER 2015 $000
Other loans payable	**86,452**	59,689
	86,452	59,689

Other loans payable are comprised of intercompany loans denominated in USD which are due and payable on demand. Due to the short term nature of the loans there is no material difference between the fair value and the carrying values.

15. Dividend payable

During the period the Company declared that an amount of $7,901,000 (2015: $15,847,000) be paid as a dividend to MLID, representing payments declared by the Board of Directors on the $750,000,000 other equity capital, please refer to note 17.

The directors do not recommend the payment of a further dividend in respect of the period ended 30 June 2016.

16. Accrued expenses and other liabilities

	AS AT 30 JUNE 2016 $000	AS AT 31 DECEMBER 2015 $000
Accrued professional fees	**30**	120
	30	120

Payments will be made to Pricewaterhousecoopers Accountants N.V. in relation to the statutory audit. Payments will be made by an affiliate entity and recharged to the Company.

	2016 $000	2015 $000
Audit fees	**30**	120
Non-audit fees	**-**	46
	30	166

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

The audit fees relate to the statutory audit of the Company. These fees relate to the audit of the 2016 financial statements, regardless of whether the work was performed during the financial year. The non-audit services relate to services performed in relation to the comfort letters for the issuance of structured notes.

17. Share capital

	AS AT 30 JUNE 2016 $000	AS AT 31 DECEMBER 2015 $000
Issued share capital	**0**	0
Other reserves	**3,651**	3,651
Other equity capital	**750,000**	750,000
	753,651	753,651

Issued share capital in 2015 comprises 12,988 Ordinary shares of equal voting rights at $0.01 each. (2014: 12,998 ordinary shares at $0.01 each).

Other reserves include adjustments related to the merger with BA Issuance.

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

18. Financial instruments by category

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

Summary of financial instruments at 30 June 2016

	Notes	**Loans and receivables $000**	**Financial instruments held for trading $000**	**Financial instruments designated at fair value through profit or loss $000**
Assets				
Amounts owed by affiliated undertakings	8	**2,277,548**	**-**	**-**
Financial assets designated at fair value through profit or loss	9	**-**	**-**	**387,517**
Financial instruments held for trading	10	**-**	**138,596**	**-**
Cash and cash equivalents	12	**20,631**	**-**	**-**
		2,298,179	**138,596**	**387,517**
Liabilities				
Financial liabilities designated at fair value through profit or loss	13	**-**	**-**	**1,861,992**
Financial instruments held for trading	10	**-**	**24,997**	**-**
Amounts owed to affiliated undertakings	14	**86,452**	**-**	**-**
		86,452	**24,997**	**1,861,992**

Summary of financial instruments at 31 December 2015

	Notes	Loans and receivables $000	Financial instruments held for trading $000	Financial instruments designated at fair value through profit or loss $000
Assets				
Amounts owed by affiliated undertakings	8	2,394,297	-	-
Financial assets designated at fair value through profit or loss	9	-	-	248,800
Financial instruments held for trading	10	-	173,300	-
Cash and cash equivalents	12	20,571	-	-
		2,414,868	173,300	248,800
Liabilities				
Financial liabilities designated at fair value through profit or loss	13	-	-	1,891,955
Financial instruments held for trading	10	-	39,806	-
Amounts owed to affiliated undertakings	14	59,689	-	-
		59,689	39,806	1,891,955

19. Related party transactions

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

The following parties are considered related parties:

MLID, the Company's immediate parent is the holder of all 12,998 ordinary shares ($129.98) The Company has entered into loan contracts with MLI and ML&Co. Canada Ltd, as set out in notes 8 and 9.

MLID is the holder of Other equity capital of $750,000,000 which carries a rate of 2.08% per annum and payments are accrued subject to prior declaration by the Board of Directors.

The Company has deposits placed with BAC, which at 30 June 2016 amounted to $1,055,104,000 (2015: $1,107,986,000) which are interest bearing, generating interest income of $1,615,000 (2015: $3,257,000).

The Company has deposits placed with MLI, which at 30 June 2016 amounted to $307,381,000 (2015: $406,034,000) which are interest bearing, generating interest income of $300,000 (2015: $606,000).

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

Included in the administrative expenses are the Directors' fees and remuneration for the Directors of $35,000 (2015: $51,000). Disbursements for travel and other expenses incurred in relation to matters concerning the Company are charged to the Company separately. The Company entered into a cost sharing agreement with Investments 2234 Overseas Holdings B.V., an affiliated company with which costs relating to one of the directors' are shared, through their mutual ultimate parent company, BAC, which is based in North Tryon Street, Charlotte, North Carolina, 28202, U.S.A.

20. Financial risk management

Legal Entity Governance

Legal entity risk governance is built on the BAC approach to risk management as documented in the BAC Risk Framework. BAC takes a comprehensive approach to risk management, integrating it with strategic, capital and financial operating plans. BAC manages risk systematically, with focus on BAC as a whole and by business, Governance and Control Functions (“GFCs”), geography, legal entity and / or branch (where appropriate), product, service and transactions.

The risk management approach has five components:

- Risk culture;
- Risk appetite;
- Risk governance;
- Risk reporting; and
- Risk management processes.

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are market, credit, operational, liquidity, reputational, strategic and compliance 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 values of assets and liabilities or revenues will be adversely affected by changes in market conditions.

The Company seeks to mitigate market risk associated with structured notes by employing economic hedging strategies that correlate rate, price and spread movements of these financial instruments with related financing and hedging activities. The Company uses total return swaps to economically hedge its market exposures.

a) Interest rate risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. The Company has economically hedged its interest rate risk on the structured notes by entering into total return swaps. Interest price risk is economically hedged using a total return swap.

b) Foreign exchange risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in currencies other than the U.S. Dollar. The Company's trading assets and liabilities include both cash instruments denominated in and derivatives linked to U.S Dollar and Euro amongst others. Currency price risk is economically hedged using a total return swap.

c) Equity market risk

Equity market risk represents exposures to securities that represent an ownership interest in a corporation in the form of domestic and foreign common stock or other equity-linked instruments. Equity price risk is economically hedged using a total return swap.

d) *Credit spread risk*

Credit spread risk is the potential for loss due to changes in credit spreads. Credit spreads represent the credit risk premiums required by market participants for a given credit level. Credit spread risk is economically hedged using a total return swap.

20. Financial risk management (continued)

Market risk (continued)

e) *Commodity risk*

Commodity risk represents exposures to instruments traded in the petroleum, natural gas, power and metals markets. Commodity price risk is economically hedged using a total return swap. Given the fact that the above risks are materially hedged, no further information on sensitivity analysis is presented.

Credit Risk

The Company defines credit risk as the loss arising from the inability or failure of a borrower or counterparty to meet its obligations. The Company defines the credit exposure to a counterparty as the loss potential arising from product classifications, including loans, leases, derivatives and other extensions of credit.

In line with the BAC Risk Framework, the credit department manages credit risk based on the risk profile of the borrower or counterparty, which includes repayment sources, underlying collateral (if any), and the expected impacts of the current and forward-looking economic environment on these borrowers. Underwriting, credit management and credit risk limits are proactively reassessed as a borrower's or counterparty's risk profile changes.

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

Managing through these processes creates a comprehensive consolidated view of our enterprise wide credit risk activities, thus providing executive management the information required to guide or redirect strategic plans.

BAC has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, purchasing credit protection and continually assessing the creditworthiness of counterparties. These limits were not exceeded during the period ended 30 June 2016.

The credit risks of the Company arise from the affiliate hedging of structured note issuance via derivatives, as well as the intercompany loans to and deposits and senior loans placed with affiliates. The Company restricts its exposure to credit losses on derivative instruments by entering into a master netting arrangement with an affiliate counterparty. 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 impaired. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting year.

The Company is exposed to a significant concentration of credit risk related to money market deposits totalling $1,362,485,000 (2015: $1,513,950,000), all with affiliated undertakings. Financial assets held for trading and financial assets designated at fair value through profit or loss are predominantly taken out with MLI. At the end of the reporting period, the credit rating for outstanding long term debt of the affiliated undertakings is Baa1 (Moody's) and A (S&P) for BAC and MLI respectively, (2015: Baa1 and A for BAC and MLI).

20. Financial risk management (continued)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk may occur anywhere in the Company, including third party business processes, and is not limited to operations functions. Effects may extend beyond financial losses and may result in reputational risk impacts. An operational loss event can be associated with any of the following seven operational loss event categories as outlined by the Basel Committee for Banking Supervision: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management.

Since operational risk is inherent in every activity across the Company, the Company relies on all employees to contribute to an effective internal control environment and manage operational risk within their roles. The Company manages operational risk by designing and implementing internal controls to identify, measure, monitor and control risks.

Operational risk must be managed by all employees as part of their day-to-day activities. Business and Control Functions are responsible for monitoring, assessing and testing the effectiveness of controls, while continuing to identify, escalate, debate and report operational risks. The independent risk management teams actively oversee the businesses and control functions to monitor adherence to the operational risk management program and to advise and challenge operational risk exposures.

Reputational risk

Reputational risk is the potential that negative perceptions of the Company's conduct or business practices will adversely affect its profitability, operations or customers and clients.

Reputational risk is managed through established policies and controls as part of the core business and risk management processes. The control environment aims to prevent reputational risk events before they occur. Employees are expected to follow the Bank's Code of Conduct and not engage in any activity that could harm the Bank's reputation. In each business reputational risk is mitigated by the following activities: New Product Reviews, Conflict of Interest Management and appropriate risk management practices and controls.

The organizational and governance structure in place for reputational risk provides strong oversight at both the Company and individual Business levels. Committees exist at all levels, embedded as part of the overall governance model, to focus on oversight and escalation of reputational risk issues and individual roles and accountabilities of our employees.

Strategic risk

Strategic risk is the risk that results from incorrect assumptions about external and/or internal factors, inappropriate business planning or ineffective / inefficient business strategy execution.

The strategic plan is reviewed and approved annually by the Board with ad-hoc strategic actions approved by the Board as required. At the Business and enterprise levels, Committees exist to assess the strategic risk implications of new business initiatives.

Transparency of our strategic risks is critical to effective risk management. Regular updates are provided to executive management on business performance with more topical presentations made to address other strategic developments when required.

20. Financial risk management (continued)

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions arising from the failure of BAC and its enterprise subsidiaries (which includes the Company) to comply with requirements of banking and financial services laws, rules and regulations.

Global Compliance is a separate function with governance routines and executive reporting distinct from those of the Businesses or other GCFs. While GCFs are collectively responsible for overseeing the Company's overall compliance with applicable laws, rules and regulations Global Compliance assumes responsibility for Compliance risk. Global Compliance is responsible for identifying and mitigating Compliance risks, escalating compliance risks and issues, and providing ongoing, objective oversight of compliance risk for the Company.

Liquidity risk

Liquidity risk is the potential inability to meet contractual and contingent financial obligations, both on- or off- balance sheet, as they come due. Liquidity risk relates to the ability of an entity to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations and continuing to operate as a going concern. The Company maintains intercompany loans and other relationships with affiliates to provide funding for its activities as required.

The Liquidity Risk Management Group of BAC is responsible for measuring, monitoring and controlling the BAC Group's liquidity risk. This Group establishes methodologies and specifications for measuring liquidity risk, performs the scenario analysis and liquidity stress testing, and sets and monitors liquidity limits. The Group works with business units to limit liquidity risk exposures and reviews liquidity risks associated with new products and new business strategies.

A maturity analysis of issued notes is presented in note 13. The contractual undiscounted cash flows are disclosed in the table below.

30 June 2016	Less than 3 months $'000	Between 3 months and 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities designated at fair value through profit and loss	78,184	884,395	324,962	612,670	351,228	**2,251,440**
Amounts owed to affiliated undertakings	-	86,452	-	-	-	**86,452**
Accrued expenses and other liabilities	-	30	-	-	-	**30**
Total liabilities	**78,184**	**970,877**	**324,962**	**612,670**	**351,228**	**2,337,922**

20. Financial risk management (continued)

Liquidity risk (continued)

A maturity analysis of issued notes is presented in note 13. The contractual undiscounted cash flows are disclosed in the table below.

31 December 2015	Less than 3 months $'000	Between 3 months and 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities designated at fair value through profit and loss	36,566	356,017	742,985	491,091	271,529	1,898,188
Amounts owed to affiliated undertakings	-	59,689	-	-	-	59,689
Accrued expenses and other liabilities	-	120	-	-	-	120
Total liabilities	36,566	415,826	742,985	491,091	271,529	1,957,997

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 to its immediate parent, return capital to its immediate parent, or issue new shares. The Company monitors capital on the basis of the capitalisation ratio which is calculated as equity divided by issued debt.

The capitalisation ratio of 43.93% allows sufficient headroom for future issuances of structured notes.

Capitalisation ratio:	**2016 $000**	2015 $000
Equity	**817,949**	819,852
Issued debt	**1,861,992**	1,891,955
Capitalisation ratio	**43.93%**	43.40%

21. Fair value measurement

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

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

As at 30 June 2016

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**TOTAL $'000**
Assets				
Financial assets designated at fair value through profit or loss	**-**	**275,999**	**111,518**	**387,517**
Financial instruments held for trading	**-**	**31,145**	**107,450**	**138,595**
Total assets	**-**	**307,144**	**218,968**	**526,112**
Liabilities				
Financial liabilities designated at fair value through profit and loss	**-**	**1,361,303**	**500,689**	**1,861,992**
Financial instruments held for trading	**-**	**20,900**	**4,097**	**24,997**
Total liabilities	**-**	**1,382,203**	**504,786**	**1,886,989**

The table below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 31 December 2015:

As at 31 December 2015

	Level 1 $'000	Level 2 $'000	Level 3 $'000	TOTAL $'000
Assets				
Financial assets designated at fair value through profit or loss	-	215,718	33,082	248,800
Financial instruments held for trading	-	21,908	151,392	173,300
Total assets	-	237,626	184,474	422,100
Liabilities				
Financial liabilities designated at fair value through profit and loss	-	1,382,086	509,869	1,891,955
Financial instruments held for trading	-	46,972	(7,166)	39,806
Total liabilities	-	1,429,058	502,703	1,931,761

21. Fair value measurement (continued)

Fair values of level 3 assets

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy.

The Level 3 financial instruments include derivatives and valuation inputs for which there are few transactions and there is little or no observable market data to corroborate inputs to valuation models.

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

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

The table below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were $218,968,000 as of 30 June 2016 (2015: $184,474,000) and represent approximately forty two percent of assets measured at fair value and approximately eleven percent of total assets. Level 3 liabilities were $504,786,000 as of 30 June 2016 (2015: $502,703,000) and represent approximately twenty seven percent of liabilities measured at fair value and twenty five percent of total liabilities.

	Financial assets designated at fair value through profit and loss $000	**Financial instruments held for trading $000**	**Financial liabilities designated at fair value through profit or loss $000**
Balance at 1 January 2016	**33,082**	**158,558**	**(509,869)**
Gains/(losses) recognised in the statement of comprehensive income	**435**	**(54,659)**	**79,693**
Settlements	**(27,506)**	**(3,486)**	**(35,098)**
New issuances	**-**	**-**	**-**
Transfers in	**105,506**	**5,126**	**(19,128)**
Transfers out	**-**	**(2,186)**	**(16,287)**
Balance at 30 June 2016	**111,517**	**103,353**	**(500,689)**
Total gains/(losses) for the period included in statement of comprehensive income for financial instruments held at the end of the reporting period	**435**	**(54,659)**	**79,693**

21. Fair value measurement (continued)

Transfers in and out of level 3 are primarily due to changes in the impact of unobservable inputs on the value of financial instruments at fair value. Where previously unobservable inputs become more observable, for example due to the passage of time or more independent price quotes received, the transfer is made from level 3 to level 2. For financial assets and financial liabilities designated at fair value, where the impact of the embedded level 3 derivative becomes material to the overall value the fully funded swap or financial liability from one year to the next, the transfer is made from level 2 to level 3.

	Financial assets designated at fair value through profit and loss $000	Financial instruments held for trading $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2015	31,123	189,331	(685,114)
Gains recognised in the statement of comprehensive income	(663)	(16,076)	65,742
Settlements	(11,641)	(7,585)	76,275
New issuances	14,263	1,697	(20,828)
Transfers in	-	(5,811)	(1,162)
Transfers out	-	(2,998)	55,218
Balance at 31 December 2015	33,082	158,558	(509,869)
Total gains for the period included in statement of comprehensive income for financial instruments held at the end of the reporting period	(663)	(16,076)	65,742

22. Events after the reporting period

The directors are of the opinion that there are no significant events that have occurred since 30 June 2016 to the date of this report.

23. Effects of legal merger in Statement of Financial Position as at 30 June 2015

On October 1, 2015, the Company entered into a merger with BA Issuance, in which BA Issuance ceased to exist and the Company assumed all the assets and liabilities of BA Issuance under a universal title of succession.

Consistent with the legal transfer of the assets and liabilities under universal title of succession, the financial statements have been prepared as a continuation of the activity of BA Issuance in the Company. As such, predecessor accounting has been applied and the asset and liabilities and results of BA Issuance have been incorporated for the current and prior year as if the merger occurred at the beginning of the prior period.

23. Effects of legal merger in Statement of Financial Position as at 30 June 2015 (continued)

The below presents the subsequent restatement of the statement of financial position as at 30 June 2015 after accounting for the legal merger effects:

	AS AT 30 JUNE As restated 2015 $'000	Increase/ (Decrease) 2015 $'000	AS AT 30 JUNE 2015 $'000
ASSETS			
Non-current assets			
Amounts owed by affiliated undertakings	**2,243,218**	322,091	1,921,127
Financial assets designated at fair value through profit or loss	**191,472**	0	191,472
Financial instruments held for trading	**170,012**	76,486	93,526
Deferred tax asset	**-**	(79)	79
Total non-current assets	**2,604,702**	398,498	2,206,204
Current assets			
Amounts owed by affiliated undertakings	**553,711**	92,316	461,395
Financial assets designated at fair value through profit or loss	**98,313**	-	98,313
Financial instruments held for trading	**54,211**	-	54,211
Accrued interest receivable and other assets	**21**	21	-
Cash and cash equivalents	**71,081**	71,081	-
Total current assets	**777,337**	163,418	613,919
Total assets	**3,382,039**	561,916	2,820,123
EQUITY AND LIABILITIES			
Equity			
Issued share capital	**0**	-	0
Other reserves	**55,297**	52,526	2,771
Other equity capital	**750,000**	-	750,000
Retained earnings	**49,061**	17,305	31,756
Total equity attributable to the owners of the Company	**854,358**	69,831	784,527
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	**1,824,032**	387,815	1,436,217
Financial instruments held for trading	**46,623**	6,879	39,744
Deferred tax liability	**448**	448	-
Total non-current liabilities	**1,871,103**	395,142	1,475,961
Current liabilities			
Financial liabilities designated at fair value through profit or loss	**460,257**	24,449	435,808
Amounts owed to affiliated undertakings	**171,211**	61,780	109,431
Financial instruments held for trading	**9,816**	8,230	1,586
Dividend payable	**11,853**	-	11,853
Income tax payable	**91**	(766)	857
Accrued expenses and other liabilities	**3,350**	3,250	100
Total current liabilities	**656,578**	96,943	559,635
Total liabilities	**2,527,681**	492,085	2,035,596
Total equity and liabilities	**3,382,039**	561,916	2,820,123

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2016

The financial statements were approved by the Board and authorised for issue on 28th September 2016. They were signed on its behalf by:

A.E. Okobia

A.C. Jones

R.H.L de Groot

Amsterdam
28th September 2016

OTHER INFORMATION
For the six months ended 30 June 2016

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 2016, the Board of Directors do not recommend the payment of a further dividend in respect of the period ended 30 June 2016.

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

Post balance sheet events

There are no post balance sheet events that have occurred since 31 December 2015 to the date of this report.