

Registered no: 56457103

MERRILL LYNCH B.V.

UNAUDITED
INTERIM REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

MERRILL LYNCH B.V.

COMPANY INFORMATION

Directors

L.J.M. Duijsens
A.E.Okobia
L. R. Whitley

Registered number

56457103

Registered office

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**DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2024**

The directors present their report and the unaudited financial statements of Merrill Lynch B.V. ("MLBV", or the "Company") for the six months ended 30 June 2024.

Statement of directors' responsibilities

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

The directors confirm that to the best of their knowledge:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2024 and of its profit and cash flows for the six months then ended; and
- the directors' report gives a true and fair view of the Company's situation as at the reporting date, the events that occurred during the first half of 2024, future outlook, events after the reporting date and the risks to which the Company is exposed.

The Dutch Civil Code requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU") and the additional requirements of Title 9 Book 2 of the Netherlands Civil Code in accordance with article 362 section 8 and 9 of the Netherlands Civil Code.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether applicable IFRS's as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with IFRS as adopted by the EU and the additional requirements of Title 9 Book 2 of the Netherlands Civil Code in accordance with article 362 section 8 and 9 of the Netherlands Civil Code. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Electronic distribution

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

Principal activities

The principal activities of the Company are the issuance of structured notes, certificates and warrants ("Structured issuances") and economically hedging these instruments through derivatives with affiliated companies. In addition, the Company grants intercompany loans to Merrill Lynch International ("MLI"), a BAC affiliate.

There has been no change to the principal activities and the directors expect the principal activities to continue during 2024.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2024**

Business review and market environment

Details about the Company's incorporation and the parent of the Company are disclosed in Note 1 Corporate information and basis of preparation.

Outlook

During the first six months of 2024, economic activities continued to be impacted by concerns over inflation and ongoing geopolitical stresses, including tensions between China and Taiwan, relations between the US and China, and the conflicts in Russia/Ukraine and the Middle East. There remains uncertainty and concerns about geopolitical risks, central bank policy and inflation.

As a result of these geopolitical challenges, the Company's business, results of performance, financial position and/or operational model could be adversely affected. The Company continues to actively identify, measure and report risks and monitor the recoverability of its financial assets and whilst ensuring any loss allowance reflects management's best estimate of potential losses on a timely basis.

Results

The directors are satisfied with the Company's performance for the financial period ended 30 June 2024 and financial position at the end of the period. The profit before tax for the financial period, amounted to \$72,902,000 (six months ended 30 June 2023: \$30,309,000).

The debit valuation adjustments on the structured issuances resulted in a loss before tax of \$118,489,000 (six months ended 30 June 2023: loss of \$99,582,000) due to movements in the BAC credit spreads.

Management of climate change risk

BAC's Environmental and Social Risk Policy Framework ("ESRPF") (as adopted by the Company) provides additional clarity and transparency regarding the Company's approach to environmental and social risks, inclusive of climate-related financial risk ("climate risk"). Like all risks, environmental and social risks require coordinated governance, clearly defined roles and responsibilities, and well-developed processes to ensure they are identified, measured, monitored and managed appropriately and in a timely manner. Recognising that certain sectors are more sensitive to these types of risk, the Company evaluates the associated risks as appropriate.

Further information about BAC Group's approach to sustainability matters can be accessed via the ESRPF at www.bankofamerica.com/ESRPF and Bank of America's Task Force on Climate-related Financial Disclosures Report (the "TCFD Report") available at www.bankofamerica.com/TCFD.

Set out below is a summary of the Company's approach to management of climate risk.

Climate risk is the risk that climate change, or actions taken to mitigate climate change, expose the Company to economic, operational or reputational harm. Climate-related risks are divided into two major categories, both of which span across the seven key risk types:

- Physical Risk - Risks related to the physical impacts of climate change, driven by extreme weather events, such as hurricanes and floods, as well as chronic longer-term shifts, such as rising average global temperatures and sea levels, and,
- Transition Risk - Risks related to the transition to a low-carbon economy, which may entail extensive policy, legal, technology and market changes.

Physical risks of climate change, such as more frequent and severe extreme weather events, can increase credit risk by diminishing clients' repayment capacity or collateral values or can increase operational risk by negatively impacting the Company's facilities or vendors.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2024**

Transition risks of climate change may amplify credit risks through the financial impacts of changes in policy, technology or the market on the Company or its counterparties. Unanticipated market changes can lead to sudden price adjustments and give rise to heightened market risk. Reputational risk can arise if the Company does not meet its climate-related commitments.

No material climate-related risk variables impacting the financial position of the Company as at 30 June 2024 have been identified.

Global compliance and operational risk

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

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

Risk management

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

The risk management approach has five components:

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

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

The Company's approach to each of the risk types are further described in the notes to the financial statements (see note 23).

Events after the reporting period

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

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2024**

Composition of the board

The size and composition of the Board of Directors and the combined experience reflects the best fit for the profile and strategy of the Company. Currently the Board are all male, however the Company is aware of the gender diversity goals as set out in the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new directors.

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

Board of Directors

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

L.J.M. Duijsens

A.E. Okobia

L. R. Whitley

(together authorised to represent the Company)

These financial statements have been approved and authorised for issue by the Board on 27 September 2024. The directors have the power to amend and reissue the financial statements.



L.J.M. Duijsens
Director



A.E. Okobia
Director



L.R. Whitley
Director

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2024**

	Note	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Net gain/(loss) on financial instruments at fair value through profit or loss	4	303,406	(161,111)
Net loss on financial instruments designated at fair value through profit or loss	5	(648,007)	(20,769)
Other income	6	741	847
Loss from operations		(343,860)	(181,033)
Interest income	8	424,843	226,507
Interest expense	9	(7,765)	(14,479)
Net interest income		417,078	212,028
Total operating revenue		73,218	30,995
Administrative expenses	7	(316)	(686)
Profit before tax		72,902	30,309
Tax expense	12	(18,794)	(8,240)
Profit for the financial period after tax		54,108	22,069
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net loss in debit valuation adjustment on structured issuances		(118,489)	(99,582)
Tax credit relating to movement in debit valuation adjustment on structured issuances		30,592	25,693
Total other comprehensive loss		(87,897)	(73,889)
Total comprehensive loss		(33,789)	(51,820)

The presentation for statement of profit or loss has been enhanced in 2024, in order to more directly link the statement of profit or loss and disclosure notes. The prior year information has also been updated to ensure consistent presentation.

The notes on pages 11 to 45 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

(Before appropriation of result)

	Note	30 June 2024 \$000	31 December 2023 \$000
Assets			
Non-current assets			
Debtors	13	10,986,417	8,812,781
Trading assets	15	506,181	502,149
Deferred tax asset	16	25,204	—
Total non-current assets		11,517,802	9,314,930
Current assets			
Debtors	13	4,369,770	2,448,434
Trading assets	15	503,788	367,760
Cash and cash equivalents	14	93,952	130,223
Total current assets		4,967,510	2,946,417
Total assets		16,485,312	12,261,347
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	17	10,382,633	8,544,002
Trading liabilities	15	1,233,427	961,790
Deferred tax liability	16	—	5,359
Total non-current liabilities		11,616,060	9,511,151
Current liabilities			
Financial liabilities designated at fair value through profit or loss	17	3,422,773	1,742,390
Creditors	18	261,204	110,078
Trading liabilities	15	76,576	34,302
Income tax payable	16	18,786	39,720
Bank overdraft		—	5
Total current liabilities		3,779,339	1,926,495
Total liabilities		15,395,399	11,437,646

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2024

	Note	30 June 2024 \$000	31 December 2023 \$000
Equity			
Issued share capital	19	—	—
Other reserves		(119,261)	(35,168)
Share premium		890,437	590,437
Retained earnings		264,628	198,365
Undistributed profits		54,108	70,067
Total equity		1,089,912	823,701
Total liabilities and equity		16,485,312	12,261,347

The notes on pages 11 to 45 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2024**

	Share capital \$000	Share premium \$000	Other reserves \$000	Retained earnings \$000	Undistributed profits \$000	Total equity \$000
At 1 January 2024	—	590,437	(35,168)	198,365	70,067	823,701
Transfer to retained earnings	—	—	3,804	66,263	(70,067)	—
Profit for the year	—	—	—	—	54,108	54,108
Other comprehensive income						
Movement in debit valuation adjustment on structured issuances	—	—	(118,489)	—	—	(118,489)
Tax relating to movement in debit valuation adjustment on structured issuances	—	—	30,592	—	—	30,592
Total comprehensive loss for the period	—	—	(84,093)	66,263	(15,959)	(33,789)
Transactions with owners in their capacity as owners:						
Share premium contribution	—	300,000	—	—	—	300,000
At 30 June 2024	—	890,437	(119,261)	264,628	54,108	1,089,912

The notes on pages 11 to 45 form part of these financial statements. For further details see note 19.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023

	Share capital \$000	Share premium \$000	Other reserves \$000	Retained earnings \$000	Undistributed profits \$000	Total equity \$000
At 1 January 2023	—	120,437	73,965	152,517	47,049	393,968
Transfer to retained earnings	—	—	682	46,367	(47,049)	—
Profit for the year	—	—	—	—	22,069	22,069
Other comprehensive income						
Movement in debit valuation adjustment on structured issuances	—	—	(99,582)	—	—	(99,582)
Tax relating to movement in debit valuation adjustment on structured issuances	—	—	25,693	—	—	25,693
Total comprehensive loss for the year	—	120,437	758	198,884	22,069	342,148
Transactions with owners in their capacity as owners:						
Share premium contribution	—	100,000	—	—	—	100,000
At 30 June 2023	—	220,437	758	198,884	22,069	442,148

The notes on pages 11 to 45 form part of these financial statements. For further details see note 19.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2024**

	Note	30 June 2024 \$000	30 June 2023 \$000
Cash flows from operating activities			
Profit before tax		72,902	30,309
Adjustments for:			
Non - cash items			
Net interest income		(417,078)	(212,028)
Cash items			
Income tax paid	16	(39,028)	(2,284)
Changes in operating assets			
Increase in debt instruments at amortised cost	13	(3,100,906)	(1,961,019)
Increase in amounts owed from affiliated companies	13	(589,550)	(41,377)
Decrease/(increase) in other receivables	13	20,328	(34,504)
(Increase)/decrease in trading assets	15	(140,060)	134,488
		(3,810,188)	(1,902,412)
Changes in operating liabilities			
Increase in financial liabilities designated at fair value	17	3,400,554	2,141,509
Increase/(decrease) in creditors	18	143,360	(114,485)
Increase/(decrease) in trading liabilities	15	313,911	(30,887)
		3,857,825	1,996,137
Net cash outflow from operating activities		(335,567)	(90,278)
Cash flows from financing activities			
Share premium contribution	19	300,000	100,000
Net cash inflow from financing activities		300,000	100,000
Net (decrease)/increase in cash and cash equivalents		(35,567)	9,722
Cash at bank and in hand at the beginning of the year	14	130,218	23,063
Bank overdrafts at the beginning of the year		—	(256)
Effects of exchange rate changes on cash and cash equivalents		(699)	156
Cash and cash equivalents at the end of the period		93,952	32,685
Cash at bank and in hand	14	93,952	32,782
Bank overdrafts		—	(97)
Cash and cash equivalents at the end of the period		93,952	32,685

As permitted by IAS 7 'Statement of Cash Flows', all cash flows from operating activities are now reported net by category under the indirect method. Prior year balances has been re-presented accordingly. This change has impacted 'Changes in operating assets' and 'Changes in operating liabilities'. The presentation for statement of cash flow has been enhanced for the period ended 30 June 2023, now there is a more transparent link between statement of cash flow and balance sheet disclosure notes. The prior year information has also been updated to ensure consistent presentation.

For further details see note 14 cash and cash equivalents. The notes on pages 11 to 45 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

1. Corporate information and basis of preparation

Merrill Lynch B.V. ("MLBV", or the "Company") is a private company with limited liability (Besloten Vennootschap met Beperkte Aansprakelijkheid) incorporated under the laws of The Netherlands on 12 November 2012 with registration number 56457103. The Company has its registered address at Amstelplein 1, Rembrandt Tower, 27 Floor, 1096HA, Amsterdam, The Netherlands.

The principal activities of the Company are the issuance of structured notes, certificates and warrants ("Structured issuances") and economically hedging these instruments through derivatives with affiliated companies. In addition, the Company grants intercompany loans to Merrill Lynch International ("MLI"), a BAC affiliate.

The Company is a subsidiary of Merrill Lynch International, LLC ("MLI LLC"), incorporated in the United States of America. The Company's ultimate parent company and controlling party is Bank of America Corporation ("BAC"), a company organised and existing under the laws of the State of Delaware in the US, which produces consolidated financial statements available for public use. The principal executive office of BAC is as follows: Bank of America Corporate Center, 100 North Tryon Street, NC1-007-56-06, Charlotte, North Carolina 28255.

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

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

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

These financial statements are the separate financial statements of the Company, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and 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 on a historical cost basis, modified to include the measurement of certain financial assets and liabilities at fair value, to the extent required or permitted under IFRS. The Company does not maintain historical cost information on items held at fair value as this is not relevant to the operation of the business.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 Critical accounting estimates and judgements.

The financial statements have been presented in US dollars which is also the functional currency of the Company and all values are rounded to the nearest thousands, except as otherwise indicated. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

1. Corporate information and basis of preparation (continued)

As part of the consideration of whether to adopt the going concern basis in preparing the financial statements, management have considered the maturity profile and contractual terms of the liabilities in respect of the structured note portfolio and consider there to be sufficient sources of short term funds available to the Company to meet the contractual maturity of the structured issuances in the context of the current environment detailed in the 'business review and market environment' section of the directors' report.

Management also evaluated the financial position of the counterparties of its debtors, mostly comprising loans to affiliated companies, and their ability to repay the notional and interest to the Company. The Company will continue to monitor its solvency and liquidity position.

Following the assessment, the directors have a reasonable expectation, based on current and anticipated future performance, that the Company will continue in operational existence and has sufficient resources to meet its liabilities as they fall due for a period of 12 months from the date of approval of the interim report and financial statements. The financial statements of the Company have, therefore, been prepared on a going concern basis. Disclosures in respect to liquidity risk and capital management are set out in note 23.

2. Material 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.

2.1. New and amended standards adopted by the Company

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

Standards issued but not yet effective

There are several new standards and amendments to standards published but not yet mandatory for the current reporting period. To the extent, which is known or reasonably estimable, none of these developments is expected to have a material impact on the Company's financial statements in the period of initial application.

2.2. Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are subsequently re-translated into the functional currency using the exchange rates prevailing at the reporting date. Exchange gains and losses on monetary assets and liabilities are recognised in the income statement.

2.3. Financial assets

The Company recognises financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Management determines the classification of the Company's financial assets at initial recognition. In general, trading instruments (e.g. debt securities, derivatives) are recognised and derecognised on a trade date basis, whereas funding financial instruments (e.g. loans and deposits) are recognised and derecognised on a settlement date basis. The Company classifies its financial assets as measured at amortised cost or fair value through profit or loss ("FVPL").

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

2. Material accounting policies (continued)

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

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

The Company's cash and debtors that are not considered to be managed on a fair value basis, meet the requirements to be measured at amortised cost. The Company's trading assets are classified as measured at FVPL.

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

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

2.4. Financial liabilities

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

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

Where the Company designates a financial liability at FVPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in Other Comprehensive Income ("OCI") as a debit valuation adjustments reserve. However, if on initial recognition of the financial liability the Company assesses that presentation in OCI would create, or enlarge, an accounting mismatch, then the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss. Amounts presented in the debit valuation adjustments reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the reserve is transferred to retained earnings.

2.5. Derecognition of financial assets and liabilities

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

2. Material accounting policies (continued)

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

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

If the terms of a financial asset or financial liability are modified, the Company evaluates whether the new terms of the modified instrument are substantially different to the original terms. If the new terms are substantially different, then the original instrument is derecognised and a new instrument, based on the modified terms, is recognised at fair value. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

2.6. Offsetting financial instruments

Where the Company has the legal right to net settle and intends to do so (with any of its debtors or creditors) on a net basis, or to realise the asset and settle the liability simultaneously, the balance included within the financial statements is the net balance due to or from the counterparty. Counterparties are assessed to identify if net settlement criteria are met. Where this is achieved, assets and liabilities facing the counterparty are offset (see note 15).

2.7. Segmental reporting

The Company's results are wholly derived from a single class of business, being the Global Markets segment. The directors review and analyse performance of the Company based on these activities. Segmental performance is analysed geographically as the Company operates globally under one management structure (see note 10 Segmental analysis).

2.8. Income and expense recognition*Amortised cost and effective interest rate*

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

2. Material accounting policies (continued)

Calculation of interest income and expense

Interest income and expense for all financial instruments measured at amortised cost are recognised on an accruals basis using the effective interest method.

The effective interest rate is applied to the gross carrying amount of the financial asset (for non-credit impaired assets) or to the amortised cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on all trading assets and liabilities, and other financial instruments measured at FVPL, are recognised using the contractual interest rate in net trading revenues and net gains and losses on other financial instruments at FVPL, respectively.

2.9. Other income

Other income includes service fee income from charges made to affiliated companies to reimburse the Company for expenditure incurred. Service fee income is recognised as the performance obligation is satisfied which is generally aligned with when the Company is entitled to the compensation, which may be on completion of an individual performance obligation. Service fee income is computed under arm's length principles in accordance with BAC's Global Transfer Pricing Policy.

Other income also includes foreign exchange gains and losses.

2.10. Current and deferred income tax

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

Current tax, including Dutch corporation tax and foreign taxes, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by reporting date.

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

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

2.11. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term time deposits which are readily convertible to known amounts of cash.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

2. Material accounting policies (continued)

2.12. Statement of cash flows

The statement of cash flows is prepared according to the indirect method. The statement of cash flows shows the Company's cash flows for the period, divided into cash flows from operating activities and financing activities, and how the cash flows have affected the Company's cash balances. Transactions related to the issuance of structured issuances are classified as operating activities.

2.13. Dividend distribution

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

2.14. Impairment

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

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

3. Critical accounting estimates and judgements

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

Estimates

Valuation of financial instruments at fair value through profit and loss

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

The Company's policy for valuation of financial instruments is included in notes 2.3 and 2.4. The fair values of financial instruments that are not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency rates, commodity prices or equity prices and correlations between these inputs.

Where models are used to determine fair values, they are periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024

3. Critical accounting estimates and judgements (continued)

calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions.

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

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Change in fair value of derivative instruments	<u>303,406</u>	<u>(161,111)</u>

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

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Change in fair value of structured issuances excluding debit valuation adjustment	<u>(648,007)</u>	<u>(20,769)</u>

6. Other income

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Service fee income from affiliated companies	270	683
Foreign exchange gain*	471	164
	<u>741</u>	<u>847</u>

*Other income include foreign exchange gain of \$471,000 (six months ended 30 June 2023 gain of \$164,000), which were previously presented in administrative expenses. This is in accordance with the new and amended standards adopted by the Company for the year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024

7. Administrative expenses

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Service charges	26	24
Other operating expenses	290	662
	<u>316</u>	<u>686</u>

8. Interest income

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Interest income	<u>424,843</u>	<u>226,507</u>

Interest income due from affiliated companies within debtors was \$424,284,000 (six months ended 30 June 2023: \$226,033,000) and within cash and cash equivalents was \$559,000 (six months ended 30 June 2023: \$474,000).

9. Interest expense

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Interest expense	<u>(7,765)</u>	<u>(14,479)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

10. Segmental analysis

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

The table below presents the Total Operating Revenue of the Company by geographic region:

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
APAC	39,660	19,970
EMEA	22,329	9,324
AMRS	11,229	1,701
Total operating revenue*	<u>73,218</u>	<u>30,995</u>

*Foreign exchange gain of \$471,000 (six months ended 30 June 2023 gain of \$164,000) reported within other operating revenues. This is in accordance with the new and amended standards adopted by the Company for the year ended 31 December 2023.

11. Auditors' remuneration

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

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Audit fees	172	117
Non-audit fees	-	9
	<u>172</u>	<u>126</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

12. Income tax expense

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2023 \$000
Current tax		
Current tax on profit for the year	18,794	2,168
Total current tax	<u>18,794</u>	<u>2,168</u>
Deferred tax		
Origination and reversal of temporary differences	—	6,072
Total deferred tax	<u>—</u>	<u>6,072</u>
Total tax expense	<u><u>18,794</u></u>	<u><u>8,240</u></u>

Factors affecting tax expense for the year

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

	Six months ended 30 June 2024 \$000	Six months ended 30 June 2024 percent	Six months ended 30 June 2023 \$000	Six months ended 30 June 2023 percent
Profit before tax	<u>72,902</u>	100.0 %	<u>30,309</u>	100.0 %
Tax calculated at standard rate of corporation tax (taxable income < €200,000 at 19% and > €200,000 at 25.8%)				
(six months ended June 2023: < €395,000 at 15% and > €395,000 at 25.8%)	18,794	25.8 %	7,773	25.7 %
Return on excess equity	—	— %	467	1.5 %
Total tax expense	<u><u>18,794</u></u>	<u><u>25.8 %</u></u>	<u><u>8,240</u></u>	<u><u>27.2 %</u></u>

Pillar Two legislation was enacted in the Netherlands, the jurisdiction in which the Company is incorporated, and has come into effect for reporting year starting 1 Jan 2024. Under the legislation, the Company is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion ("GloBE") effective tax rate in the Netherlands and the 15% minimum rate.

The Company's effective tax rate for the six months ended 30 June is 25.9% (six months ended June 2023: 27.2%). Assuming the average effective tax rate remains above 15%, the Company is not expected to be required to pay Pillar Two income taxes in relation to the Netherlands.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

13. Debtors

	30 June 2024 \$000	31 December 2023 \$000
Non-current assets		
Financial assets at amortised cost	<u>10,986,417</u>	<u>8,812,781</u>
Current assets		
Financial assets at amortised cost	3,130,852	1,798,066
Amounts owed from affiliated companies	1,225,249	616,371
Other receivables	13,669	33,997
	<u>4,369,770</u>	<u>2,448,434</u>

Debt instruments at amortised cost mainly consist of funds raised through the structured issuances and are carried at amortised cost. The balances are largely denominated in USD and EUR, not past due and are not considered to be credit-impaired.

Debt instruments at amortised cost are unsecured and placed with MLI (refer to note 23 for credit ratings). The fair value of debt instruments at amortised cost are \$14,225,015,000 (2023:\$10,693,173,000). The amounts owed from affiliated companies are extended on a short term basis.

14. Cash and cash equivalents

	30 June 2024 \$000	31 December 2023 \$000
Cash at bank and in hand	67,789	104,783
Short term time deposit	26,163	25,440
	<u>93,952</u>	<u>130,223</u>

The short term time deposits are held with Bank of America, National Association, ("BANA"), and are interest bearing at 5.34% average rate (2023: 4.95% average rate) maturing on 30 July 2024. The credit rating is A+ (Standard and Poor's ("S&P")) (2023: A-1 (S&P)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

15. Trading assets and trading liabilities

	30 June 2024 \$000	31 December 2023 \$000
Non-current assets		
Derivative assets	<u>506,181</u>	<u>502,149</u>
Current assets		
Derivative assets	171,046	131,438
Corporate debt	<u>332,742</u>	<u>236,322</u>
	503,788	367,760
Total trading assets	<u>1,009,969</u>	<u>869,909</u>
Non-current liabilities		
Derivative liabilities	<u>1,233,427</u>	<u>961,790</u>
Current liabilities		
Derivative liabilities	<u>76,576</u>	<u>34,302</u>
Total trading liabilities	<u>1,310,003</u>	<u>996,092</u>

The Company issues warrants and related financial instruments and hedges market risks associated with these warrants and related financial instruments through fully funded over-the-counter ("OTC") derivative contracts with MLI. These fully funded OTC derivative contracts that do not meet the definition of a derivative are presented as corporate debt and are measured at FVPL.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

16. Deferred tax and income tax payable

In the reporting period and the comparative period, the recognised deferred tax liabilities and assets were recorded and are split as follows:

	1 January 2024 \$000	Recognised in profit or loss \$000	Recognised in OCI \$000	30 June 2024 \$000
Debit valuation adjustment	13,857	—	30,563	44,420
Mark to market valuation	(19,216)	—	—	(19,216)
Total deferred tax (liability)/asset	(5,359)	—	30,563	25,204

	1 January 2023 \$000	Recognised in profit or loss \$000	Recognised in OCI \$000	31 December 2023 \$000
Debit valuation adjustment				
Mark to market valuation	(24,507)	—	38,364	13,857
	(33,281)	14,065	—	(19,216)
Total deferred tax liability	(57,788)	14,065	38,364	(5,359)

Income tax payable	2024 \$000	2023 \$000
Income tax payable at 1 January 2024	(39,720)	(1,206)
Charged to the income statement	(18,794)	(39,451)
Impact of foreign exchange rates	699	(845)
Income tax paid	39,028	1,782
Income tax payable at 30 June 2024	<u>(18,787)</u>	<u>(39,720)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

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

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

Structured issuances

	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	Notional \$000	Fair value \$000	Notional \$000	Fair value \$000
Non-current liabilities				
Between one year and five years	3,320,579	3,383,734	2,470,408	2,436,526
Between five years and ten years	4,413,831	4,142,230	3,509,763	3,298,315
More than 10 years	3,136,913	2,696,497	3,112,437	2,756,328
Credit spread adjustment	—	160,172	—	52,833
	<u>10,871,323</u>	<u>10,382,633</u>	<u>9,092,608</u>	<u>8,544,002</u>
Current liabilities				
Less than 1 year	3,765,238	3,417,422	2,080,198	1,743,937
Credit spread adjustment	—	5,351	—	(1,547)
	<u>3,765,238</u>	<u>3,422,773</u>	<u>2,080,198</u>	<u>1,742,390</u>
Total	<u><u>14,636,561</u></u>	<u><u>13,805,406</u></u>	<u><u>11,172,806</u></u>	<u><u>10,286,392</u></u>

Of the credit spread adjustment under non-current liabilities of \$160,172,000 (2023: \$52,833,000), \$20,017,000 (2023: \$12,736,000) is categorised as between one and five years, and \$80,732,000 (2023: \$30,741,000) is categorised as between five and ten years and \$59,422,000 (2023: \$9,356,000) is categorised as more than ten years.

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

The Company's issuances (including notes, certificates, and warrants) may include repayment options (including an auto call option and/or a holder put option), which would legally obligate the Company to redeem the issuance prior to the contractual maturity date. MLBV issuance may also include an issuer call option, giving the Company the right to redeem the issuance prior to the contractual maturity date.

All structured issuances are hybrid instruments with a structured component linked to the performance of various market indices. The ultimate return on the issuances 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 issuance.

The credit spread adjustment represents a debit valuation adjustment which is linked to BAC credit spreads. The fair value of the structured issuances is determined by using valuation techniques based on valuation models, for more information refer to note 24.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

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

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

	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	Notional	Fair value	Notional	Fair value
	\$000	\$000	\$000	\$000
Structured issuances				
USD	7,675,806	7,223,870	4,643,741	4,330,722
EUR	2,568,157	2,371,387	2,377,086	2,374,617
JPY	1,569,072	1,410,751	1,714,335	1,545,298
CNY	1,101,001	1,105,773	942,279	940,482
GBP	721,110	609,273	791,347	379,450
AUD	409,099	378,490	316,935	295,985
CHF	204,770	171,800	153,969	154,275
HKD	160,836	162,106	121,613	121,267
KRW	85,825	67,470	68,154	51,078
SGD	43,183	43,106	—	—
ZAR	49,310	48,863	27,343	26,824
PHP	38,731	37,488	9,030	8,628
ILS	4,835	4,694	5,968	5,470
NZD	3,882	3,854	—	—
SEK	944	958	1,006	1,010
Credit spread adjustment	—	165,523	—	51,286
	14,636,561	13,805,406	11,172,806	10,286,392

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024

18. Creditors

	30 June 2024 \$000	31 December 2023 \$000
Amounts owed to affiliated companies	261,031	109,486
Other payables	173	592
	<u>261,204</u>	<u>110,078</u>

19. Issued capital and reserves

	30 June 2024 \$000	31 December 2023 \$000
Share capital	—	—
Other reserves	(119,261)	(35,168)
Share premium	890,437	590,437
	<u>771,176</u>	<u>555,269</u>

Issued share capital comprises 12,998 ordinary shares of equal voting rights at \$0.01 each (2023: 12,998 ordinary shares at \$0.01 each).

Other reserves include adjustments of \$3,651,000 (2023: \$3,651,000) related to the merger with Bank of America Issuance B.V. during 2015 and \$(127,750,000) (2023: \$38,819,000) which relates to DVA after tax.

The Company's immediate parent MLI LLC made additional share premium contributions of \$250,000,000 and \$50,000,000 on 7 June 2024 and 20 June 2024, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

20. 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 2024

	Amortised cost \$000	Financial instruments mandatorily at fair value through profit or loss \$000	
Assets			
Debtors	15,356,187	—	
Trading assets	—	1,009,969	
Cash and cash equivalents	93,952	—	
	<u>15,450,139</u>	<u>1,009,969</u>	
	Amortised cost \$000	Financial instruments mandatorily at fair value through profit or loss \$000	Financial instruments designated at fair value through profit or loss \$000
Liabilities			
Financial liabilities designated at fair value through profit or loss	—	—	13,805,406
Trading liabilities	—	1,310,003	—
Creditors	261,204	—	—
	<u>261,204</u>	<u>1,310,003</u>	<u>13,805,406</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

20. Financial instruments by category (continued)**Summary of financial instruments at 31 December 2023**

Assets	Amortised cost \$000	Financial instruments mandatorily at fair value through profit or loss \$000
Debtors	11,261,215	—
Trading assets	—	869,909
Cash and cash equivalents	130,223	—
	<u>11,391,438</u>	<u>869,909</u>

Liabilities	Amortised cost \$000	Financial instruments mandatorily at fair value through profit or loss \$000	Financial instruments designated at fair value through profit or loss \$000
Financial liabilities designated at fair value through profit or loss	—	—	10,286,392
Trading liabilities	—	996,092	—
Creditors	110,078	—	—
Bank overdraft	5	—	—
	<u>110,083</u>	<u>996,092</u>	<u>10,286,392</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

21. Related party transactions

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

The following parties are considered related parties:

Debt instruments at amortised cost:

	Interest income	Debt instruments at amortised cost	Interest income	Debt instruments at amortised cost
	Six months ended 30 June 2024 \$000	30 June 2024 \$000	Six months ended 30 June 2023 \$000	31 December 2023 \$000
Merrill Lynch International	405,515	14,117,269	211,434	10,610,847
	<u>405,515</u>	<u>14,117,269</u>	<u>211,434</u>	<u>10,610,847</u>

Amounts owed from affiliated companies

	Interest income	Amounts owed from affiliated companies	Interest income	Amounts owed from affiliated companies
	Six months ended 30 June 2024 \$000	30 June 2024 \$000	Six months ended 30 June 2023 \$000	31 December 2023 \$000
Merrill Lynch International	14,088	772,654	10,827	464,209
BofA Securities Europe SA	2,802	170,715	2,918	138,039
BofA Securities, Inc	—	204,906	—	—
Bank of America, National Association	1,879	76,974	854	14,062
Merrill Lynch International, LLC	—	—	—	61
	<u>18,769</u>	<u>1,225,249</u>	<u>14,599</u>	<u>616,371</u>

Debt instruments at amortised cost and amounts owed from affiliated companies are set out in note 13 Debtors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

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

	Interest expense	Amounts owed to affiliated companies	Interest expense	Amounts owed to affiliated companies
	Six months ended 30 June 2024 \$000	30 June 2024 \$000	Six months ended 30 June 2023 \$000	31 December 2023 \$000
Merrill Lynch International	7,716	244,591	13,922	104,000
Bank of America Corporation	—	5,456	—	5,456
Bank of America Europe Designated Activity Company	19	10	508	4
Bank of America, National Association	30	10,974	46	26
Merrill Lynch Capital Services, Inc.	—	—	3	—
	<u>7,765</u>	<u>261,031</u>	<u>14,479</u>	<u>109,486</u>

Included in the table above are balances in relation to cash collateral payable to affiliated companies under legally enforceable master netting agreements of \$219,000,000 (2023: \$nil). These are denominated in USD and are repayable on demand. See note 18 Creditors for further information.

The carrying value of the Company's financial assets that were pledged as collateral to affiliated companies totalled \$195,221,000 (2023: \$120,629,000).

The short term time deposits are held with BANA, and are interest bearing at 5.34% average rate (2023: 4.95% average rate) maturing on 30 July 2024 amounts to \$26,163,000 (2023: \$25,440,000). Interest income of \$559,000 (six months ended 2023: \$474,000) was earned on these deposits.

The Company has net trading liabilities transacted with affiliated companies, which as at 30 June 2024 amounted to \$300,034,000 (2023: net trading liabilities \$126,183,000). See note 15 Trading assets and liabilities for further information.

The Company received service fee income from MLI for the year ended 30 June 2024 amounting to \$270,000 (six months ended 30 June 2023: \$683,000).

MLI LLC, the Company's immediate parent, is the holder of all 12,998 (2022: 12,998) ordinary shares (\$129.98) (2022: \$129.98). BAC, as the ultimate controlling party, has the power to govern the Company.

There are no employees in the Company for the six months ended 30 June 2024 (2023: none).

Included in the administrative expenses are Directors' fees and remuneration of \$68,990 (six months ended 30 June 2023: \$62,000) relating to two (2023: three) directors. Disbursements for travel and other expenses incurred in relation to matters concerning the Company are charged to the Company separately. Also included in the administrative expenses are fees in relation to one director (2023: one) of \$9,024 (six months ended 30 June 2023: \$17,048), invoiced by a service management company.

The Company entered into a cost sharing agreement with Investments 2234 Overseas Holdings B.V., an affiliated company with which costs relating to one of the directors' are shared, through their mutual ultimate parent company, BAC, which is based in Bank of America Corporate Center, 100 North Tryon Street, NC1-007-56-06, Charlotte, North Carolina 28255.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

22. Offsetting

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

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2024 and 31 December 2023. The column 'net amount' shows the impact on the Company's SOFP if all set-off rights were exercised.

As at 30 June 2024

	Gross amounts recognised \$000	Gross amounts offset in the SOFP \$000	Net amounts presented in the SOFP \$000	Financial instruments \$000	Cash collateral \$000	Net amount \$000
Assets						
Derivative assets	677,227	—	677,227	(668,225)	—	9,002
Corporate debt	407,842	(75,100)	332,742	—	(332,742)	—
Liabilities						
Derivative liabilities	1,310,003	—	1,310,003	(668,225)	(603,063)	38,715
Financial liabilities designated at fair value through profit or loss	13,880,506	(75,100)	13,805,406	—	—	13,805,406

As at 31 December 2023

	Gross amounts recognised \$000	Gross amounts offset in the SOFP \$000	Net amounts presented in the SOFP \$000	Financial instruments \$000	Cash collateral \$000	Net amount \$000
Assets						
Derivative assets	633,587	—	633,587	(616,864)	—	16,723
Corporate debt	236,322	—	236,322	—	(233,936)	2,386
Liabilities						
Derivative liabilities	996,092	—	996,092	(616,864)	(354,563)	24,665

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

22. Offsetting (continued)

Trading assets and liabilities consist of total return swaps and cross currency swaps that are mainly transacted with MLI, BofA Securities Europe SA ("BofASE") and BANA and are predominantly denominated in USD, EUR, JPY and GBP.

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

23. Financial risk management

Legal entity governance

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

The risk management approach has five components:

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

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

Set out below is a summary of the Company's approach to each of the risk types. Climate related risks are integrated into the risk management framework through their potential impact to the seven risk types.

Market risk

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

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

Value at Risk ("VaR") is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. A single model is used consistently across the trading portfolios, and it uses a historical simulation approach based on a three-year window of historical data. The primary VaR statistic is equivalent to a 99 percent confidence level. This means that for a VaR with a one day holding period, there should not be losses in excess of VaR, on average, 99 out of 100 trading days.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

23. Financial risk management (continued)

The table below presents VaR analysis independently for each risk category at 30 June 2024 and 31 December 31 December 2023. Additionally, high and low VaR is presented independently for each risk category and overall.

	June 2024			
	30 June \$000	High \$000	Daily average \$000	Low \$000
99% Daily VaR				
Total	2,938	9,280	4,502	2,235
Interest rate risk	2,709	9,178	4,191	2,098
Currency risk	815	1,394	741	429
Equity price risk	1,503	5,123	1,947	845
Credit risk	782	1,213	746	269
Commodity price risk	111	1,520	37	4

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

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23. Financial risk management (continued)**Credit Risk**

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

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

- Credit origination
- Portfolio management
- Loss mitigation activities

These processes create a comprehensive and consolidated view of the Company's credit risks, thus providing executive management with the information required to guide or redirect front line units and certain legal entity strategic plans, if necessary.

BAC has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, purchasing credit protection and continually assessing the creditworthiness of counterparties. These limits were not exceeded during the six months ended 30 June 2024.

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

The Company is exposed to a concentration of credit risk related to debt instruments at amortised cost totaling \$15,356,187,000 (2023: \$11,261,215,000), all with affiliated companies, please refer to note 13. At the end of the reporting period, the credit rating for outstanding long term debt of the affiliated companies is A+ /A-1 (S&P) for MLI (2023: A+ /A-1 (S&P) for MLI).

The outlook for the global environment remains uncertain due to escalating geopolitical tensions on a global scale continuing in 2024 with ongoing conflicts contributing to potential for destabilisation. Global trade dynamics remain impacted by ongoing macroeconomic challenges. These elevated levels of uncertainty remain compounded by supply chain volatility, a rising interest rate environment and rising inflation with slowing global demand contributing to the potential for a deep recession. Climate and Environmental risk also remains a key focus area with requirements to identify, measure, monitor and report climate and environmental risks. The Company continues to actively identify, measure and report risks and monitor the recoverability of its financial assets and whilst ensuring any loss allowance reflects management's best estimate of potential losses on a timely basis.

Derivatives trading

The Company typically enters into ISDA master agreements or their equivalent ("master netting agreements") with its derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for risk management purposes. Agreements are negotiated bilaterally and can require complex terms. The enforceability of master netting agreements under bankruptcy laws in certain countries is not free from doubt, and receivables and payables with counterparties in these countries are accordingly recorded on a gross basis for risk assessment purposes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

23. Financial risk management (continued)

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

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

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

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

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

Liquidity risk

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

The approach to managing the Company's liquidity risk has been established by the MLBV Board, and is imbedded in BAC processes, based on the Company's business mix, strategy, activity profile, and regulatory requirements.

The tables below represent the undiscounted cash flows of the Company's financial liabilities as at 30 June 2024 and 31 December 2023, with the exception of those designated at fair value and derivatives. The fair values of financial liabilities designated at fair value through profit or loss and derivatives have been disclosed as this is consistent with the values used along with notional as case may be in the market, liquidity and capital risk management of these instruments.

The Company's issuances (including notes, certificates, and warrants) may include repayment options (including an auto call option and/or a holder put option), which would legally obligate the Company to redeem the issuance prior to the contractual maturity date. MLBV issuance may also include an issuer call option, giving the Company the right to redeem the issuance prior to the contractual maturity date. Additionally, affiliate dealer entities may have executed liquidity letters, each with a specific holder and referencing specific MLBV issuance, and specifying the conditions under which the affiliate dealer may or may not be obligated to make a secondary market and repurchase the referenced MLBV issuance from that client. In the event of such dealer repurchases, MLBV is not obligated to purchase (defease) such inventory from the dealer, but may elect to do so.

In each case, the Company actively manages its liquidity by unwinding asset positions to ensure appropriately balanced cash flows.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

23. Financial risk management (continued)

	Less than 3 months \$000	Between 3 months and 1 year \$000	Between 1 and 2 years \$000	Between 2 and 5 years \$000	Over 5 years \$000	Total \$000
As at 30 June 2024						
Financial liabilities designated at fair value through profit or loss	1,200,417	2,222,356	1,419,099	1,984,652	6,978,882	13,805,406
Trading liabilities	51,071	79,067	39,643	36,822	1,103,400	1,310,003
Creditors	261,204	—	—	—	—	261,204
	<u>1,512,693</u>	<u>2,301,423</u>	<u>1,458,742</u>	<u>2,021,474</u>	<u>8,082,282</u>	<u>15,376,614</u>
	Less than 3 months \$000	Between 3 months and 1 year \$000	Between 1 and 2 years \$000	Between 2 and 5 years \$000	Over 5 years \$000	Total \$000
As at 31 December 2023						
Financial liabilities designated at fair value through profit or loss	470,149	1,272,241	470,915	1,978,346	6,094,741	10,286,392
Trading liabilities	13,206	21,096	16,285	47,832	897,673	996,092
Creditors	110,078	—	—	—	—	110,078
Bank overdraft	5	—	—	—	—	5
	<u>593,438</u>	<u>1,293,337</u>	<u>487,200</u>	<u>2,026,178</u>	<u>6,992,414</u>	<u>11,392,567</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

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

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

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

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

Reputational risk items relating to MLBV are considered as part of the EMEA Reputational Risk Committee (the "Reputational Risk Committee"), whose mandate includes consideration of Reputational Risk issues (including matters related to Environmental and Social factors) and provision of guidance and approvals for activities that represent specific Reputational Risks which have been referred for discussion by other current control frameworks or lines of business.

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

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

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

The Reputational Risk Committee is a sub-committee of the Global Reputational Risk Committee and is applicable to all key legal operating entities in the region. Items requiring increased attention may be escalated from the Reputational Risk Committee to the Global Reputational Risk Committee as appropriate.

Strategic risk

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

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

MLBV strategy execution and risk management involves a formal planning and approval process. The MLBV strategic plans are set within the context of overall risk appetite. Processes exist to discuss the strategic risk implications of new, expanded or modified businesses, products or services and other strategic initiatives, and to provide formal review and approval where required. There are regular updates to the Board on business performance and the management of strategic risk takes into account analyses of performance relative to the strategic plan, financial operating plan and risk appetite.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

23. Financial risk management (continued)**Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for its immediate parent and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may pay dividends and return capital to its immediate parent, or issue new shares.

The Company monitors capital on the basis of the capitalisation ratio which is calculated as equity divided by issued debt.

	30 June 2024 \$000	31 December 2023 \$000
Capitalisation ratio:		
Equity	1,089,912	823,701
Issued debt	13,805,406	10,286,392
Capitalisation ratio	<u>8%</u>	<u>8%</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

24. Fair value measurement

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

Financial instruments are considered Level 1 when their valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The Company makes use of the portfolio exception and manages certain portfolios of financial instruments (e.g. OTC derivatives and certain structured liabilities) on the basis of net open risk exposure and has elected to estimate the fair value of such portfolios based on the net open risk exposure at the measurement date. Where this is the case, valuation adjustments (e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure) may be necessary to reflect the cost of exiting a larger-than-normal market-size net open risk position. During the six months ended 30 June 2024, there were no significant changes to valuation approaches or techniques that had, or are expected to have, a material impact on the Company's financial position or results of operations.

Financial liabilities designated at FVPL

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

Derivative assets and liabilities

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

24. 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 30 June 2024 and 31 December 2023:

As at 30 June 2024

	Level 2 \$000	Level 3 \$000	Total \$000
Assets			
Trading assets	<u>951,290</u>	<u>58,679</u>	<u>1,009,969</u>
	Level 2 \$000	Level 3 \$000	Total \$000
Liabilities			
Financial liabilities designated at fair value through profit and loss	13,805,406	—	13,805,406
Trading liabilities	<u>912,161</u>	<u>397,842</u>	<u>1,310,003</u>
	<u>14,717,567</u>	<u>397,842</u>	<u>15,115,409</u>

As at 31 December 2023

	Level 2 \$000	Level 3 \$000	Total \$000
Assets			
Trading assets	<u>828,699</u>	<u>41,210</u>	<u>869,909</u>
Liabilities			
Financial liabilities designated at fair value through profit and loss	10,286,392	—	10,286,392
Trading liabilities	<u>674,762</u>	<u>321,330</u>	<u>996,092</u>
	<u>10,961,154</u>	<u>321,330</u>	<u>11,282,484</u>

Fair values of level 3 assets and liabilities

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement, are classified as Level 3 under the fair value hierarchy. The Level 3 financial instruments include derivatives and valuation inputs for which there are few transactions, and there is little or no observable market data to corroborate inputs to valuation models.

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the valuation control policies applicable across the BAC group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

24. Fair value measurement (continued)

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

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

The table below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were \$58,679,000 as at 30 June 2024 (31 December 2023: \$41,210,000), and represent approximately 5.81% of assets measured at fair value and approximately 0.36% of total assets. Level 3 liabilities were \$397,842,000 as at 30 June 2024 (31 December 2023: \$321,330,000), and represent approximately 2.63% of liabilities measured at fair value and 2.59% of total liabilities.

	Derivative assets \$000	Derivative liabilities \$000
Balance at 1 January 2024	41,210	(321,330)
Gains/(losses) recognised in the statement of profit or loss and other comprehensive income	13,277	(51,171)
Settlements	(911)	488
Sales	—	(30,623)
Purchases	8,021	—
Transfers in	3,923	(2,810)
Transfers out	(6,841)	7,604
Balance at 30 June 2024	<u>58,679</u>	<u>(397,842)</u>
Unrealised profit for level 3	<u>13,277</u>	<u>(51,171)</u>

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

Realised profits or losses throughout the period are included within net gain/(loss) on financial instruments at fair value through profit or loss or net loss on financial instruments designated at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
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24. Fair value measurement (continued)

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

	Derivative assets \$000	Derivative liabilities \$000
Balance at 1 January 2023	20,920	(354,015)
Gains/(losses) recognised in the statement of profit or loss and other comprehensive income	1,219	24,847
Settlements	(2,263)	30,469
Sales	—	(48,886)
Purchases	11,243	—
Transfers in	27,707	(7,583)
Transfers out	<u>(17,616)</u>	<u>33,793</u>
Balance at 31 December 2023	<u>41,210</u>	<u>(321,375)</u>
Unrealised (losses) for level 3	<u>2,502</u>	<u>22,503</u>

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

24. Fair value measurement (continued)

As at 30 June 2024	Valuation technique	Significant unobservable inputs	Ranges of input	Weighted average	Fair Value \$000
Trading assets and liabilities					
Credit derivatives	Discounted cash flow, stochastic recovery correlation model	Credit spreads Prepayment speed Default rate Credit correlation Price	8 to 76 15% CPR 2% CDR 23% to 64% \$0 to \$94	53 bps n/a n/a 58% \$87	—
Interest rate derivatives	Industry standard derivative pricing	Correlation (IR/IR) Correlation (FX/IR) Long-dated inflation rates Long-dated inflation volatilities Interest rate volatilities	(35)% to 70% (25)% to 58% (1)% to 12% 0% to 5% (1)% to 2%	50% 28% 0% 2% 0%	(335,032)
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	0% to 100% 1% to 101%	60% 32%	(4,131)

As at 31 December 2023	Valuation technique	Significant unobservable inputs	Ranges of input	Weighted average	Fair Value \$000
Trading assets and liabilities					
Credit derivatives	Discounted cash flow, stochastic recovery correlation model	Credit spreads Prepayment speed Default rate Credit correlation Price	2 to 79 15% CPR 2% CDR 22% to 62% \$0 to \$94	59 bps n/a n/a 58% \$87	(13,032)
Interest rate derivatives	Industry standard derivative pricing	Correlation (IR/IR) Correlation (FX/IR) Long-dated inflation rates Long-dated inflation volatilities Interest rate volatilities	(35)% to 89% (25)% to 58% (1)% to 11% 0% to 5% 0% to 2%	65% 35% 0% 2% 1%	(266,638)
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	0% to 99% 4% to 102%	67% 34%	(451)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024**

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

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

Sensitivity analysis of unobservable input

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Company's valuation control policies. Were the Company to have valued the financial instruments concerned using input values drawn from the extremes of the ranges of reasonable possible alternatives, then at the period end, it could have increased fair value by as much as \$18,545,000 (2023: \$23,311,000) or decreased fair value by as much as \$16,943,000 (2023: \$23,722,000) with the potential effect impacting profit and loss rather than reserves.

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

Financial assets and liabilities carried at amortised cost

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

The fair value of amounts owed by affiliated companies is determined by reference to quoted market prices of similar instruments. Debt instruments at amortised cost are classified as level 2 and are valued at \$14,225,015,000 (2023: \$10,693,173,000).

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

25. Events after the reporting period

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024

26. Profit appropriation

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

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

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

Based on the net result over the period ended 30 June 2024, the Board of Directors do not recommend the payment of a dividend in respect of the period ended 30 June 2024.

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

The financial statements were approved by the Board and authorised for issue on 27 September 2024. They were signed on its behalf by:



L.J.M. Buijsers
Director



A.E. Okobia
Director



L.R. Whitley
Director

Amsterdam
27 September 2024