Registered number: 56457103

MERRILL LYNCH B.V.

UNAUDITED

INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

MERRILL LYNCH B.V.

COMPANY INFORMATION

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

MERRILL LYNCH B.V.

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DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

The directors present their report and the financial statements of Merrill Lynch B.V. ("MLBV", the "Company") for the six months ended 30 June 2021.

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 2021 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 2021, future outlook, events after the reporting date and the risks to which the Company is exposed.

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

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

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

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

Electronic distribution

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

Principal activities

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

There has been no change to the principal activities and the directors expect the principal activities to continue during 2021.

Business review and Market environment

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

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

Coronavirus ("COVID-19")

Uncertainty remains about the duration of the COVID-19 pandemic and the timing and strength of the global economy's recovery, however during the first half of 2021 the number of COVID-19 cases decreased across many regions of the world, as vaccinations became more widely available and the global macroeconomic outlook improved. The Company had taken actions to mitigate the impacts of COVID-19, both locally and as part of BAC's coordinated response, including moving a majority of staff to a work from home posture, but now some employees have returned to office locations. As the pandemic evolves, the protocols and processes in place to execute the business continuity plans continue to be evaluated.

Although the macroeconomic and public health outlooks improved globally during the first half of 2021, the future direct and indirect impact of the pandemic on our business, results of operations and financial condition remains uncertain. Should current economic conditions deteriorate or if the pandemic worsens, including as the result of the spread of COVID-19 variants that are more easily communicable or resistant to currently available vaccines, such conditions could have an adverse effect on our business and results of operations and could adversely affect our financial condition. However, the Company has been profitable overall since the start of the pandemic and the cash position remains positive. Based on a current analysis, management does not expect a material impact on the Company's working capital, liquidity and solvency.

Transition from London Interbank Offered Rate ("LIBOR") and other benchmark rates

In 2017, the UK Financial Conduct Authority ("FCA") announced that it would no longer compel participating banks to submit rates for the London Interbank Offered Rate after 2021. Following the announcement, regulators, trade associations and financial industry working groups have identified recommended replacement rates for LIBOR, as well as other Interbank Offered Rates ("IBORs"), and have published recommended conventions to allow new and existing products to incorporate fallbacks or that reference these alternative reference rates ("ARRs"). Additionally, the FCA announced the dates for the cessation of all LIBOR benchmark settings currently published by the Intercontinental Exchange ("ICE") LIBOR Benchmark Administration.

IBORs, and LIBOR in particular, are used in the Company's structured notes and related instruments. The discontinuation of IBORs, including LIBOR, requires the Company to transition these IBOR-based products, including related hedging arrangements. The Company has been part of BAC's key transition efforts to date and continues to work as part of this BAC-wide effort towards meeting the regulatory and industry-wide recommended milestones on cessation of LIBOR. However, the market and client replacement of IBORs and adoption of ARRs continue to evolve and, as a result, could impact the ability of market participants and the Company to transition activity across or within categories of contracts, products, services and markets. Accordingly, the Company, as part of the BAC efforts, continues to monitor a variety of market scenarios as part of its transition efforts, including risks associated with insufficient preparation by individual market participants or the overall market and the ability of market participants to meet regulatory and industry-wide recommended milestones. Furthermore, banking regulators globally have increased regulatory scrutiny and intensified supervisory focus of financial institution LIBOR transition plans, preparations and readiness.

Results and capital contribution

The directors are satisfied with the Company's performance for the financial period ended 30 June 2021 and financial position at the end of the year. The loss for the financial period, after taxation, amounted to $49,000 (six months ended 30 June 2020: profit of $27,588,000).

On 11 December 2020, the Board approved the return of share premium to the parent company of $110,000,000 in cash in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

Outlook

As noted in the COVID-19 section of the Directors Report, whilst there is some uncertainty over the future impacts of COVID-19, 2021 interim results, balance sheet position and cash flow of the Company do not indicate any significant change to the Company's outlook. There are no expected changes to the principal activities of the Company, the valuation models applied or the funding structures in place.

Risk management

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

The risk management approach has five components:

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

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

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

Donations

The Company made no political donations for the period ended 30 June 2021 (30 June 2020: $nil).

Post reporting date events

There have been no significant events affecting the Company since the period end.

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

(together authorised to represent the Company)

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

This report was approved by the Board on 21 September 2021 and signed on its behalf.

A.E. Okobia
Director

S. Lilly
Director

L.J.M. Duijsens
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

	Note	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
Net (loss)/gain on financial instruments at fair value through profit or loss	4	**(70,220)**	62,453
Net gain/(loss) on financial instruments designated at fair value through profit or loss	5	**58,850**	(55,687)
Other income	6	**292**	305
Administrative expenses	7	**(282)**	(110)
(Loss)/profit from operations		**(11,360)**	6,961
Interest income	8	**11,292**	28,227
(Loss)/profit before tax		**(68)**	35,188
Tax credit/(expense)	11	**19**	(7,600)
(Loss)/profit for the period		**(49)**	27,588
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Movement in debit valuation adjustment		**28,768**	90,121
Tax relating to movement in debit valuation adjustment		**(7,191)**	(18,614)
		21,577	71,507
Total comprehensive income		**21,528**	99,095

The notes on pages 11 to 47 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

(Before appropriation of result)

	Note	30 June 2021 $000	31 December 2020 $000
Assets			
Non-current assets			
Debtors	12	**1,946,135**	2,107,916
Derivative assets	14	**156,493**	214,457
Deferred tax assets	15	**6,846**	13,246
		2,109,474	2,335,619
Current assets			
Debtors	12	**298,825**	301,330
Derivative assets	14	**16,573**	9,700
Income tax receivable	15	**1,948**	332
Other assets		**4,240**	4,372
Cash and cash equivalents	13	**22,602**	22,676
		344,188	338,410
Total assets		**2,453,662**	2,674,029
Liabilities			
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	16	**1,984,685**	2,238,864
Derivative liabilities	14	**164,352**	141,301
		2,149,037	2,380,165
Current liabilities			
Financial liabilities designated at fair value through profit or loss	16	**142,174**	86,430
Creditors	17	**43,832**	100,220
Derivative liabilities	14	**3,444**	13,651
Accrued expenses and other liabilities		**147**	63
		189,597	200,364
Total liabilities		**2,338,634**	2,580,529

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2021

	Note	30 June 2021 $000	31 December 2020 $000
Issued capital and reserves			
Share capital	18	**-**	-
Other reserves	18	**(54,614)**	(76,191)
Share premium	18	**35,437**	35,437
Retained earnings		**134,205**	134,254
Total equity		**115,028**	93,500
Total liabilities and equities		**2,453,662**	2,674,029

The notes on pages 11 to 47 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2021	-	35,437	(76,191)	134,254	93,500
Profit for the period	-	-	-	(49)	(49)
Movement in debit valuation adjustment	-	-	28,768	-	28,768
Tax adjustment	-	-	(7,191)	-	(7,191)
Total comprehensive income for the period	-	-	21,577	(49)	21,528
At 30 June 2021	**-**	**35,437**	**(54,614)**	**134,205**	**115,028**

The notes on pages 11 to 47 form part of these financial statements. For further details see note 18.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2020	-	145,437	(65,381)	109,463	189,519
Profit for the year	-	-	-	24,791	24,791
Movement in debit valuation adjustment	-	-	(26,422)	-	(26,422)
Tax relating to movement in debit valuation adjustment	-	-	15,612	-	15,612
Total comprehensive income for the year	-	-	(10,810)	24,791	13,981
Transactions with owners in their capacity as owners:					
Return of share premium	-	(110,000)	-	-	(110,000)
At 31 December 2020	**-**	**35,437**	**(76,191)**	**134,254**	**93,500**

The notes on pages 11 to 47 form part of these financial statements. For further details see note 18.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021

	Note	30 June 2021 $000	31 December 2020 $000
Cash flow used in operating activities			
(Loss)/profit for the period		**(49)**	27,588
		(49)	27,588
Adjustments for non-cash items:			
Loss for the period		**-**	(2,797)
Net loss/(gain) on financial instruments at fair value through profit or loss	4	**70,220**	(51,971)
Net (gain)/loss on financial assets designated at fair value through profit or loss	5	**(58,850)**	58,696
Interest income	8	**(11,292)**	(42,370)
Foreign exchange loss/(gain) on translation of tax liability		**267**	(779)
Cash used in operations		**296**	(11,633)
Cash flows generated from operating activities:			
Placement of intercompany loans and deposits	12	**(287,192)**	(188,287)
Repayment of intercompany loans and deposits	12	**430,105**	726,083
Net movement of derivatives	14	**63,937**	(4,572)
Proceeds from issuance of structured notes	16	**162,029**	490,317
Redemption of structured notes	16	**(350,254)**	(1,036,987)
Income tax paid	15	**(2,656)**	(2,274)
Placement of intercompany payables		**41,665**	175,110
Placement of intercompany receivables		**(58,004)**	(4,573)
Cash flows generated from operating activities		**(74)**	143,184
Cash flows used in financing activities:			
Share premium distribution	18	**-**	(110,000)
Net cash used in financing activities		**-**	(110,000)
Net (decrease)/increase in cash and cash equivalents		**(74)**	33,184
Cash and cash equivalents at the beginning of period	13	**22,676**	(10,508)
Cash and cash equivalents at the end of the period		**22,602**	22,676

The notes on pages 11 to 47 form part of these financial statements. Cash and cash equivalents are net of bank overdrafts.

1. Accounting policies

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

1.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU and the additional requirements of Title 9 Book 2 of the Netherlands Civil Code in accordance with article 362 section 8 and 9 of the Netherlands Civil Code, for entities which prepare their financial statements in accordance with IFRS as adopted by the EU.

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

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

The directors have a reasonable expectation, based on current and anticipated future performance, capital and liquidity position that the Company will continue in operational existence for a period of at least 12 months from the date of approval of the interim report and financial statements. The financial statements have, therefore, been prepared on a going concern basis and the directors expect the principal activities to continue. Disclosures in respect to liquidity risk and capital management are set out in note 21.

As part of the consideration of whether to adopt the going concern basis in preparing the financial statements, management assessed the impact of the COVID-19 pandemic on the financial statements, including critical accounting estimates and judgements, liquidity and solvency, and found this to be limited. Consideration was also made of the quantitative viability of the Company, with no going concern issues identified.

Following the assessment, it is deemed appropriate by the directors that the Company continues to adopt the going concern basis for the preparation of the financial statements.

1.2 New and amended standards adopted by the Company

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2021 that have had a material impact on the Company.

1.3 Translation of foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated into US dollars at rates of exchange ruling at the reporting date. Exchange gains and losses are recognised in the statement of comprehensive income.

1. Accounting policies (continued)

1.4 Financial assets

The Company recognises financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Management determines the classification of the Company's financial assets at initial recognition. The Company classifies its financial assets as measured at amortised cost or fair value through profit or loss ("FVPL").

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

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

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

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

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

1.5 Financial liabilities

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

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

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

1. Accounting policies (continued)

1.6 Derecognition of financial assets and liabilities

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

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

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

Modifications to the terms of financial assets and liabilities may result in derecognition if it is deemed that the modification is substantial and results in an expiry of the contractual rights and obligations of the original instrument.

1.7 Offsetting financial instruments

Where the Company has the legal right to net settle and intends to do so (with any of its debtors or creditors) on a net basis, or to realise the asset and settle the liability simultaneously, the balance included within the financial statements is the net balance due to or from the counterparty. Counterparties are assessed to identify if net settlement criteria are met. Where this is achieved, assets and liabilities facing the counterparty are offset (see note 14 Derivative assets and Derivative liabilities).

1.8 Segmental reporting

The Company's results are wholly derived from a single class of business, being the Global Markets segment. The directors review and analyse performance of the Company based on these activities. Segmental performance is analysed geographically as the Company operates globally under one management structure (see note 9 Segmental analysis).

1. Accounting policies (continued)

1.9 Income and expense recognition

Amortised cost and effective interest rate

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

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

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

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

Calculation of interest income and expense

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

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

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

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

Interest income and expense on amounts owed by affiliated companies, other financial assets measured at FVPL and financial liabilities designated at FVPL are recognised using the contractual interest rate in net gains/(losses) on other financial instruments at FVPL and net loss on financial instruments designated at FVPL, respectively.

1.10 Other income

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

1. Accounting policies (continued)

1.11 Current and deferred income tax

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

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

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

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

1.12 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term time deposits of maturities of three months or less.

1.13 Statement of cash flows

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

1.14 Dividend distribution

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

1.15 Impairment

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

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

Management considered the impact of the COVID-19 pandemic on its impairment assessment process and concluded that this is adequately reflected in the estimates as part of the probability of default used.

2. Critical accounting estimates and judgements

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

Estimates

Valuation of financial instruments

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

The Company's policy for valuation of financial instruments is included in notes 1.4 and 1.5. The fair values of financial instruments that are not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency rates, commodity prices or equity prices and correlations between these inputs.

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

3. General information

Merrill Lynch B.V. (“MLBV”, or the “Company”) is a private company with limited liability (Besloten Vennootschap met Beperkte Aansprakelijkheid) incorporated under the laws of The Netherlands on 12 November 2012 with registration number 56457103.

The principal activities of the Company are the issuance of structured notes and economically hedging these instruments through derivatives that are transacted with Merrill Lynch International ("MLI"), Bank of America National Association ("BANA") and BofA Securities Europe SA. In addition the Company grants intercompany loans and places deposits with MLI. The directors expect the principal activities to continue during 2021.

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

The Company has chosen The Netherlands as Home Member State in connection with the Transparency Directive, The Netherlands being the country of incorporation of the Company.

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

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

The Company has its registered address at Amstelplein 1, Rembrandt Tower, 27 Floor, 1096HA, Amsterdam, The Netherlands. Merrill Lynch International, LLC ("MLID") is the Company’s immediate parent; BAC is the Company’s ultimate parent, see note 20.

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

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
Change in fair value of derivative instruments	**(70,220)**	62,453

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

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
Change in fair value of structured notes	**58,850**	(55,687)

6. Other income

Operating income of $292,000 (six months ended 30 June 2020: $305,000) relates to service fee income from MLI, an affiliate.

7. Administrative expenses

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
Foreign exchange gain	**(13)**	(240)
Service charge	**29**	27
Other operating expenses	**266**	323
	282	110

8. Interest income

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
Interest income	**11,292**	28,227

Interest income due from affiliated companies within debtors was $11,285,000 (six months ended 30 June 2020: $28,093,000) and within cash and cash equivalents was $7,000 (six months ended 30 June 2020: $134,000).

9. Segmental analysis

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

The table below presents the total net operating revenues of the Company by geographic region:

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
APAC	**151**	24,950
EMEA	**48**	7,926
Americas	**15**	2,422
	214	35,298

10. Auditors' remuneration

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

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
Audit fees	**116**	84
Non-audit fees	**21**	20
	137	104

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

The accrued audit and non-audit fees relates to the statutory audit of the Company's 2021 financial statements and services in relation to the 2021 comfort letters for the issuance of structured notes. Payment of the 2020 fees was made by an affiliated entity and recharged to the Company.

11. Tax (credit)/expense

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
Current tax		
Current tax expense on profit for the period	**773**	5,868
Total current tax expense	**773**	5,868
Deferred tax		
Origination and reversal of temporary differences	**(792)**	2,500
Tax rate change	**-**	(768)
Total deferred tax (credit)/expense	**(792)**	1,732
Total tax (credit)/expense	**(19)**	7,600

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000
(Loss)/profit before tax	**(68)**	35,188
Tax calculated at standard rate of corporation tax <€200k at 16.5% and >€200k at 25% (2020: <€200k at 19% and >€200k at 25%)	**(17)**	8,797
Net expenses not deductible for tax purposes/(net credit not subject to tax)	**(2)**	(429)
Tax rate change	**-**	(768)
Total tax (credit)/expense	**(19)**	7,600

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

12. Debtors

	30 June 2021 $000	31 December 2020 $000
Non-current assets		
Debt instruments at amortised cost	**1,946,135**	2,107,916
Current assets		
Debt instruments at amortised cost	**142,575**	112,417
Cash collateral	**33,710**	33,517
Amounts owed from affiliated companies	**122,540**	155,396
	298,825	301,330

Debt instruments at amortised cost and Amounts owed from affiliated companies mainly consist of funds raised through the issuance of structured notes and are carried at amortised cost. The balances are largely denominated in USD, EUR, JPY and GBP and are not past due and are not considered to be credit-impaired.

Debt instruments at amortised cost are unsecured and placed with MLI (refer to note 21 for credit ratings). The fair value of Debt instruments at amortised cost are valued at $2,108,837,000 (31 December 2020: $2,297,939,000). The amounts owed from affiliated companies are extended on a short term basis.

13. Cash and cash equivalents

	30 June 2021 $000	31 December 2020 $000
Cash at bank and in hand	**2,901**	2,976
Short term time deposit	**19,701**	19,700
	22,602	22,676

The short term time deposits are held with Bank of America, N.A., and are interest bearing at 0.69% average rate (31 December 2020: 0.82% average rate) maturing on 29 July 2021. The credit rating is A+1 (Standard and Poor's ("S&P")) (31 December 2020: A-1 (S&P).

14. Derivative assets and derivative liabilities

	30 June 2021 $000	31 December 2020 $000
Non-current assets	**156,493**	214,457
Current assets	**16,573**	9,700
Total derivative assets	**173,066**	224,157

	30 June 2021 $000	31 December 2020 $000
Non-current liabilities	**164,352**	141,301
Current liabilities	**3,444**	13,651
Total derivative liabilities	**167,796**	154,952

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

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2021 and 31 December 2020. The column 'net amount' shows the impact on the Company's SOFP if all set-off rights were exercised.

14. Derivative assets and derivative liabilities (continued)

As at 30 June 2021

	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	**191,429**	**(18,363)**	**173,066**	**(172,643)**	**(423)**	**-**
Liabilities						
Derivative liabilities	**186,159**	**(18,363)**	**167,796**	**(167,514)**	**(282)**	**-**

As at 31 December 2020

	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	240,535	(16,378)	224,157	(121,531)	(100,164)	2,462
Liabilities						
Derivative liabilities	171,330	(16,378)	154,952	(121,531)	(33,421)	-

14. Derivative assets and derivative liabilities (continued)

Derivatives consist of total return swaps and cross currency swaps that are mainly transacted with MLI 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 offsetting has been applied to those positions. Cash collateral relates to collateral received and pledged under legally enforceable master netting agreements.

15. Deferred tax asset and income tax receivable

	30 June 2021 $000	31 December 2020 $000
Deferred tax asset at beginning of year	**13,246**	7,148
Charged/(credited) to profit and loss	**792**	(8,191)
Tax relating to movement in debit valuation adjustment	**(5,812)**	11,868
Tax rate change	**(1,380)**	2,421
Deferred tax asset at end of period	**6,846**	13,246

The deferred tax asset is non-current.

	30 June 2021 $000	31 December 2020 $000
Income tax receivable/(payable) at beginning of year	**332**	(1,196)
Charged to the income statement	**(773)**	(1,525)
Impact of foreign exchange rates	**(267)**	779
Tax paid	**2,656**	2,274
Income tax receivable at end of period	**1,948**	332

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

Management have considered the below maturity profile and contractual terms of the liabilities in respect of the structured note portfolio below and consider there to be sufficient sources of short term funds available to the Company to meet the contractual maturity of the structured notes in the context of the current environment detailed in the 'business review and market environment' section of the directors report.

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

Structured notes

	30 June 2021 Notional $000	**30 June 2021 Fair value $000**	31 December 2020 Notional $000	31 December 2020 Fair value $000
Non-current liabilities				
Between one year and five years	**365,990**	**376,372**	345,198	359,058
Between five years and ten years	**76,194**	**87,617**	116,569	124,598
More than 10 years	**1,491,531**	**1,443,348**	1,676,528	1,648,311
Credit spread adjustment	**-**	**77,348**	-	106,897
	1,933,715	**1,984,685**	2,138,295	2,238,864
Current liabilities				
Less than 1 year	**129,257**	**141,835**	85,359	86,144
Credit spread adjustment	**-**	**339**	-	286
	129,257	**142,174**	85,359	86,430
Total	**2,062,972**	**2,126,859**	2,223,654	2,325,294

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

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

	30 June 2021 Notional $000	**30 June 2021 Fair value $000**	31 December 2020 Notional $000	31 December 2020 Fair value $000
Structured notes				
USD	**646,654**	**674,941**	755,685	793,836
JPY	**848,726**	**797,220**	910,104	846,119
EUR	**447,844**	**465,170**	475,140	500,824
KRW	**44,401**	**35,490**	46,028	39,286
HKD	**19,318**	**19,972**	19,350	20,085
RUB	**9,037**	**9,497**	8,921	9,225
SEK	**-**	**-**	1,065	1,401
GBP	**6,356**	**6,449**	6,290	6,264
CNY	**26,625**	**26,527**	1,071	1,071
ZAR	**14,011**	**13,906**	-	-
Credit spread adjustment	**-**	**77,687**	-	107,183
	2,062,972	**2,126,859**	2,223,654	2,325,294

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

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

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

17. Creditors

	30 June 2021 $000	31 December 2020 $000
Cash collateral	**38,230**	100,180
Amounts owed to affiliated undertakings	**5,602**	40
	43,832	100,220

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

18. Issued capital and reserves

	30 June 2021 $000	31 December 2020 $000
Share capital	**-**	-
Other reserves	**(54,614)**	(76,191)
Share premium	**35,437**	35,437
	(19,177)	(40,754)

Issued share capital in 2021 comprises 12,998 Ordinary shares of equal voting rights at $0.01 each. (31 December 2020: 12,998 ordinary shares at $0.01 each).

Other reserves include adjustments of $3,651,000 related to the merger with Bank of America Issuance B.V. during 2015 and $58,265,000 debit which relates to DVA after tax.

On 11 December 2020, the Board approved the return of share premium to the parent company of $110,000,000 in cash in accordance with Section 2:216 paragraph 2 of the Dutch Civil Code.

19. Financial instruments by category

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

Summary of financial instruments at 30 June 2021

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000
Assets		
Debtors	2,244,960	-
Derivative assets	-	173,066
Other assets	4,240	-
Cash and cash equivalents	22,602	-
	2,271,802	173,066

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000	Financial instruments designated at fair value through profit or loss $000
Liabilities			
Financial liabilities designated at fair value through profit or loss	-	-	2,126,859
Derivative liabilities	-	167,796	-
Creditors	43,832	-	-
Accrued expenses and other liabilities	147	-	-
	43,979	167,796	2,126,859

19. Financial instruments by category (continued)

Summary of financial instruments at 31 December 2020

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000
Assets		
Debtors	2,409,246	-
Derivative assets	-	224,157
Other assets	4,372	-
Cash and cash equivalents	22,676	-
	2,436,294	224,157

	Amortised cost $000	Financial instruments mandatorily at fair value through profit or loss $000	Financial instruments designated at fair value through profit or loss $000
Liabilities			
Financial liabilities designated at fair value through profit or loss	-	-	2,325,294
Derivative liabilities	-	154,952	-
Creditors	100,220	-	-
Accrued expenses and other liabilities	63	-	-
	100,283	154,952	2,325,294

20. Related party transactions

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

The following parties are considered related parties:

Debt instruments at amortised cost:

	Interest income Six months ended 30 June 2021 $000	**Debt instruments at amortised cost 30 June 2021 $000**	Interest income Six months ended 30 June 2020 $000	Debt instruments at amortised cost 31 December 2020 $000
Merrill Lynch International	**10,822**	**2,083,291**	24,883	2,156,928
Bank of America Corporation	**330**	**5,419**	1,992	63,405
	11,152	**2,088,710**	26,875	2,220,333

Amounts owed from affiliated companies:

	Interest income Six months ended 30 June 2021 $000	**Amounts owed from affiliated companies 30 June 2021 $000**	Interest income Six months ended 30 June 2020 $000	Amounts owed from affiliated companies 31 December 2020 $000
Merrill Lynch International	**135**	**122,227**	735	154,066
Bank of America Corporation	**-**	**4,920**	367	1,330
BofA Securities Europe SA	**15**	**19,132**	-	-
BofAML Jersey Holdings Limited	**-**	**-**	116	-
	150	**146,279**	1,218	155,396

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

20. Related party transactions (continued)

The carrying amounts of the Company's financial asset that have been pledged as collateral to affiliated company for liabilities totalling $33,710,000 (31 December 2020: $33,517,000).

The short term time deposits are held with Bank of America, N.A., and are interest bearing at 0.69% average rate (31 December 2020: 0.82% average rate) maturing on 29 July 2021 amounting to $19,701,000 (31 December 2020: $19,700,000).

The Company has net derivatives transacted with affiliated companies, which at 30 June 2021 amounted to $5,268,000 (31 December 2020: $69,205,000). See note 14 for further information.

The creditors relates to cash collateral received from affiliated companies under legally enforceable master netting agreements, denominated in USD, which are due and payable on demand amounting to $38,230,000 (31 December 2020: $100,180,000) and a general intercompany payable amounting to $5,602,000 (31 December 2020: $40,000) See note 17 for further information.

The Company has service fee income from MLI for six months ended 30 June 2021 amounting to $292,000 (six months ended 30 June 2020: $305,000)

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

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

There are no employees in the Company for the period ended 30 June 2021 (period end 30 June 2020: none).

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

21. Financial risk management

Legal entity governance

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

The risk management approach has five components:

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

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

Set out below is a summary of the Company's approach to each of the risk types.

Market risk

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

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

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

21. Financial risk management (continued)

The table that follows presents VaR analysis independently for each risk category at 30 June 2021 and 31 December 2020. Additionally, high and low VaR is presented independently for each risk category and overall.

	30 June 2021 $000	High 2021 $000	Daily average 2021 $000	Low 2021 $000
99% Daily VaR				
Total	**2,300**	**3,132**	**2,702**	**2,284**
Interest rate risk	**2,198**	**2,983**	**2,573**	**2,181**
Currency risk	**362**	**942**	**485**	**233**
Equity price risk	**51**	**171**	**60**	**27**
Credit risk	**201**	**321**	**113**	**10**
Commodity price risk	**25**	**58**	**14**	**2**

	31 December 2020 $000	High 2020 $000	Daily average 2020 $000	Low 2020 $000
99% Daily VaR				
Total	2,705	11,699	4,043	492
Interest rate risk	2,577	3,641	2,588	138
Currency risk	233	2,869	614	169
Equity price risk	62	2,620	647	31
Credit risk	11	10,433	1,435	6
Commodity price risk	5	382	10	-

21. Financial risk management (continued)

Credit Risk

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

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

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

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

BAC has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, purchasing credit protection and continually assessing the creditworthiness of counterparties. These limits were not exceeded during the period ended 30 June 2021.

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

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

The Company is exposed to a significant concentration of credit risk related to debt instruments at amortised cost totalling $2,088,710,000 (31 December 2020: $2,220,333,000), all with affiliated companies, please refer to note 12. At the end of the reporting period, the credit rating for outstanding long term debt of the affiliated companies is A-/A-2(S&P) for BAC and A+/A-1(S&P) for MLI (31 December 2020: A-/A-2(S&P) for BAC and A+/A-1(S&P) for MLI).

In the current COVID-19 impacted environment, the Company is actively monitoring the recoverability of its financial assets and ensures any loss allowance reflects on a timely basis management's best estimate of potential losses.

Derivatives trading

The Company enters into International Swaps and Derivatives Association, Inc. ("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.

21. Financial risk management (continued)

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.

In addition, to reduce the risk of loss, the Company usually requires 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 (the "C&OR Risk").

BAC has compliance and operational risk management programmes in place to identify, mitigate and manage the C&OR Risk for the group, which includes relevant activities of the Company.

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, aligned to BAC processes, but tailored to meet the Company's business mix, strategy, activity profile, and regulatory requirements.

The tables below represent the undiscounted cash flows of the Company's financial liabilities as at 30 June 2021 and 31 December 2020, with the exception of those designated at fair value through profit or loss and derivatives.

The fair values of financial liabilities designated at fair value through profit or loss and derivatives have been disclosed as this is consistent with the values used in the liquidity risk management of these instruments.

21. Financial risk management (continued)

As at 30 June 2021	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
Financial liabilities designated at fair value through profit or loss	**30,881**	**111,293**	**176,716**	**205,562**	**1,602,407**	**2,126,859**
Derivative liabilities	**3,124**	**320**	**21,112**	**5,589**	**137,651**	**167,796**
Creditors	**-**	**43,832**	**-**	**-**	**-**	**43,832**
Accrued expenses and other liabilities	**147**	**-**	**-**	**-**	**-**	**147**
	34,152	**155,445**	**197,828**	**211,151**	**1,740,058**	**2,338,634**

As at 31 December 2020	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Total $000
Financial liabilities designated at fair value through profit or loss	10,676	75,754	114,511	244,546	1,879,807	2,325,294
Derivative liabilities	11,151	2,500	6,688	4,992	129,621	154,952
Creditors	-	100,220	-	-	-	100,220
Accrued expenses and other liabilities	63	-	-	-	-	63
	21,890	178,474	121,199	249,538	2,009,428	2,580,529

21. Financial risk management (continued)

Reputational risk

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

BAC and its subsidiaries manage 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.

At the BAC enterprise level, reputational risk is reviewed by the Enterprise Risk Committee and the Management Risk Committee, which provide primary oversight of reputational risk. Additionally, top reputational risks are reviewed by the Global Risk Management ("GRM") Leadership team and the BAC Board.

At regional level, reputational risk items are considered as part of the Eastern Europe Middle East and Africa ("EMEA") Reputational Risk Committee, whose mandate includes consideration of reputational risk issues 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, monitoring and oversight of the risk is integrated into the overall governance process, as well as incorporated into the roles and responsibilities for employees.

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

The reporting of reputational risk issues is captured as part of management routines for the Reputational Risk Committee. Tracking of items presented to this Committee is maintained through a reporting protocol, which provides detail such as the description of the reputational risk issue, the geographical jurisdiction, the reason for escalation and the decision reached by the Committee. A summary report of issues discussed at the Reputational Risk Committee is provided to the EMEA Regional Risk Committee on a quarterly basis.

Strategic risk

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

Strategic risk is managed through the assessment of effective delivery of strategy. Strategic risk is monitored continuously by the executive management team through a number of existing processes ranging from monitoring of financial and operating performance, through to the management of recovery plans and also with the regular assessment of earnings and risk profile throughout the year.

The executive management team provides the Board with reports on progress in meeting the strategic plan, as well as whether timelines and objectives are being met and if additional or alternative actions need to be implemented.

21. Financial risk management (continued)

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 and the strategic planning process includes an evaluation of the internal and external environment and the group's strengths, weaknesses, opportunities and threats.

Routines exist to discuss the strategic risk implications of new, expanded, or modified businesses, products or services and other strategic initiatives, and to provide approvals where appropriate. Independent risk management, Corporate Audit and other control functions provide input, challenge and oversight to FLUs and strategic decisions and initiatives relating to MLBV.

Regular updates to the Board on business performance and management of strategic risk take into account analyses of performance relative to the strategic plan, risk appetite, the strength of capital and liquidity positions and stress tests (which address potential macroeconomic events, changing regulatory requirements and various market growth rate assumptions).

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for its immediate parent and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may pay dividends and return capital to its immediate parent, or issue new shares. The Company monitors capital on the basis of the capitalisation ratio which is calculated as equity divided by issued debt.

The Company's capitalisation ratio is consistent with BAC’s Capital Management Policy. On 11 December 2020, the Board approved return of share premium of $110,000,000 in cash since this was deemed to be surplus to the capital requirements of the Company. Resizing the capital base to minimum levels will align the Company under its new transfer pricing agreement. Taking into account guidelines issued by the Dutch Ministry of Finance, the equity at risk that is taken into account for purposes of determining the Equity risk remuneration is capped at 4% of the total amount of outstanding financial liabilities.

	30 June 2021 $000	31 December 2020 $000
Capitalisation ratio:		
Equity	**115,028**	93,500
Issued debt	**2,126,859**	2,325,294
Capitalisation ratio	**5%**	**4%**

21. Financial risk management (continued)

Climate risk management

There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change are driven by extreme weather events such as hurricanes and floods, as well as chronic longer-term shifts such as temperature increases and sea level rises. An increase in the frequency and severity of extreme weather events and natural disasters could disrupt the Company's operations or the operations of clients or third parties on which the Company relies.

Additionally, climate change concerns could result in transition risk. The transition to a low-carbon economy could give rise to changes in markets, technology, consumer preferences and additional legislation and regulatory requirements, which adversely impact the Company, its business or its clients.

Further detail on climate risk management, including strategy and scenario planning, risk management, governance, metrics and targets, is included in Bank of America's Task Force for Climate-related Financial Disclosures (TCFD) Report and in the Environmental and Social Risk Policy Framework. Both these documents are available at www.bankofamerica.com.

22. Fair value measurement

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

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

Financial liabilities designated at FVPL

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

Derivative assets and liabilities

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

The table below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 30 June 2021 and 31 December 2020:

As at 30 June 2021

	Level 2 $000	Level 3 $000	Total $000
Assets			
Derivative assets	**169,930**	**3,136**	**173,066**

22. Fair value measurement (continued)

	Level 2 $000	Level 3 $000	Total $000
Liabilities			
Financial liabilities designated at fair value through profit and loss	**2,126,859**	**-**	**2,126,859**
Derivative liabilities	**152,357**	**15,439**	**167,796**
	2,279,216	**15,439**	**2,294,655**

As at 31 December 2020

	Level 2 $000	Level 3 $000	Total $000
Assets			
Derivative assets	209,293	14,864	224,157
Liabilities			
Financial liabilities designated at fair value through profit and loss	2,219,599	105,695	2,325,294
Derivative liabilities	142,948	12,004	154,952
	2,362,547	117,699	2,480,246

22. Fair value measurement (continued)

Fair values of level 3 assets and liabilities

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

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

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

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

The fair values have been determined with consideration of the COVID-19 impact of estimation uncertainty.

The table below presents a reconciliation for all Level 3 financial instruments measured at fair value. Level 3 assets were $3,136,000 as of 30 June 2021 (31 December 2020: $14,864,000), and represent approximately two percent of assets measured at fair value and approximately nil percent of total assets. Level 3 liabilities were $15,439,000 as of 30 June 2021 (31 December 2020: $117,699,000), and represent approximately one percent of liabilities measured at fair value and one percent of total liabilities.

22. Fair value measurement (continued)

	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2021	**14,864**	**(12,004)**	**(105,695)**
Losses recognised in the statement of comprehensive income	**(10,121)**	**(3,245)**	**-**
Settlements	**(1,537)**	**5**	**-**
Sales	**-**	**(190)**	**-**
Purchases	**16**	**-**	**-**
Transfers in	**12**	**(114)**	**-**
Transfers out	**(98)**	**109**	**105,695**
Balance at 30 June 2021	**3,136**	**(15,439)**	**-**

	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Unrealised losses for level 3	**(10,121)**	**(3,245)**	**-**

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

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

22. Fair value measurement (continued)

	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Balance at 1 January 2020	11,427	(38,183)	(241,824)
Gain recognised in the statement of comprehensive income	8,592	22,909	8,656
Settlements	(21,015)	4,995	71,910
Sales	-	(1,845)	-
Purchases	16,290	-	8,450
Transfers in	1,589	(577)	(19,498)
Transfers out	(2,019)	697	67,410
Changes in fair value - classified in OCI	-	-	(799)
Balance at 31 December 2020	14,864	(12,004)	(105,695)

	Derivative assets $000	Derivative liabilities $000	Financial liabilities designated at fair value through profit or loss $000
Unrealised gains for level 3	7,025	24,477	1,024

22. Fair value measurement (continued)

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

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

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

As at 30 June 2021	Valuation technique	Significant unobservable inputs	Ranges of input
Derivative assets and liabilities			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	3.0% to 99% 4.0% to 60.0%
Financial liabilities designated at fair value			
Structured notes	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price	3.0% to 99% 4.0% to 61.0% 0% to 14.0% $0 to $124

As at 31 December 2020	Valuation technique	Significant unobservable inputs	Ranges of input
Derivative assets and liabilities			
Equity derivatives	Industry standard derivative pricing	Equity Correlation Long dated equity volatilities	2.0% to 100% 7.0% to 64.0%
Financial liabilities designated at fair value			
Structured notes	Discounted cash flow, Market comparable, Industry standard derivative pricing	Equity correlation Long dated equity volatilities Yield Price	2.0% to 100% 7.0% to 64.0% 0% to 11.0% $0 to $124

22. Fair value measurement (continued)

Derivative assets and liabilities

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

Sensitivity analysis of unobservable input

Where the value of financial instruments is dependent on unobservable inputs, the precise level for these parameters at the reporting date might be drawn from a spectrum of reasonably possible alternatives. Appropriate levels for these inputs are chosen so that they are consistent with prevailing market evidence and in line with the Company's valuation control policies. Were the Company to have valued the financial instruments concerned using input values drawn from the extremes of the ranges of reasonable possible alternatives, then at the year end, it could have increased fair value by as much as $nil (31 December 2020: $59,000) or decreased fair value by as much as $nil (31 December 2020: $24,000) 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 $2,108,837,000 (31 December 2020: $2,297,939,000).

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

23. Events after the reporting period

The directors are of the opinion that there are no significant events that have occurred since 30 June 2021 to the date of this report.

24. Profit appropriation

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

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

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

Based on the net result over the six months ended 30 June 2021, the Board of Directors do not recommend the payment of a dividend in respect of the half-year to 30 June 2021.

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 21 September 2021. They were signed on its behalf by:

A.E. Okobia
Director

S. Lilly
Director

L.J.M. Duijsens
Director

Amsterdam
21 September 2021