MERRILL LYNCH B.V.

UNAUDITED

INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED

30 JUNE 2017

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DIRECTORS' REPORT
For the six months ended 30 June 2017

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV" or the "Company") for the six months ended 30 June 2017.

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 2017 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, Rembrandt Tower, 27th Floor, 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").

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 2017.

DIRECTORS' REPORT (continued)
For the six months ended 30 June 2017

Business review (continued)

Financial performance
The directors are satisfied with the Company's performance for the financial period ended 30 June 2017 and the financial position at the end of the period. The profit for the financial period, after taxation, amounted to $4,997,000 (2016: profit $6,297,000).

Dividends

During the 6 month period, the Company declared that an amount of $7,858,000 (2016: $15,890,000) 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

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

The risk management approach has five components:

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

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are Strategic, Credit, Market, Liquidity, Operational, Compliance and Reputational risks.

The Company's approach to each of the risk types are further described in the notes to the financial statements (see note 20).

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 16 January 2017, R. De Groot resigned and E.J Brouwer 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 Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

There are no employees in the Company for the year ended 2017 (2016: none).

DIRECTORS' REPORT (continued)
For the six months ended 30 June 2017

Board of Directors

Managing Directors
(together authorised to represent the Company)

A E Okobia

A C Jones

E J Brouwer (appointed 16 January 2017)

Board of Directors
20 September 2017

STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		SIX MONTHS ENDED 30 JUNE	
	Note	**2017 $'000**	2016 $'000
Net gain on financial instruments held for trading	3	**39,117**	7,997
Net loss on financial instruments designated at fair value through profit or loss	4	**(53,821)**	(20,664)
Interest income	5	**18,753**	18,199
Operating (expense)/income	6	**(14)**	462
		4,035	5,994
Administrative expenses		**(124)**	(230)
Total profit before tax		**3,911**	5,764
Tax (charge)/credit	7	**1,086**	533
Profit for the period		**4,997**	6,297
Other comprehensive income		**-**	-
Total comprehensive income		**4,997**	6,297

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 36 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	AS AT 30 JUNE 2017 $'000	AS AT 31 DECEMBER 2016 $'000
ASSETS			
Non-current assets			
Amounts owed by affiliated undertakings	8	**1,606,868**	1,386,318
Financial assets designated at fair value through profit or loss	9	**27,063**	77,426
Financial instruments held for trading	10	**122,348**	92,451
Total non-current assets		**1,756,279**	1,556,195
Current assets			
Amounts owed by affiliated undertakings	8	**213,893**	873,882
Financial assets designated at fair value through profit or loss	9	**116,935**	327,178
Financial instruments held for trading	10	**4,899**	10,215
Cash and cash equivalents	12	**21,163**	21,236
Income tax receivable	11	**26**	-
Accrued interest receivable and other assets		**75**	-
Total current assets		**356,991**	1,232,511
Total assets		**2,113,270**	2,788,706
EQUITY AND LIABILITIES			
Equity			
Issued share capital	17	**-**	-
Other reserves	17	**3,651**	3,651
Other equity capital	17	**750,000**	750,000
Retained earnings		**64,983**	67,844
Total equity attributable to the owners of the company		**818,634**	821,495
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	13	**978,988**	1,043,118
Financial instruments held for trading	10	**14,874**	14,844
Deferred tax liability	11	**4,037**	5,508
Total non-current liabilities		**997,899**	1,063,470
Current liabilities			
Amounts owed to affiliated undertakings	14	**117,705**	95,029
Financial liabilities designated at fair value through profit or loss	13	**131,119**	761,073
Dividend payable	15	**43,590**	35,732
Financial instruments held for trading	10	**4,300**	11,353
Income tax payable	11	**-**	495
Accrued expenses and other liabilities	16	**23**	59
Total current liabilities		**296,737**	903,741
Total liabilities		**1,294,636**	1,967,211
Total equity and liabilities		**2,113,270**	2,788,706

The notes on pages 9 to 36 form part of these financial statements.

STATEMENT OF CASH FLOWS
As at 30 June 2017

	Note	**AS AT 30 JUNE 2017 $000**	AS AT 30 JUNE 2016 $000
Cash flow generated from operating activities			
Profit before tax		**3,911**	5,764
Adjustments for non-cash items:			
Net (gain)/loss on financial instruments held for trading	3	**(39,117)**	(7,997)
Net loss on financial assets designated at fair value through profit or loss	4	**53,821**	20,664
Interest income	5	**(18,753)**	(18,199)
Foreign exchange (loss)/gain on translation of tax liability		**(90)**	(34)
Cash used in operations		**(228)**	197
Placement of intercompany loans and deposits	8	**(154,291)**	-
Repayment of intercompany loans and deposits	8	**714,881**	151,465
Placement of fully-funded total return swaps	9	**(4,000)**	(230,643)
Repayment of fully-funded total return swaps	9	**264,606**	91,926
Net movement of financial instruments held for trading	10	**7,513**	27,894
Proceeds from issuance of structured notes	13	**162,739**	230,643
Redemption of structured notes	13	**(1,000,452)**	(281,270)
Income tax paid		**(817)**	-
Increase in intercompany payables		**41,429**	40,695
Decrease in intercompany payables		**(31,517)**	(30,756)
Net cash generated from operating activities		**(137)**	60
Cash flows from financing activities		**-**	-
Net cash movement in cash and cash equivalents		**(137)**	60
Cash and cash equivalents at beginning of period		**21,300**	20,571
Cash and cash equivalents at end of period	12	**21,163**	20,631

The notes on pages 9 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
As at 30 June 2017

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

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

Movements in shareholders' equity during the financial period ended 30 June 2017 are as follows:

	Note	Issued share capital	Other reserves	Other equity capital	Retained earnings	Total Equity
		$000	$000	$000	$000	$000
Balance at 31 December 2016		**-**	**3,651**	**750,000**	**67,844**	**821,495**
Total comprehensive income for the period		-	-	-	4,997	4,997
Dividends declared	15	-	-	-	(7,858)	(7,858)
Balance at 30 June 2017		**-**	**3,651**	**750,000**	**64,983**	**818,634**

The notes on pages 9 to 36 form part of these financial statements.

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 with registration number 56457103.

The principal activities of the Company are the issuance of structured notes and economically hedging these instruments through derivatives and fully-funded total return swaps. In addition the Company grants intercompany loans to affiliated entities and places deposits with Bank of America Corporation ("BAC") and Merrill Lynch International ("MLI"). The directors expect the principal activities to continue during 2017.

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 Transparency Directive, the Netherlands being the country of incorporation of the Company.

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

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

The Company has its registered address at Amstelplein 1, Rembrandt Tower, 27th Floor, 1096HA, Amsterdam, Netherlands. Merrill Lynch International Incorporated ("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 years presented.

2.1 Basis of preparation

The financial statements of the Company have been prepared 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 for entities which prepare their financial statements in accordance with IFRS as adopted by the EU.

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

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies, for example, determining the fair value of financial instruments. The financial statements were prepared using the going concern assumption and the directors expect the principal activities to continue in 2017.

2. Accounting Policies (continued)

2.1 Basis of preparation (continued)

New and amended standards adopted by the Company

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2017 that have had a material impact on the Company.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, 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. 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. There is a new expected credit losses impairment model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there are 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 also relaxes the requirements for hedge effectiveness. The standard is effective for accounting periods beginning on or after 1 January 2018 and the Company intends to adopt IFRS 9 then. The Company is in the process of conducting its implementation project for IFRS 9. Following review of the business model assessments for the Company's financial assets, as well as the related contractual cash flows, there is not expected to be a material change resulting from the classification and measurement requirements of the new standard. The Company will move cumulative amounts recognised in relation to changes in own credit risk on liabilities designated as at fair value through profit or loss to other comprehensive income on adoption of the new standard. At 30 June 2017 the cumulative amount recorded is $59 million loss. The Company does not expect the new impairment requirements to have a material impact on the financial statements.

IFRS 15 Revenue from contracts with customers is effective for accounting periods beginning on or after 1 January 2018. It does not impact revenue recognition related to financial instruments in scope of IFRS 9 and therefore is not expected to have a material impact on the statement of financial position or statement of comprehensive income.

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. Accounting Policies (continued)

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.

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 method less an allowance for any impairment. Interest calculated using the effective interest rate method is recognised in the statement of comprehensive income

2. Accounting Policies (continued)

2.3 Financial instruments (continued)

Impairment (continued)

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), appropriate valuation techniques are used including recent market transactions, discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial assets.

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.

2.5 Segmental reporting

The Company's results are wholly derived from a single class of business, being the Global Banking and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

2. Accounting Policies (continued)

2.6 Shareholders' equity

All issued ordinary shares are classified as equity. The perpetual borrowing from MLID is classified as other equity capital 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.

Charges made to affiliated companies to reimburse the Company for expenditure incurred, are recorded within operating income.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

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, refer to note 21.

3. **Net gain on financial instruments held for trading**

	SIX MONTHS ENDED 30 JUNE	
	2017	2016
	$000	$000
Gain on financial instruments held for trading	**49,995**	22,265
Loss on financial instruments held for trading	**(10,878)**	(14,268)
	39,117	7,997

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

	SIX MONTHS ENDED 30 JUNE	
	2017	2016
	$000	$000
Change in fair value of fully funded swaps	**(5,105)**	(6,618)
Change in fair value of structured notes	**(48,716)**	(14,046)
	(53,821)	(20,664)

The change in fair value of instruments designated at fair value include a loss of $2,477,000 (2016:

loss of $1,502,000) which is attributable to changes in credit spreads of BAC.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

5. Interest income

	SIX MONTHS ENDED 30 JUNE	
	2016	2016
	$000	$000
Finance income	**18,753**	18,199

Finance income represents interest income on deposits and intercompany loans.

6. Operating (expense)/income

Operating (expense)/income relates to service fee income from MLI, an affiliate.

7. Tax charge/(credit)

	SIX MONTHS ENDED 30 JUNE	
	2017	2016
	$000	$000
Current tax		
Current tax on profit for the year	**454**	418
Adjustments in respect of prior periods	**(69)**	-
Total current tax charge	**386**	418
Deferred tax		
Origination and reversal of temporary differences	**(1,471)**	(951)
Total deferred tax credit	**(1,471)**	(951)
Total tax credit	**(1,086)**	(533)

The tax for the period is reconciled to the standard rate of corporation tax in the Netherlands (2017: <€200k at 20% and >€200k at 25%, 2016: <€200k at 20% and >€200k at 25%).

	SIX MONTHS ENDED 30 JUNE	
	2017	2016
	$'000	$'000
Profit before tax	**3,911**	5,764
Tax calculated at standard rate of corporation tax 25% (2016: 25%)	**977**	1,441
Tax effects of:		
Net credit not subject to tax	**(1,994)**	(1,974)
Adjustments in respect of prior periods	**(69)**	-

Total tax credit	**(1,086)**	(533)

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 2017 $000	AS AT 31 DECEMBER 2016 $000
Non-current assets		
Investment in Merrill Lynch & Co. Canada Ltd	**7,027**	7,027
Intercompany loan	**750,000**	750,000
Money market deposit	**849,841**	629,291
	1,606,868	1,386,318
Current assets		
Intercompany loans	**202,748**	171,340
Money market deposit	**11,145**	702,542
	213,893	873,882
	1,820,761	2,260,200

The investment in Merrill Lynch & Co. Canada Ltd is in non-voting preference shares of which the Company holds 44.45%. The investment is measured at cost and the carrying value approximates to the fair value.

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, (refer to note 20 for credit ratings).

Non-current money market deposits at amortised cost have a fair value of $958,632,000 (2016: $801,236,000). Current money market deposits at amortised cost have a fair value of $12,268,000 (2016: $672,528,000).

Non-current intercompany loans represent a fixed rate placement with BAC. The intercompany loan has a fair value of $757,191,000 (2016: $754,688,000).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

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 2017		AS AT 31 DECEMBER 2016	
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Fully-funded total return swaps				
Current assets				
Less than 1 year	**113,188**	**116,672**	305,178	327,226
Credit spread adjustment		**263**		(48)
		116,935		327,178
Non-current assets				
From 1 year to 2 years	**18,870**	**20,972**	70,445	71,278
From 2 years to 5 years	**3,780**	**3,881**	3,582	3,958
Over 5 years	**2,000**	**2,251**	2,000	2,084
Credit spread adjustment		**(41)**		106
		27,063		77,426
Total assets		**143,998**		404,604

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 2017		AS AT 31 DECEMBER 2016	
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Fully-funded total return swaps				
USD	**119,907**	**124,038**	140,636	143,688
EUR	**16,632**	**18,364**	229,806	250,016
GBP	**1,299**	**1,374**	1,236	1,553
AUD	**-**	**-**	9,527	9,288
Credit spread adjustment		**223**		59
		143,998		404,604

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

10. Financial instruments held for trading

	AS AT 30 JUNE 2016 Fair Value $000	AS AT 31 DECEMBER 2015 Fair Value $000
Non-current assets	**122,348**	92,451
Current assets	**4,899**	10,215
Total assets	**127,247**	102,665
Non-current liabilities	**14,874**	14,844
Current liabilities	**4,300**	11,353
Total liabilities	**19,174**	26,197

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 $000	**Gross amounts of recognised financial liabilities set off in the statement of financial position $000**	**Net amounts of financial assets presented in the statement of financial position $000**	**Cash collateral $000**	**Net amount $000**
As at 30 June 2017					
Total assets	**188,449**	**(61,202)**	**127,247**	**(113,282)**	**13,965**
As at 31 December 2016					
Total assets	183,018	(80,353)	102,665	(71,109)	31,556

Financial liabilities subject to offsetting and related arrangements

	Gross amounts of recognised financial liabilities $000	**Gross amounts of recognised financial assets set off in the statement of financial position $000**	**Net amounts of financial assets presented in the statement of financial position $000**	**Cash collateral $000**	**Net amount $000**
As at 30 June 2017					

Total liabilities	**80,376**	**(61,202)**	**19,174**	**(2,370)**	**16,804**
As at 31 December 2016					
Total liabilities	106,550	(80,353)	26,197	-	26,197

10. Financial instruments held for trading (continued)

Financial instruments held for trading consist of total return swaps and cross currency swaps that are mainly transacted with MLI and are predominantly denominated in USD, EUR and GBP.

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

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

11. Taxation

	Deferred tax $000
Deferred tax as at 31 December 2016	**5,508**
Charged to the statement of comprehensive income	**(1,471)**
Deferred tax liability as at 30 June 2017	**4,037**

The deferred tax liability is non-current.

	Current tax $000
Current tax liability as at 31 December 2016	**495**
Credited to the statement of comprehensive income	**386**
Impact of foreign tax exchange	**(90)**
Tax paid	**(817)**
Current tax asset as at 30 June 2017	**(26)**

12. Cash and cash equivalents

	AS AT 30 JUNE 2017 $000	AS AT 31 DECEMBER 2016 $000
Cash at bank and on hand	**2,677**	2,790
Short-term demand deposits	**18,486**	18,446
	21,163	21,236

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

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 2017		AS AT 31 DECEMBER 2016	
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Structured notes				
Current liabilities				
Less than 1 year	**123,977**	**130,824**	749,373	762,876
Credit spread adjustment		**295**		(1,803)
		131,119		761,073
Non-current liabilities				
From 1 year to 2 years	**33,426**	**33,560**	125,698	145,697
From 2 years to 5 years	**388,024**	**525,527**	671,679	826,865
From 5 years to 10 years	**105,169**	**132,223**	13,550	12,402
Over 10 years	**283,224**	**291,093**	68,906	66,225
Credit spread adjustment		**(3,415)**		(8,071)
		978,988		1,043,118
		1,110,107		1,804,191

The financial liabilities designated at fair value through profit or loss represent structured notes issued to investors, these 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 2017		AS AT 31 DECEMBER 2016	
	Notional $000	**Fair Value $000**	Notional $000	Fair Value $000
Structured notes				
EUR	**346,873**	**508,290**	892,672	1,050,092
USD	**456,769**	**476,213**	647,055	672,270
JPY	**100,790**	**93,065**	35,383	33,645
SEK	**20,941**	**23,297**	33,903	36,394
CLP	**3,929**	**7,470**	3,900	8,113
GBP	**2,302**	**2,415**	2,190	2,543
MXN	**2,111**	**2,400**	1,942	1,924
CHF	**105**	**77**	12,161	9,084
Credit spread adjustment		**(3,120)**		(9,874)
		1,110,107		1,804,191

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

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 accounting policy note 2.12.

14. Amounts owed to affiliated undertakings

	AS AT 30 JUNE 2017 $000	AS AT 31 DECEMBER 2016 $000
Other loans payable	**117,705**	95,029

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

15. Dividend payable

During the period the Company declared an amount of $7,858,000 (2016: $15,890,000) 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 2017.

16. Accrued expenses and other liabilities

	AS AT 30 JUNE 2017 $000	AS AT 31 DECEMBER 2016 $000
Accrued professional fees	**-**	59
	-	59

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.

	AS AT 30 JUNE 2017 $000	AS AT 31 DECEMBER 2016 $000
Audit fees	**-**	120
Non-audit fees	**23**	93
	23	213

16. Accrued expenses and other liabilities (continued)

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.

17. Share capital and reserves

	AS AT 30 JUNE 2017 $000	AS AT 31 DECEMBER 2016 $000
Issued share capital	**-**	-
Other reserves	**3,651**	3,651
Other equity capital	**750,000**	750,000
	753,651	753,651

Issued share capital in 2017 comprises 12,988 Ordinary shares of equal voting rights at $0.01 each. (2016: 12,998 ordinary shares at $0.01 each).

Other reserves include adjustments related to the merger with Bank of America Issuance B.V during 2015.

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 2017

	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	**1,820,761**	**-**	**-**
Financial assets designated at fair value through profit or loss	9	**-**	**-**	**-** **143,998**
Financial instruments held for trading	10		**127,247**	**-**
Cash and cash equivalents	12	**21,163**	**-**	**-**
		1,841,924	**127,247**	**143,998**
Liabilities				
Financial liabilities designated at fair value through profit or loss	13	**-**	**-**	**1,110,107**
Financial instruments held for trading	10	**-**	**19,174**	**-**
Amounts owed to affiliated undertakings	14	**117,705**		
Dividend payable	15	**43,590**	**-**	**-**
		161,295	**19,174**	**1,110,107**

Summary of financial instruments at 31 December 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	2,260,200	-	-
Financial assets designated at fair value through profit or loss	9	-	-	404,605
Financial instruments held for trading	10	-	102,666	-
Cash and cash equivalents	12	21,236	-	-
		2,281,436	102,666	404,605
Liabilities				
Financial liabilities designated at fair value through profit or loss	13	-	-	1,804,191
Financial instruments held for trading	10	-	26,197	-
Amounts owed to affiliated undertakings	14	95,029		
Dividend payable	15	35,732	-	-
		130,761	26,197	1,804,191

19. Related party transactions

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

The following parties are considered related parties:

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

MLID is the holder of other equity capital of $750,000,000 which carries a 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 2017 amounted to $415,774,000 (2016: $1,000,742,000) which are interest bearing, generating interest income during 2017 of $4,341,000 (2016: $6,054,000).

The Company has deposits placed with MLI, which at 30 June 2017 amounted to $445,212,000 (2016: $331,091,000) which are interest bearing, generating interest income during 2017 of $4,735,000 (2016: $102,000).

The Company has total return swaps and cross currency swaps transacted with MLI, which at 30 June 2017 amounted to $82,796,000 (2016: $76,468,000).

The Company has entered into loan contracts with MLI and ML&Co. Canada Ltd, as set out in notes 8 and 9.

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

There are no employees in the Company other than directors for the period ended 30 June 2017 (2016: none).

Included in the administrative expenses are Directors' fees and remuneration relating to one director, two directors do not receive any remuneration. Disbursements for travel and other expenses incurred in relation to matters concerning the Company are charged to the Company separately. The Company entered into a cost sharing agreement with Investments 2234 Overseas Holdings B.V., an affiliated company with which costs relating to one of the directors' are shared, through their mutual ultimate parent company, BAC, which is based in North Tryon Street, Charlotte, North Carolina, 28202, U.S.A.

20. Financial risk management

Legal Entity Governance

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

The risk management approach has five components:

- Culture of managing risk well;
- Risk appetite and risk limits;
- 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 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 US Dollar. The Company's trading assets and liabilities include both cash instruments denominated in and derivatives linked to US Dollar and Euro amongst others.

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

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

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

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

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

These processes create a comprehensive and consolidated view of company-wide credit risks, thus providing executive management with the information required to guide or redirect front line units.

BAC has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, purchasing credit protection and continually assessing the creditworthiness of counterparties. These limits were not exceeded during the year ended 30 June 2017.

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 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 $860,986,000 (2016: $1,331,833,000), all with affiliated undertakings, please refer to note 8. Financial assets held for trading and financial assets designated at fair value through profit or loss are predominantly taken out with MLI. At the end of the reporting year, the credit rating for outstanding long term debt of the affiliated undertakings is BBB+ (S&P) for both BAC and MLI (2016: A+ (S&P) for both BAC and MLI).

20. Financial risk management (continued)

Operational risk

BAC has adopted the Basel Committee definition of 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 BAC employees to conduct themselves properly, 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 BAC's conduct or business practices will adversely affect its profitability or operations through an inability to establish new or maintain existing customer / client relationships. BAC manages reputational risk through established policies and controls in the business and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

Ultimately, to ensure that reputational risk is mitigated through regular business activity, awareness of reputational risk is integrated into the overall governance process, as well as incorporated into the roles and responsibilities for employees. Given the nature of reputational risk, BAC does not set quantitative limits for the level of acceptable risk. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

At the enterprise level, reputational risk is reviewed by the Enterprise Risk Committee and the Management Risk Committee, which provide primary oversight of reputational risk. Additionally, top reputational risks are reviewed by the Global Risk Management Leadership team and the BAC Board. Each front line unit has a committee with representatives from control functions whose charter includes oversight of reputational risk. That oversight includes providing approval for business activities that present elevated levels of reputational risks.

Strategic risk

Strategic risk is the risk that results from incorrect assumptions about external and/or internal factors, inappropriate business plans (e.g. too aggressive, wrong focus, ambiguous), ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic and competitive environments, in the geographic locations in which BAC operates (such as competitor actions, changing customer preferences, product obsolescence, and technology developments).
Strategic risk is managed through the following approaches: (1) The strategic planning process specifically addresses many forms of strategic risk. The BAC boards of directors review and approve

the strategic plans after considering strategic risks in addition to other types of risk. (2) The strategic plans are consistent with risk appetite and specifically address strategic risks.

20. Financial risk management (continued)

Strategic risk (continued)

(3) The executive management team continuously monitors business performance throughout the year to assess strategic risk and find early warning signals so that risks can be proactively managed.

BAC's strategic plan is reviewed and approved annually by the BAC board alongside the capital plan, financial operating plan and risk appetite. Significant strategic actions, such as capital actions, material acquisitions or divestitures, and recovery and resolution plans are reviewed and approved by the BAC board as required.

Routines exist to discuss the strategic risk implications of new business and product entries and other strategic initiatives, and to provide approvals where appropriate. Independent risk management, Corporate Audit and other control functions provide input, challenge and oversight to front line unit and regional level strategic plans and initiatives.

Compliance 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 requirements of applicable laws, rules and regulations.

Global Compliance is responsible for setting BAC wide policies and standards and provides independent challenge and oversight to the front line units. Approach to the management of compliance risk is further described in the Global Compliance Policy, which outlines the requirements of BAC's global compliance program and defines roles and responsibilities related to the implementation, execution and management of the global compliance risk management program by Global Compliance.

Liquidity risk

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

The MLBV Board is ultimately responsible for the Company's liquidity risk management, delegating additional oversight to the lines of business. The businesses are the first lines of defence in liquidity risk management, partnering with Global Liquidity Management and Global Funding, functions within Corporate Treasury, to achieve liquidity risk management objectives.

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

The tables below represent the undiscounted cash flows of the Company's financial liabilities as at 30 June 2017 and 31 December 2016, with the exception of those held for trading or designated at fair value through profit and loss.

The fair values of financial liabilities held for trading and financial liabilities designated at fair value through profit and loss have been disclosed as this is consistent with the values used in the liquidity risk management of these instruments. The maturity analysis of financial liabilities designated at fair value through profit and loss is presented in note 13.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

20. Financial risk management (continued)

Liquidity risk (continued)

The contractual undiscounted cash flows are disclosed in the table below.

30 June 2017	**Less than 3 months $'000**	**Between 3 months and 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial liabilities designated at fair value through profit and loss	**65,801**	**73,490**	**43,455**	**501,245**	**426,116**	**1,110,107**
Financial liabilities held for trading	**790**	**735**	**971**	**5,231**	**12,182**	**19,909**
Amounts owed to affiliated undertakings	**-**	**117,705**	**-**	**-**	**-**	**117,705**
Dividend payable	**43,590**	**-**	**-**	**-**	**-**	**43,590**
Accrued expenses and other liabilities	**-**	**23**	**-**	**-**	**-**	**23**
Total liabilities	**110,181**	**191,953**	**44,426**	**506,476**	**438,298**	**1,291,334**

A maturity analysis of issued notes is presented in note 13.

31 December 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	36,764	725,945	475,251	352,566	78,550	1,669,077
Financial liabilities held for trading	9,292	2,061	1,076	8,594	5,174	26,197
Amounts owed to affiliated undertakings	-	95,029	-	-	-	95,029
Dividend payable	35,732	-	-	-	-	35,732
Accrued expenses and other liabilities	-	59	-	-	-	59
Total liabilities	81,788	823,094	476,327	361,160	83,724	1,826,094

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

20. 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 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 73.74% allows sufficient headroom for future issuances of structured notes.

Capitalisation ratio:	**30 June 2017 $000**	31 December 2016 $000
Equity	**818,634**	821,495
Issued debt	**1,110,107**	1,804,191
Capitalisation ratio	**73.74%**	45.53%

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 2017

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**TOTAL $'000**
Assets				
Financial assets designated at fair value through profit or loss	**-**	**55,293**	**88,705**	**143,998**
Financial instruments held for trading	**-**	**23,435**	**103,812**	**127,247**
Total assets	**-**	**78,728**	**192,517**	**271,245**
Liabilities				
Financial liabilities designated at fair value through profit and loss	**-**	**622,897**	**487,210**	**1,110,107**
Financial instruments held for trading	**-**	**14,111**	**5,063**	**19,174**
Total liabilities	**-**	**637,008**	**492,273**	**1,129,281**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

21. Fair value measurement (continued)

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 2016:

As at 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	TOTAL $'000
Assets				
Financial assets designated at fair value through profit or loss	-	308,245	96,360	404,605
Financial instruments held for trading	-	29,818	72,847	102,665
Total assets	-	338,063	169,207	507,270
Liabilities				
Financial liabilities designated at fair value through profit and loss	-	1,345,454	458,737	1,804,191
Financial instruments held for trading	-	17,394	8,803	26,197
Total liabilities	-	1,362,848	467,540	1,830,388

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

21. Fair value measurement (continued)

The tables below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were $192,518,000 as of 30 June 2017 (2016: $218,968,000) and represent approximately seventy one percent of assets measured at fair value and approximately nine percent of total assets. Level 3 liabilities were $492,274,000 as of 30 June 2017 (2016: $504,786,000) and represent approximately forty four percent of liabilities measured at fair value and thirty eight 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 2017	**96,360**	**64,044**	**(458,737)**
Gains/(losses) recognised in the statement of comprehensive income	**(4,445)**	**36,364**	**(56,333)**
Settlements	**(7,084)**	**(718)**	**51,743**
New issuances	**3,875**	**(941)**	**-**
Transfers in	**-**	**-**	**(25,390)**
Transfers out	**-**	**-**	**1,507**
Balance at 30 June 2017	**88,706**	**98,749**	**(487,210)**
Total gains/(losses) for the period included in statement of comprehensive income for financial instruments held at the end of the reporting period	**(4,445)**	**36,364**	**(56,333)**

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

21. Fair value measurement (continued)

	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	474	(86,007)	16,167
Settlements	(32,015)	841	48,917
New issuances	14,828	(9,350)	-
Transfers in	79,992	-	(20,527)
Transfers out	-	1	6,575
Balance at 31 December 2016	96,360	64,044	(458,737)
Change in unrealised gains or losses for level 3 assets and liabilities held at year end and included in net changes on financial assets and liabilities at fair value through profit or loss and held for trading	474	(86,007)	16,167

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.

2017	Valuation technique	Significant unobservable inputs	Ranges of input
Financial assets and liabilities held for trading			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	5.42% to 100% 4.3% to 78.95%
Financial assets and liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparables, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	5.42% to 100% 4.3% to 78.95% 6% to 37% $12 to $87 0 to 5 years

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

21. Fair value measurement (continued)

2016	Valuation technique	Significant unobservable inputs	Ranges of input
Financial assets and liabilities held for trading			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	13.55% to 100% 4.49% to 75.69%
Financial assets and liabilities designated at fair value			
Structured notes and Fully-funded total return swaps	Discounted cash flow, Market comparables, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price Duration	13.55% to 100% 4.79% to 79.69% 6% to 37% $12 to $87 0 to 5 years

Sensitivity analysis of unobservable inputs

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Company's valuation control policies. Were the Company have valued the financial instruments concerned using input values drawn from the extremes of the ranges of reasonable possible alternatives then at the year end, it could have increased fair value by as much as $1,086,000 (2016: $869,000) or decreased fair value by as much as $1,086,000 (2016: $869,000) with the potential effect impacting profit and loss rather than reserves.

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

Financial assets and liabilities carried at amortised cost

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

The fair value of amounts owed by affiliated undertakings is determined by reference to quoted market prices of similar instruments. Money market deposits are classified as level 2 and are valued at $970,900,000 (2016: $1,473,764,000). Non-current intercompany loans representing fixed rate placements with BAC are classified as level 2 and are valued at $757,191,000 (2016: $754,688,000).

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

22. Events after the reporting period

The directors are of the opinion that there are no significant events that have occurred since 30 June 2017 to the date of this report.

23. Profit appropriation

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

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

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

Based on the net result over the period ended 30 June 2017, the Board of Directors do not recommend the payment of a further dividend in respect of the period ended 30 June 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

The financial statements were approved by the Board and authorised for issue on 20 September 2017 They were signed on its behalf by

A E Okobia

A C Jones

E J Brouwer (appointed 16 January 2017)

Amsterdam
20 September 2017