Registered number: 34161590

Registered office:
Luna Arena
Herikerbergweg 238
1101 CM
Amsterdam
The Netherlands

MORGAN STANLEY B.V.

Interim financial report

30 June 2016

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 28, 2016

MORGAN STANLEY B.V.

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MORGAN STANLEY B.V.

INTERIM MANAGEMENT REPORT

The Directors present their interim management report, Directors' responsibility statement and the condensed financial statements for Morgan Stanley B.V. (the "Company") for the six months ended 30 June 2016.

RESULTS AND DIVIDENDS

The profit for the six months ended 30 June 2016, after tax, was €133,000 (30 June 2015: €1,952,000).

During the six months ended 30 June 2016, no dividends were paid or proposed (30 June 2015: €nil).

PRINCIPAL ACTIVITY

The principal activity of the Company is the issuance of financial instruments including notes, certificates and warrants ("Structured Notes") and the hedging of the obligations arising pursuant to such issuances.

The Company was incorporated under Dutch law on 6 September 2001 and has its statutory seat in Amsterdam, The Netherlands. The business office of the Company is at Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the "Morgan Stanley Group".

FUTURE OUTLOOK

There have not been any significant changes in the Company's principal, financing or investment activity in the period under review and no significant change is expected.

BUSINESS REVIEW

UK Referendum

On 23 June 2016, the United Kingdom (the "UK") electorate voted to leave the European Union (the "EU"). It is difficult to predict the future of the UK's relationship with the EU, which uncertainty may increase the volatility in the global financial markets in the short and medium term. There are several alternative models of relationship that the UK might seek to negotiate with the EU, the timeframe for which is uncertain but could take two years or more. The regulatory framework applicable to financial institutions with significant operations in Europe, such as Morgan Stanley, is expected to evolve and specific and meaningful information regarding the long-term consequences of the vote is expected to become clearer over time. Morgan Stanley will continue to evaluate various courses of action in the context of the development of the UK's withdrawal from the EU and the referendum's potential impact on its operations.

Overview of 2016 financial results

The issued Structured Notes expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than Euros, the risk of changes in rates of exchange between the Euro and the other relevant currencies. The Company uses the contracts that it purchases from other Morgan Stanley Group undertakings to hedge the market price, interest rate and foreign currency risks associated with the issuance of the Structured Notes.

The condensed statement of comprehensive income for the six months ended 30 June 2016 is set out on page 7. The Company made a profit before income tax of €169,000 in the six months ended 30 June 2016, a decrease of €2,434,000 from the six months ended 30 June 2015. The profit before income tax represents management charges received for issued Structured Notes of €2,858,000 (30 June 2015: €2,603,000) reflected in 'Other income', and a loss in fair value of certain Structured Notes attributable to own credit risk of €2,689,000 (30 June 2015: €nil) reflected in 'Net gains/ (losses) on financial instruments designated at fair value through profit or loss.'

In certain limited circumstances, Structured Notes have been issued to other Morgan Stanley Group undertakings and hedged by prepaid equity securities contracts, both of which are designated at fair value through profit and loss. The Company has entered into collateral arrangements on these prepaid equity securities contracts with other Morgan Stanley Group undertakings.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)
Overview of 2016 financial results (continued)

As a result of the collateral arrangements associated with these prepaid equity securities contracts, whilst the Company recognises changes in fair value attributable to own credit risk of the issued Structured Notes in the condensed statement of comprehensive income, no offsetting change in fair value attributable to counterparty credit risk of the prepaid equity securities contracts is recognised in the condensed statement of comprehensive income.

'Other expense' for the six months ended 30 June 2016 includes a net foreign exchange loss of €710,000 as a result of hedging assets and liabilities recognised for Morgan Stanley Group reporting purposes (30 June 2015: €14,370,000 net foreign exchange gain recognised in 'Other income'). Consistent with the calculation of the yield payable on Convertible Preferred Equity Certificates ("CPECs") explained in note 5, this has resulted in a decrease in 'Interest expense' which primarily relates to the yield of €7,187,000 (30 June 2015: €25,104,000).

The condensed statement of financial position for the Company is set out on page 9. The Company's total assets at 30 June 2016 are €9,300,670,000, an increase of €530,462,000 or 6% when compared to 31 December 2015. Total liabilities of €9,262,847,000 represent an increase of €530,329,000 or 6% when compared to total liabilities at 31 December 2015. These movements are primarily attributable to the value of hedging instruments and the related issued Structured Notes held at 30 June 2016. Structured Notes have increased since 31 December 2015 as a result of new issuances and fair value movements in the period partially offset by maturities. The increase in the value of issued Structured Notes has resulted in a net increase in the value of the related hedging instruments.

The risk management section below sets out the Company's and the Morgan Stanley Group's policies for the management of liquidity and cash flow risk and other significant business risks.

Risk management

Risk is an inherent part of the Company's business activity. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures. The Company has developed its own risk management policy framework, which leverages the risk management policies and procedures of the Morgan Stanley Group, and which includes escalation to the Company's Board of Directors and to appropriate senior management personnel of the Company as well as oversight through the Company's Board of Directors.

Note 10 to the condensed financial statements provides more detailed quantitative disclosures and note 15 to the Company's annual financial statements for the year ended 31 December 2015 provides more detailed qualitative disclosures on the Company's exposure to financial risks.

Set out below is an overview of the Company's policies for the management of financial risk and other significant business risks.

Market risk

Market risk refers to the risk of losses for a position or portfolio due to changes in rates, foreign exchange, equities, implied volatilities, correlations or other market factors.

Market risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to the Company's Board of Directors and appropriate senior management personnel.

The Company manages the market risk associated with its trading activities at both a trading division and an individual product level.

It is the policy and objective of the Company not to be exposed to net market risk.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. Credit risk includes the risk that economic, social and political conditions and events in a foreign country will adversely affect an obligor's ability and willingness to fulfil their obligations.

Credit risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to the Company's Board of Directors and appropriate senior management personnel.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, ensuring compliance with established limits and escalating risk concentrations to appropriate senior management.

Liquidity and funding risk

Liquidity and funding risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity and funding risk also encompasses the Company's ability to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

The primary goal of the Morgan Stanley Group's liquidity and funding risk management framework is to ensure that the Morgan Stanley Group, including the Company, have access to adequate funding across a wide range of market conditions. The framework is designed to enable the Morgan Stanley Group to fulfil its financial obligations and support the execution of the Company's business strategies.

The Company continues to actively manage its capital and liquidity position to ensure adequate resources are available to support its activities, to enable it to withstand market stresses.

Operational risk

Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g. fraud, theft, legal and compliance risks or damage to physical assets). Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management. Legal, regulatory and compliance risk is discussed below under "Legal, regulatory and compliance risk".

The Company may incur operational risk across the full scope of its business activities.

The Company has established an operational risk framework to identify measure, monitor and control risk across the Company. This framework is consistent with the framework established by the Morgan Stanley Group and includes escalation to the Company's Board of directors and appropriate senior management personnel. Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal and reputational risks. For further discussion on the Company's operational risk refer to pages 4 and 5 of the Directors' report in the Company's annual financial statements for the year ended 31 December 2015.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Legal, regulatory and compliance risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss; including fines, penalties, judgements, damages and/ or settlements or loss to reputation the Company may suffer as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with Anti-Money Laundering and terrorist financing rules and regulations. The Company is generally subject to extensive regulation in the different jurisdictions in which it conducts its business.

For further discussion on the Company's legal, regulatory and compliance risk, refer to pages 5 and 6 of the Directors' report in the Company's annual financial statements for the year ended 31 December 2015.

Going concern

Retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley Group's and the Company's strategy. Additionally, the Company has access to further Morgan Stanley Group capital and liquidity as required.

Taking all of these factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim management report and condensed financial statements.

DIRECTORS

The following Directors held office throughout the period and to the date of approval of this report:

H. Herrmann
S. Ibanez
P.J.G. de Reus
L.P.A. Rolfes
TMF Management B.V.

EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.

MORGAN STANLEY B.V.

INTERIM MANAGEMENT REPORT

AUDIT COMMITTEE

The Company qualifies as an organisation of public interest pursuant to Dutch and EU law and has established its own audit committee which complies with the applicable corporate governance rules as detailed in the Articles of Association of the Company.

Approved by the Board and signed on its behalf by: 23 September 2016

H. Herrmann	S. Ibanez	P.J.G. de Reus
L.P.A. Rolfes	TMF Management B.V.	

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, the names of whom are set out below, confirm to the best of their knowledge:

- the condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *'Interim Financial Reporting'* ("IAS 34") as adopted by the EU and Title 9 of Book 2 of the Dutch Civil Code on the basis of the Company's international connections and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the interim management report includes a fair review of the important events that have occurred during the six months ended 30 June 2016 and the impact on the condensed financial statements and provides a description of the principal risks and uncertainties that the Company faces for the remaining six months of the financial year.

Approved by the Board and signed on its behalf by

23 September 2016

H. Herrmann	S. Ibanez	P.J.G. de Reus
L.P.A. Rolfes	TMF Management B.V.	

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2016

	Note	Six months ended 30 June 2016 €'000 (unaudited)	Six months ended 30 June 2015 €'000 (unaudited)
Net (losses) / gains on financial instruments classified as held for trading		(310,651)	309,733
Net gains/ (losses) on financial instruments designated at fair value through profit or loss		307,962	(309,733)
Interest income	2	8,122	10,786
Interest expense	2	(7,406)	(25,156)
Other income	3	2,858	16,973
Other expense	4	(716)	-
PROFIT BEFORE INCOME TAX		169	2,603
Income tax expense		(36)	(651)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		133	1,952

All operations were continuing in the current and prior period.

The notes on pages 11 to 34 form an integral part of the condensed financial statements.

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CONDENSED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2016

	Share capital €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2015 (audited)	15,018	15,052	30,070
Profit and total comprehensive income for the period	-	1,952	1,952
Balance at 30 June 2015 (unaudited)	15,018	17,004	32,022
Balance at 1 January 2016 (audited)	15,018	22,672	37,690
Profit and total comprehensive income for the period	-	133	133
Balance at 30 June 2016 (unaudited)	15,018	22,805	37,823

The notes on pages 11 to 34 form an integral part of the condensed financial statements.

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MORGAN STANLEY B.V.

Registered number: 34161590

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016
(Including Proposed Appropriation of Results)

	Note	30 June 2016 €'000 (unaudited)	31 December 2015 €'000 (audited)
ASSETS			
Loans and receivables:			
Cash and short-term deposits		1,839	499
Trade receivables		347,615	293,998
Other receivables		1,169,624	1,166,478
		1,519,078	1,460,975
Financial assets classified as held for trading	6	440,712	495,297
Financial assets designated at fair value through profit or loss	7	7,336,008	6,813,936
Current tax assets		4,872	-
TOTAL ASSETS		9,300,670	8,770,208
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost:			
Convertible preferred equity certificates	5	1,125,281	1,125,281
Trade payables		341,804	38,374
Other payables		126,703	264,324
		1,593,788	1,427,979
Financial liabilities classified as held for trading	6	758,968	939,843
Financial liabilities designated at fair value through profit or loss	7	6,910,091	6,364,543
Current tax liabilities		-	153
TOTAL LIABILITIES		9,262,847	8,732,518
EQUITY			
Share capital		15,018	15,018
Retained earnings		22,805	22,672
Equity attributable to owners of the Company		37,823	37,690
TOTAL EQUITY		37,823	37,690
TOTAL LIABILITIES AND EQUITY		9,300,670	8,770,208

These condensed financial statements were approved by the Board and authorised for issue on

Signed on behalf of the Board

23 September 2016

H. Herrmann S. Ibanez P.J.G. de Reus

L.P.A. Rolfes TMF Management B.V.

The notes on pages 11 to 34 form an integral part of the condensed financial statements.

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CONDENSED STATEMENT OF CASH FLOWS
Six months ended 30 June 2016

	Note	Six months ended 30 June 2016 €'000 (unaudited)	Six months ended 30 June 2015 €'000 (unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8b	1,340	1,956
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	72,704
NET CASH FLOWS USED IN FINANCING ACTIVITIES		-	(74,693)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,340	(33)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		499	510
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,839	477

The notes on pages 11 to 34 form an integral part of the condensed financial statements.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2016

1. BASIS OF PREPARATION

i Accounting policies

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") as adopted by the EU, Interpretations issued by the IFRS Interpretations Committee and Dutch Law. The condensed financial statements have been prepared in accordance with IAS 34 as adopted by the EU.

In preparing these condensed financial statements, the Company has applied consistently the accounting policies and methods of computation used in the Company's annual financial statements for the year ended 31 December 2015, except where noted in 1(ii) below.

ii New standards and interpretations adopted during the period

The following amendments to standards relevant to the Company's operations were adopted during the period. These amendments to standards did not have a material impact on the Company's condensed financial statements.

An amendment to IAS 1 '*Presentation of financial statements*' was issued by the IASB in December 2014, as part of the Disclosure Initiative project. The amendment is applicable in annual periods beginning on or after 1 January 2016. The amendment was endorsed by the EU in December 2015.

As part of the 2012 – 2014 Annual Improvements Cycle published in September 2014, the IASB made amendments to the following standards that are relevant to the Company's operations: IFRS 7 '*Financial instruments: Disclosures*' and IAS 34, for application in accounting periods beginning on or after 1 January 2016. The improvements were endorsed by the EU in December 2015.

There were no other standards or interpretations relevant to the Company's operations which were adopted during the period.

iii New standards and interpretations not yet adopted

At the date of authorisation of these condensed financial statements, the following standards and amendments to standards relevant to the Company's operations were in issue by the IASB but not yet mandatory. Except where otherwise stated, the Company does not expect that the adoption of the following standards and amendment to standards will have a material impact on the Company's financial statements.

An amendment to IAS 7 '*Statement of Cash Flows*' was issued by the IASB in January 2016, as part of the Disclosure Initiative project. The amendment is applicable in annual periods beginning on or after 1 January 2017. Early application is permitted.

An amendment to IAS 12 '*Income Taxes*' was issued by the IASB in January 2016, for application in annual periods beginning on or after 1 January 2017. Early application is permitted.

IFRS 9 '*Financial instruments*' ("IFRS 9") was issued by the IASB in November 2009, amended in November 2013, and revised and reissued by the IASB in July 2014. IFRS 9 is applicable retrospectively, except where otherwise prescribed by transitional provisions of the standard, and is effective for annual periods beginning on or after 1 January 2018. Early application, either in full or relating to own credit in isolation, is permitted. The Company is currently assessing the impact of IFRS 9 on its financial statements.

1. BASIS OF PREPARATION CONTINUED)

iv Use of estimates and sources of uncertainty

The preparation of the Company's condensed financial statements requires management to make judgements, estimates and assumptions regarding the valuation of certain financial instruments, impairment of assets and other matters that affect the condensed financial statements and related disclosures. The Company believes that the estimates utilised in preparing the condensed financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

For further details on the judgements used in determining fair value of certain assets and liabilities, see note 12.

2. INTEREST INCOME AND INTEREST EXPENSE

'Interest income' and 'Interest expense' represent total interest income and total interest expense for financial assets and financial liabilities that are not carried at fair value.

'Interest expense' includes the yield payable on CPECs (see note 5).

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed as 'Interest income' within the condensed statement of comprehensive income.

No other gains or losses have been recognised in respect of financial liabilities at amortised cost other than as disclosed as 'Interest expense' within the condensed statement of comprehensive income.

3. OTHER INCOME

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Management charges to other Morgan Stanley Group undertakings	2,858	2,603
Net foreign exchange gains	-	14,370
	2,858	16,973

For the six months ended 30 June 2016, net foreign exchange losses were recognised within 'Other expense' (see note 4).

4. OTHER EXPENSE

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Net foreign exchange losses	710	-
Other	6	-
	716	-

The Company actively manages its foreign currency exposure risk arising on its assets and liabilities in currencies other than Euro. Net foreign exchange losses includes translation differences that have arisen due to foreign exchange exposure created as a result of hedging assets and liabilities recognised for Morgan Stanley Group reporting purposes. For the six months ended 30 June 2015, net foreign exchange gains were recognised within 'Other income'.

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5. CONVERTIBLE PREFERRED EQUITY CERTIFICATES

On 30 March 2012, the Company issued 11,252,813 of CPECs of €100 each, classified as financial liabilities at amortised cost. The CPECs were issued to one of the Company's shareholders, Archimedes Investments Coöperatieve U.A. (a Morgan Stanley Group undertaking), in exchange for cash consideration of €1,125,281,000.

The holder of the CPECs is entitled to receive an annual yield on a date agreed by the Company and the holder. The yield for each CPEC is calculated as income deriving from the Company's activities less the necessary amounts to cover the costs of the Company divided by the number of CPECs then in issue. Other income relating to management charges received from other Morgan Stanley Group undertakings and gains or losses from financial instruments classified as held for trading or designated at fair value through profit or loss are excluded from the calculation.

An amount of €39,388,000 (31 December 2015: €32,201,000) remains payable to the holder of the CPECs at period end, and has been recognised in 'Other payables'.

The CPEC yield for the year of €7,187,000 is recognised in the condensed statement of comprehensive income in 'Interest expense' (30 June 2015: €25,104,000).

The CPECs carry no voting rights. The Company and the holder have the right to convert each issued CPEC into one ordinary share with a nominal value of €100.

The maturity date of the CPECs is 150 years from the date of issue, however, the CPECs may be redeemed earlier at the option of the Company or on liquidation of the Company.

The CPECs rank ahead of the ordinary shares in the event of liquidation.

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFIED AS HELD FOR TRADING

Financial assets and financial liabilities classified as held for trading are summarised as follows:

	30 June 2016		31 December 2015	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Derivatives	440,712	758,968	495,297	939,843

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments designated at fair value through profit or loss consists primarily of the following financial liabilities and financial assets:

Issued Structured Notes: These relate to financial liabilities which arise from selling structured products generally in the form of notes, certificates and warrants. These instruments contain an embedded derivative which significantly modifies the cash flows of the issuance. The return on the instrument is linked to an underlying that is not clearly and closely related to the debt host including, but not limited to equity-linked notes. The Structured Notes are designated at fair value through profit or loss as the risks to which the Company is a contractual party are risk managed on a fair value basis as part of the Company's trading portfolio and the risk is reported to key management personnel on this basis.

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7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Prepaid equity securities contracts: These contracts involve derivatives for which an initial payment is paid at inception. The contracts, along with the loans designated at fair value through profit or loss and the derivative contracts classified as held for trading, are part of the hedging strategy for the obligations arising pursuant to the issuance of the Structured Notes. The prepaid equity securities contracts are designated at fair value through profit or loss as the risks to which the Company is a contractual party are managed on a
fair value basis as part of the Company's trading portfolio and the risk is reported to key management personnel on this basis.

Loans: These are loans to other Morgan Stanley Group undertakings that, along with the prepaid equity securities contracts and the derivatives contracts classified as held for trading, are part of the hedging strategy for the obligations arising pursuant to the issuance of the Structured Notes. These loans are designated at fair value through profit or loss as the risks to which the Company is a contractual party are managed on a fair value basis as part of the Company's trading portfolio and the risk is reported to key management personnel on this basis.

	30 June 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Issued Structured Notes	-	6,910,091	-	6,364,543
Prepaid equity securities contracts	186,469	-	154,095	-
Loans	7,149,539	-	6,659,841	-
	7,336,008	6,910,091	6,813,936	6,364,543

The change in fair value of issued Structured Notes recognised through the condensed statement of comprehensive income attributable to own credit risk is a gain of €18,027,000 (30 June 2015: gain of €33,113,000) and cumulatively is a loss of €11,960,000 (31 December 2015: cumulative loss of €29,987,000). This change is determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk.

The change in fair value of loans recognised through the condensed statement of comprehensive income attributable to own credit risk is a loss of €20,716,000 (30 June 2015: loss of €33,113,000) and cumulatively is a gain of €13,711,000 (31 December 2015: cumulative gain of €34,427,000).

The Company has entered into collateral arrangements to manage the credit exposure on certain financial instruments used to hedge issued Structured Notes, and accordingly there are no cumulative gains or losses for own credit risk as at 30 June 2016 on the related hedging instruments.

The change in fair value recognised through the condensed statement of comprehensive income attributable to own credit risk is a loss of €2,689,000 (30 June 2015: €nil) This relates to the change in fair value attributable to own credit risk of issued Structured Notes for which there is no offsetting change on the related hedging instrument due to collateral arrangements made. The Structured Notes in which own credit risk is recognised have been issued to another Morgan Stanley Group undertaking and have a short term maturity date therefore the credit risk exposure is similarly short term and within the control of the Morgan Stanley Group.

The carrying amount of financial liabilities designated at fair value was €67,791,000 lower than the contractual amount due at maturity (31 December 2015: €110,908,000 lower).

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The following tables present the carrying value of the Company's financial liabilities designated at fair value through the profit or loss account, classified according to underlying security type, including, single name equities, equity indices and equity portfolio.

30 June 2016	Single name equities €'000	Equity indices €'000	Equity portfolio €'000	Other €'000	Total €'000
Certificates and warrants	1,729,463	30,158	332,581	-	2,092,202
Notes	709,173	2,900,477	521,367	686,872	4,817,889
Total financial liabilities designated at fair value through profit or loss	2,438,636	2,930,635	853,948	686,872	6,910,091

31 December 2015	Single name equities €'000	Equity indices €'000	Equity portfolio €'000	Other €'000	Total €'000
Certificates and warrants	1,550,856	201,768	637,510	-	2,390,134
Notes	278,798	2,578,742	603,741	513,128	3,974,409
Total financial liabilities designated at fair value through profit or loss	1,829,654	2,780,510	1,241,251	513,128	6,364,543

The majority of the Company's financial liabilities designated at fair value through the profit or loss provide exposure to an underlying single name equity, an equity index or portfolio of equities. The prepaid equity securities contracts, derivative contracts classified as held for trading and loans that the Company enters into in order to hedge the Structured Notes are valued as detailed in note 12(a), and have similar valuation inputs to the liabilities they hedge.

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8. ADDITIONAL CASH FLOW INFORMATION

a. Cash and cash equivalents

For the purposes of the condensed statement of cash flows, cash and cash equivalents comprise the following balances, which have less than three months maturity from the date of acquisition:

	30 June 2016 €'000	30 June 2015 €'000
Cash and short-term deposits	1,839	477

b. Reconciliation of cash flows from operating activities

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Profit for the period	133	1,952
Adjustments for:		
Interest income	(8,122)	(10,786)
Interest expense	7,406	25,156
Income tax expense	36	651
Operating cash flows before changes in operating assets and liabilities	(547)	16,973
Changes in operating assets		
Increase in loans and receivables, excluding cash and short-term deposits	(48,693)	(320,882)
Decrease/ (increase) in financial assets classified as held for trading	54,585	(235,453)
Increase in financial assets designated at fair value through profit or loss	(522,072)	(902,791)
	(516,180)	(1,459,126)
Changes in operating liabilities		
Increase in financial liabilities at amortised cost	158,496	320,708
(Decrease)/ increase in financial liabilities classified as held for trading	(180,875)	99,282
Increase in financial liabilities designated at fair value through profit or loss	545,548	1,026,525
	523,169	1,446,515
Interest received	52	-
Interest paid	(93)	(37)
Income taxes paid	(5,061)	(2,369)
	(5,102)	(2,406)
Net cash flows from operating activities	1,340	1,956

9. SEGMENT REPORTING

Segment information is presented in respect of the Company's business and geographical segments. The business segments and geographical segments are based on the Company's management and internal reporting structure.

Business segments

Morgan Stanley structures its business segments primarily based upon the nature of the financial products and services provided to customers and Morgan Stanley's internal management structure. The Company's own business segments are consistent with those of Morgan Stanley.

The Company has one reportable business segment, Institutional Securities, which provides financial services to financial institutions. Its business includes the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances.

Geographical segments

The Company operates in three geographic regions as listed below:

- Europe, Middle East and Africa ("EMEA")
- Americas
- Asia

The following table presents selected condensed statement of comprehensive income and condensed statement of financial position information of the Company's operations by geographic area. The external revenues (net of interest expense) and total assets disclosed in the following table reflect the regional view of the Company's operations, on a managed basis. The basis for attributing external revenues (net of interest expense) and total assets is determined by trading desk location.

	EMEA		Americas		Asia		Total	
	30 June 2016 €'000	30 June 2015 €'000	30 June 2016 €'000	30 June 2015 €'000	30 June 2016 €'000	30 June 2015 €'000	30 June 2016 €'000	30 June 2015 €'000
External revenues net of interest	509	2,240	169	198	207	165	885	2,603
Profit before income tax	(207)	2,240	169	198	207	165	169	2,603

	EMEA		Americas		Asia		Total	
	30 June 2016 €'000	31 December 2015 €'000	30 June 2016 €'000	31 December 2015 €'000	30 June 2016 €'000	31 December 2015 €'000	30 June 2016 €'000	31 December 2015 €'000
Total assets	6,909,862	6,703,218	1,803,477	1,742,891	587,331	324,099	9,300,670	8,770,208

Of the Company's external revenue, 100% (30 June 2015: 100%) arises from transactions with other Morgan Stanley Group undertakings.

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10. FINANCIAL RISK MANAGEMENT

Risk management procedures

The Company's risk management procedures are consistent with those disclosed in the Company's annual financial statements for the year ended 31 December 2015. This disclosure is limited to quantitative data for each risk category and should be read in conjunction with the risk management procedures detailed in note 15 of the Company's annual financial statements for the year ended 31 December 2015.

Credit risk

Exposure to credit risk

The maximum exposure to credit risk of the Company at the reporting date is the carrying amount of the financial assets held in the condensed statement of financial position. Where the Company enters into credit enhancements to manage the credit exposure on these financial instruments, including receiving cash as collateral and master netting agreements, the financial effect of the credit enhancements is also disclosed below. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements.

The Company does not have any significant exposure arising from items not recognised on the condensed statement of financial position.

Exposure to credit risk by class:

Class	30 June 2016			31 December 2015		
	Gross credit exposure (1)	Credit enhancements	Net credit exposure (2)	Gross credit exposure (1)	Credit enhancements	Net credit exposure (2)
	€'000	€'000	€'000	€'000	€'000	€'000
Loans and receivables:						
Cash and short-term deposits	1,839	-	1,839	499	-	499
Trade receivables(3)	347,615	-	347,615	293,998	-	293,998
Other receivables	1,169,624	-	1,169,624	1,166,478	-	1,166,478
Financial assets classified as held for trading:						
Derivatives	440,712	(367,292)	73,420	495,297	(489,354)	5,943
Financial assets designated at fair value through profit or loss:						
Prepaid equity securities contracts	186,469	(167,041)	19,428	154,095	(95,655)	58,440
Loans	7,149,539	-	7,149,539	6,659,841	-	6,659,841
	9,295,798	(534,333)	8,761,465	8,770,208	(585,009)	8,185,199

(1) The carrying amount recognised in the condensed statement of financial position best represents the Company's maximum exposure to credit risk.

(2) Of the residual net credit exposure, intercompany cross product netting arrangements are in place which would allow for an additional €193,193,000 (31 December 2015: €28,204,000) to be offset in the event of default by certain Morgan Stanley counterparties.

(3) Trade receivables include cash collateral pledged of €111,820,000 (31 December 2015: €256,024,000) against derivative assets classified as held for trading of €314,566,000 (31 December 2015: €429,618,000), prepaid equity securities contracts of €167,041,000 (31 December 2015: €95,655,000) and derivative liabilities classified as held for trading of €593,427,000 (31 December 2015: €779,710,000).

The impact of master netting arrangements and similar agreements on the Company's ability to offset financial assets and financial liabilities is disclosed in note 11.

10. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The Company enters into the majority of its financial asset transactions with other Morgan Stanley Group undertakings, and both the Company and the other Morgan Stanley Group undertakings are wholly-owned subsidiaries of the same ultimate parent entity, Morgan Stanley. As a result of the implicit support that would be provided by Morgan Stanley, the Company is considered exposed to the credit risk rating for Morgan Stanley of 'A' as at 30 June 2016 (31 December 2015: 'A'). In addition, the Company has credit exposure to external financial institutions of €1,839,000 (31 December 2015: €499,000) with a credit rating of 'A' (31 December 2015: 'A'). Internal credit ratings are derived using methodologies generally consistent with those used by external rating agencies.

Maximum exposure to credit risk by counterparty

Counterparty	**30 June 2016 €'000**	**31 December 2015 €'000**
External financial institutions		
Citibank	1,419	67
The Hongkong and Shanghai Banking Corporation	297	406
Standard Chartered Bank	122	26
Skandinaviska Enskilda Banken	1	-
Other Morgan Stanley Group undertakings		
Morgan Stanley International Finance S.A.	7,155,208	6,660,641
Morgan Stanley	1,154,608	1,139,744
Morgan Stanley & Co. International Plc	882,161	669,686
Morgan Stanley Equity Financing Services (Luxembourg) S.A.	-	234,571
Morgan Stanley Equity Finance Services I (Cayman) Ltd	69,917	-
Morgan Stanley Asia Securities Products LLC	22,366	58,440
Morgan Stanley Hedging Co. Ltd	4,758	2,015
Morgan Stanley & Co. LLC	2,438	663
Morgan Stanley Capital Group Inc	2,413	3,928
Morgan Stanley MUFG Securities Co. Ltd	69	-
Morgan Stanley Uruguay Ltda	21	21
	9,295,798	8,770,208

At 30 June 2016 there were no financial assets past due but not impaired or individually impaired (31 December 2015: €nil).

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk

Maturity analysis

In the following maturity analysis of financial assets and financial liabilities, derivative contracts, financial assets designated at fair value through profit or loss and financial liabilities designated at fair value through profit or loss are disclosed according to their earliest contractual maturity; all such amounts are presented at their fair value, consistent with how these financial instruments are managed. All other amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 30 June 2016 and 31 December 2015. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from these financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

30 June 2016	On demand €'000	Less than one year €'000	Equal to or more than one year but less than two years €'000	Equal to or more than two years but less than five years €'000	Equal to or more than five years €'000	Total €'000
Financial assets						
Loans and receivables:						
Cash and short-term deposits	1,839	-	-	-	-	1,839
Trade receivables	347,615	-	-	-	-	347,615
Other receivables	1,169,624	-	-	-	-	1,169,624
Financial assets classified as held for trading:						
Derivatives	167,963	66,695	22,187	109,380	74,487	440,712
Financial assets designated at fair value through profit or loss:						
Prepaid equity securities contracts	23,496	15,297	89,755	-	57,921	186,469
Loans	2,162,735	1,264,711	768,804	2,077,204	876,085	7,149,539
Total financial assets	3,873,272	1,346,703	880,746	2,186,584	1,008,493	9,295,798
Financial liabilities						
Financial liabilities at amortised cost:						
Convertible preferred equity certificates	1,125,281	-	-	-	-	1,125,281
Trade payables	341,804	-	-	-	-	341,804
Other payables	126,703	-	-	-	-	126,703
Financial liabilities classified as held for trading:						
Derivatives	378,171	92,111	90,004	163,097	35,585	758,968
Financial liabilities designated at fair value through profit or loss:						
Issued Structured Notes	1,870,113	1,252,841	790,742	2,023,487	972,908	6,910,091
Total financial liabilities	3,842,072	1,344,952	880,746	2,186,584	1,008,493	9,262,847

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk (continued)

31 December 2015	On demand €'000	Less than one year €'000	Equal to or more than one year but less than two years €'000	Equal to or more than two years but less than five years €'000	Equal to or more than five years €'000	Total €'000
Financial assets						
Loans and receivables:						
Cash and short-term deposits	499	-	-	-	-	499
Trade receivables	293,998	-	-	-	-	293,998
Other receivables	1,166,478	-	-	-	-	1,166,478
Financial assets classified as held for trading:						
Derivatives	274,563	25,384	34,096	94,991	66,263	495,297
Financial assets designated at fair value through profit or loss:						
Prepaid equity securities contracts	39,059	65,741	35,511	409	13,375	154,095
Loans	2,137,040	932,411	785,954	2,196,663	607,773	6,659,841
Total financial assets	3,911,637	1,023,536	855,561	2,292,063	687,411	8,770,208
Financial liabilities						
Financial liabilities at amortised cost:						
Convertible preferred equity certificates	1,125,281	-	-	-	-	1,125,281
Trade payables	38,374	-	-	-	-	38,374
Other payables	264,324	-	-	-	-	264,324
Financial liabilities classified as held for trading:						
Derivatives	395,769	168,724	102,727	245,015	27,608	939,843
Financial liabilities designated at fair value through profit or loss:						
Issued Structured Notes	2,054,486	850,372	752,834	2,047,048	659,803	6,364,543
Total financial liabilities	3,878,234	1,019,096	855,561	2,292,063	687,411	8,732,365

Market risk

The issued Structured Notes expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than Euros, the risk of changes in rates of exchange between the Euro and the other relevant currencies. The Company uses the contracts that it purchases from other Morgan Stanley Group undertakings to hedge the market price, interest rate and foreign currency risks associated with the issuance of the Structured Notes, consistent with the Company's risk management strategy. As such, the Company is not exposed to any net market risk on these financial instruments.

The net foreign exchange losses or gains recognised in 'Other expense' and 'Other income respectively arise as a result of exposure to hedging on assets and liabilities recognised for Morgan Stanley Group purposes, under the Morgan Stanley Group's local reporting requirements.

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

In the condensed statement of financial position, financial assets and financial liabilities are only offset and presented on a net basis where there is a current legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

The following tables present information about the offsetting of financial instruments and related collateral amounts. The effect of master netting arrangements, collateral agreements and other credit enhancements on the Company's exposure to credit risk is disclosed in note 10. The information below is limited to quantitative information and should be read in conjunction with note 16 of the Company's annual financial statements for the year ended 31 December 2015.

	Gross amounts (1)	Amounts offset in the condensed statement of financial position	Net amounts presented in the condensed statement of financial position	Amounts not offset in the condensed statement of financial position (2) (3) (4) Financial instruments	Cash collateral	Net exposure(5)
	€'000	€'000	€'000	€'000	€'000	€'000
30 June 2016						
Assets						
Financial assets classified as held for trading:						
Derivatives	440,712	-	440,712	(52,726)	(314,566)	73,420
Financial assets designated at fair value through profit or loss:						
Prepaid equity securities contracts	186,469	-	186,469	-	(167,041)	19,428
TOTAL	627,181	-	627,181	(52,726)	(481,607)	92,848
Liabilities						
Financial liabilities classified as held for trading:						
Derivatives	758,968	-	758,968	(52,726)	(593,427)	112,815
Financial liabilities designated at fair value through profit or loss:						
Issued Structured Notes	6,910,091	-	6,910,091	-	-	6,910,091
TOTAL	7,669,059	-	7,669,059	(52,726)	(593,427)	7,022,906

(1) Amounts include €73,420,000 of financial assets classified as held for trading – derivatives, €19,428,000 of financial assets designated at fair value through profit or loss - prepaid equity securities contracts, €98,956,000 of financial liabilities classified as held for trading - derivatives and €6,034,829,000 of financial liabilities designated at fair value through profit or loss - issued Structured Notes which are either not subject to master netting agreements or are subject to such agreements but the Company has not determined the agreements to be legally enforceable.

(2) Amounts relate to master netting arrangements which have been determined by the Company to be legally enforceable, but do not meet all criteria required for net presentation within the condensed statement of financial position.

(3) Cash collateral used to mitigate credit risk on exposures arising under derivatives contracts and prepaid equity securities contracts is determined and settled on a net basis and has been recognised in the statement of financial position within trade receivables.

(4) In addition to the balances disclosed in the table related to cash collateral, certain trade receivables and payables of €42,814,000 that are not presented net within the condensed statement of financial position have legally enforceable master netting agreements or similar arrangements in place and can be offset in the ordinary course of business and/or in the event of default.

(5) Of the residual net exposure, intercompany cross-product legally enforceable netting arrangements are in place which would allow for an additional €193,193,000 to be offset in the ordinary course of business and/or in the event of default.

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11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING (CONTINUED)

	Gross amounts (1)	Amounts offset in the condensed statement of financial position (2)	Net amounts presented in the condensed statement of financial position	Amounts not offset in the condensed statement of financial position (3) (5) (6) Financial instruments	Cash collateral (4)	Net exposure (7)
	€'000	€'000	€'000	€'000	€'000	€'000
31 December 2015						
Assets						
Financial assets classified as held for trading:						
Derivatives	495,297	-	495,297	(59,736)	(429,618)	5,943
Financial assets designated at fair value through profit or loss:						
Prepaid equity securities contracts	231,854	(77,759)	154,095	-	(95,655)	58,440
TOTAL	727,151	(77,759)	649,392	(59,736)	(525,273)	64,383
Liabilities						
Financial assets classified as held for trading:						
Derivatives	939,843	-	939,843	(59,736)	(779,710)	100,397
Financial liabilities designated at fair value through profit or loss:						
Issued Structured Notes	6,442,302	(77,759)	6,364,543	-	-	6,364,543
TOTAL	7,382,145	(77,759)	7,304,386	(59,736)	(779,710)	6,464,940

(1) Amounts include €5,943,000 of financial assets classified as held for trading - derivatives, €58,440,000 of financial assets designated at fair value through profit or loss - prepaid equity securities contracts, €19,961,000 of financial liabilities classified as held for trading - derivatives and €5,200,875,000 of financial liabilities classified as designated at fair value through profit or loss - issued Structured Notes which are either not subject to master netting agreements or collateral agreements or are subject to such agreements but the Company has not determined the agreements to be legally enforceable.

(2) Amounts are reported on a net basis in the condensed statement of financial position when there is a legally enforceable master netting arrangement that provides for the current right of offset and there is an intention to either settle on a net basis or to realise the asset and liability simultaneously.

(3) Amounts relate to master netting arrangements and collateral arrangements which have been determined by the Company to be legally enforceable, but do not meet all criteria required for net presentation within the condensed statement of financial position.

(4) Cash collateral used to mitigate credit risk on exposures arising under derivatives contracts and prepaid equity securities contracts is determined and settled on a net basis and has been recognised in the statement of financial position within trade receivables.

(5) In addition to the balances disclosed in the table related to cash collateral, certain trade receivables and payables of €36,606,000 not presented net within the condensed statement of financial position have legally enforceable master netting agreements in place and can be offset in the ordinary course of business and/or in the event of default.

(6) Amounts relate to intercompany cross-product master netting arrangements, which include those amounts where Morgan Stanley Group undertaking from which the Company purchased the prepaid equity securities contracts is also the holder of the issued Structured Notes. These arrangements have been determined by the Company to be legally enforceable but do not meet all the criteria required for net presentation within the condensed statement of financial position.

(7) Of the residual net exposure, intercompany cross-product legally enforceable netting arrangements are in place which would allow for an additional €28,204,000 to be offset in the ordinary course of business and/ or in the event of default.

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12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

a. Financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the carrying value of the Company's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy. The information below is limited to quantitative information and should be read in conjunction with note 17 of the Company's annual financial statements for the year ended 31 December 2015.

30 June 2016	Quoted prices in active market (Level 1) €'000	Valuation techniques using observable inputs (Level 2) €'000	Valuation techniques with significant unobservable inputs (Level 3) €'000	Total €'000
Financial assets classified as held for trading:				
Derivatives	-	387,872	52,840	440,712
Financial assets designated at fair value through profit or loss:				
Prepaid equity securities contracts	-	156,101	30,368	186,469
Loans	-	7,149,539	-	7,149,539
Total financial assets measured at fair value	-	7,693,512	83,208	7,776,720
Financial liabilities classified as held for trading:				
Derivatives	-	700,661	58,307	758,968
Financial liabilities designated at fair value through profit or loss:				
Certificates and warrants	-	2,092,202	-	2,092,202
Notes	-	4,470,216	347,673	4,817,889
Total financial liabilities measured at fair value	-	7,263,079	405,980	7,669,059

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12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

31 December 2015	Quoted prices in active market (Level 1) €'000	Valuation techniques using observable inputs (Level 2) €'000	Valuation techniques with significant unobservable inputs (Level 3) €'000	Total €'000
Financial assets classified as held for trading:				
Derivatives	-	434,008	61,289	495,297
Financial assets designated at fair value through profit or loss:				
Prepaid equity securities contracts	-	133,825	20,270	154,095
Loans	-	6,659,841	-	6,659,841
Total financial assets measured at fair value	-	7,227,674	81,559	7,309,233
Financial liabilities classified as held for trading:				
Derivatives	-	850,099	89,744	939,843
Financial liabilities designated at fair value through profit or loss:				
Certificates and warrants	-	2,390,134	-	2,390,134
Notes	-	3,654,352	320,057	3,974,409
Total financial liabilities measured at fair value	-	6,894,585	409,801	7,304,386

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

b. Transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities recognised at fair value on a recurring basis

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current period and prior year.

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the changes in the fair value of the Company's Level 3 financial assets and financial liabilities for the period ended 30 June 2016 and year ended 31 December 2015. Level 3 instruments may be hedged with instruments classified in Level 2. As a result, the realised and unrealised gains/ (losses) for assets and liabilities within the Level 3 category presented in the tables below do not reflect the related realised and unrealised gains/ (losses) on hedging instruments that have been classified by the Company within the Level 2 category.

Additionally, both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealised gains/ (losses) during the period for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value during the period that were attributable to both observable (e.g. changes in market interest rates) and unobservable (e.g. changes in unobservable long-dated volatilities) inputs.

The Morgan Stanley Group operates a number of intra-group policies to ensure that, where possible, revenues and related costs are matched. Where the trading positions included in the tables below are risk managed using financial instruments held by other Morgan Stanley Group undertakings, these policies potentially result in the recognition of offsetting gains or losses in the Company.

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12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

30 June 2016

	Balance at 1 January 2016 €'000	Total gains or (losses) recognised in condensed statement of comprehensive income (1) €'000	Purchases €'000	Issuances €'000	Settlements €'000	Net transfers in and/ or out of Level 3 (2) €'000	Balance at 30 June 2016 €'000	Unrealised gains or (losses) for Level 3 assets /(liabilities) outstanding as at 30 June 2016 (3) €'000
Financial assets designated at fair value through profit or loss:								
Prepaid equity securities contracts	20,270	1,709	28,933	-	(20,544)	-	30,368	(1,183)
Total financial assets measured at fair value	**20,270**	**1,709**	**28,933**	**-**	**(20,544)**	**-**	**30,368**	**(1,183)**
Financial liabilities classified as held for trading:								
Net derivative contracts: (4) Equity	(28,455)	(6,601)	-	-	(26)	29,615	(5,467)	1,521
Financial liabilities designated at fair value through profit or loss:								
Notes	(320,057)	(815)	-	(124,490)	33,464	64,225	(347,673)	(339)
Total financial liabilities measured at fair value	**(348,512)**	**(7,416)**	**-**	**(124,490)**	**33,438**	**93,840**	**(353,140)**	**1,182**

(1) The total gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's annual financial statements for the year ended 31 December 2015.

(2) For financial assets and financial liabilities that were transferred into and out of Level 3 during the period, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the period.

(3) Amounts represent unrealised gains or (losses) for the period ended 30 June 2016 related to assets and liabilities still outstanding at 30 June 2016. The unrealised gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's annual financial statements for the year ended 31 December 2015.

(4) Net derivative contracts represent Financial assets classified as held for trading – derivative contracts net of Financial liabilities classified as held for trading – derivative contracts.

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

During the six months ended 30 June 2016, the Company reclassified approximately €256,000 of net derivative contracts and €13,421,000 of issued Structured Notes from Level 2 to Level 3. The reclassifications were due to a reduction in the volume of recently executed transactions or a lack of available broker quotes for these instruments, such that certain significant inputs became unobservable.

During the six months ended 30 June 2016, the Company reclassified approximately €29,871,000 of net derivative contracts and €77,646,000 of issued Structured Notes from Level 3 to Level 2. The reclassifications were due to the availability of market quotations for these or comparable instruments, or available broker quotes, or consensus data such that certain significant inputs became observable.

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

31 December 2015

	Balance at 1 January 2015 €'000	Total gains or (losses) recognised in condensed statement of comprehensive income (1) €'000	Purchases €'000	Issuances €'000	Settlements €'000	Net transfers in and/ or out of Level 3 (2) €'000	Balance at 31 December 2015 €'000	Unrealised gains or (losses) for Level 3 assets /(liabilities) outstanding as at 31 December 2015 (3) €'000
Financial assets classified as held for trading:								
Net derivative contracts: (4)								
Equity	31,005	(62,309)	-	-	(9,458)	12,307	(28,455)	(57,851)
Financial assets designated at fair value through profit or loss:								
Prepaid equity securities contracts	1,972	(3,283)	23,951	-	(1,581)	(789)	20,270	(4,187)
Total financial assets measured at fair value	**32,977**	**(65,592)**	**23,951**	**-**	**(11,039)**	**11,518**	**(8,185)**	**(62,038)**
Financial liabilities designated at fair value through profit or loss:								
Notes	(411,034)	56,374	-	(131,714)	98,608	67,709	(320,057)	48,393
Total financial liabilities measured at fair value	**(411,034)**	**56,374**	**-**	**(131,714)**	**98,608**	**67,709**	**(320,057)**	**48,393**

(1) The total gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's annual financial statements for the year ended 31 December 2015.

(2) For financial assets and financial liabilities that were transferred into and out of Level 3 during the period, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the period.

(3) Amounts represent unrealised gains or (losses) for the year ended 31 December 2015 related to assets and liabilities still outstanding at 31 December 2015. The unrealised gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's annual financial statements for the year ended 31 December 2015.

(4) Net derivative contracts represent Financial assets classified as held for trading – derivative contracts net of Financial liabilities classified as held for trading – derivative contracts.

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

During the year ended 31 December 2015, the Company reclassified approximately €823,000 of net derivative contracts and €22,722,000 of issued Structured Notes from Level 2 to Level 3. The reclassifications were due to a reduction in the volume of recently executed transactions or a lack of available broker quotes for these instruments, such that certain significant inputs became unobservable.

During the year ended 31 December 2015, the Company reclassified approximately €13,130,000 of net derivative contracts, €789,000 of prepaid equity securities contracts and €90,431,000 of issued Structured Notes from Level 3 to Level 2. The reclassifications were due to the availability of market quotations for these or comparable instruments, or available broker quotes, or consensus data such that certain significant inputs became observable.

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis

The disclosures below provide information on the sensitivity of fair value measurements to key inputs and assumptions.

1. Quantitative information about and qualitative sensitivity of significant unobservable inputs

   The tables below provide 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 diversity in the types of products included in each firm's inventory. The following disclosures also include qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs.

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

30 June 2016	Fair value €'000	Valuation technique(s)	Significant unobservable input(s)/ Sensitivity of the fair value to changes in the unobservable inputs	Range [2]	Averages [3]
ASSETS					
Financial assets designated at fair value through profit or loss:					
Prepaid equity securities contracts	30,368	Option model	At the money volatility / (B)	22%	22%
LIABILITIES					
Financial liabilities classified as held for trading:					
Net derivative contracts: [1]					
Equity [4]	(5,467)	Option model	At the money volatility / (A) (C)	6% to 47%	23%
			Volatility skew / (B) (C)	-1% to 0%	0%
			Equity - Equity correlation / (B) (C)	40% to 98%	64%
			Equity - Foreign exchange correlation / (B) (C)	-70% to -31%	-40%
		Net asset value ("NAV")	NAV value / (A)	100%	100%
Financial liabilities designated at fair value through profit or loss:					
Notes	(347,673)	Option model	At the money volatility / (B) (C)	6% to 47%	27%
			Volatility skew / (A) (C)	-1% to 0%	-1%
			Equity - Equity correlation / (A) (C)	40% to 98%	64%
			Equity - Foreign exchange correlation / (A) (C)	-70% to 25%	-40%
		NAV	NAV value / (A)	100%	100%

(1) Net derivative contracts represent financial assets classified as held for trading – derivative contracts net of financial liabilities classified as held for trading – derivative contracts.

(2) The ranges of significant unobservable inputs are represented in percentages.

(3) Amounts represent weighted averages which are calculated by weighting each input by the fair value of the respective financial instruments except for derivative instruments where inputs are weighted by risk.

(4) Includes derivative contracts with multiple risks (i.e. hybrid products).

Sensitivity of the fair value to changes in the unobservable inputs:

(A) Significant increase/ (decrease) in the unobservable input in isolation would result in a significantly higher/ (lower) fair value measurement.
(B) Significant increase/ (decrease) in the unobservable input in isolation would result in a significantly lower/ (higher) fair value measurement.
(C) There are no predictable relationships between the significant unobservable inputs.

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

31 December 2015	Fair value €'000	Valuation technique(s)	Significant unobservable input(s)/ Sensitivity of the fair value to changes in the unobservable inputs	Range [2]	Averages [3]
ASSETS					
Financial assets designated at fair value through profit or loss:					
Prepaid equity securities contracts	20,270	Option model	Gap charge / (B)	0% to 1%	1%
LIABILITIES					
Financial liabilities classified as held for trading:					
Net derivative contracts: [1]					
Equity [4]	(28,455)	Option model	At the money volatility / (B) (C)	20% to 50%	36%
			Volatility skew / (A) (C)	-1% to 0%	0%
			Equity - Equity correlation / (A) (C)	33% to 97%	65%
			Equity - Foreign exchange correlation / (B) (C)	-85% to 50%	-40%
		NAV	NAV value / (A) (C)	100%	100%
Financial liabilities designated at fair value through profit or loss:					
Notes	(320,057)	Option model	At the money volatility / (A) (C)	6% to 50%	35%
			Volatility skew / (B) (C)	-1% to 0%	-0%
			Equity - Equity correlation / (B) (C)	35% to 97%	65%
			Equity - Foreign exchange correlation / (A) (C)	-85% to 30%	-39%
		NAV	NAV value / (A) (C)	100%	100%

(1) Net derivative contracts represent financial assets classified as held for trading – derivative contracts net of financial liabilities classified as held for trading – derivative contracts.

(2) The ranges of significant unobservable inputs are represented in percentages.

(3) Amounts represent weighted averages which are calculated by weighting each input by the fair value of the respective financial instruments except for derivative instruments where inputs are weighted by risk.

(4) Includes derivative contracts with multiple risks (i.e. hybrid products).

Sensitivity of the fair value to changes in the unobservable inputs:

(A) Significant increase/ (decrease) in the unobservable input in isolation would result in a significantly higher/ (lower) fair value measurement.
(B) Significant increase/ (decrease) in the unobservable input in isolation would result in a significantly lower/ (higher) fair value measurement.
(C) There are no predictable relationships between the significant unobservable inputs.

A description of significant unobservable inputs included in the table above for all major categories of assets and liabilities is included within note 17 of the Company's annual financial statements for the year ended 31 December 2015.

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

2. Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

The following tables present the sensitivity of the fair value of Level 3 financial assets and financial liabilities as at 30 June 2016 and 31 December 2015 to reasonably possible alternative assumptions, providing quantitative information on the potential variability of the fair value measurement. The information below is limited to quantitative information and should be read in conjunction with note 17 of the Company's annual financial statements for the year ended 31 December 2015.

30 June 2016		**Effect of reasonably possible alternative assumptions**	
	Fair value €'000	**Increase in fair value €'000**	**Decrease in fair value €'000**
Financial assets designated at fair value through profit or loss:			
Prepaid equity securities contracts	30,368	1,237	(1,237)
Financial liabilities classified as held for trading:			
Net derivatives contracts:(1)			
Equity	(5,467)	2,471	(2,328)
Financial liabilities designated at fair value through profit or loss:			
Notes	(347,673)	(3,708)	3,565

(1) Net derivative contracts represent financial assets classified as held for trading – derivative contracts net of financial liabilities classified as held for trading – derivative contracts.

31 December 2015		**Effect of reasonably possible alternative assumptions**	
	Fair value €'000	**Increase in fair value €'000**	**Decrease in fair value €'000**
Financial assets designated at fair value through profit or loss:			
Prepaid equity securities contracts	20,270	397	(397)
Financial liabilities classified as held for trading:			
Net derivatives contracts:(1)			
Equity	(28,455)	4,245	(3,990)
Financial liabilities designated at fair value through profit or loss:			
Notes	(320,057)	(4,642)	4,387

(1) Net derivative contracts represent financial assets classified as held for trading – derivative contracts net of financial liabilities classified as held for trading – derivative contracts.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 28, 2016

12. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

e. Assets and liabilities measured at fair value on a non-recurring basis

Non-recurring fair value measurements of assets and liabilities are those which are required or permitted in the condensed statement of financial position in particular circumstances. There were no assets or liabilities measured at fair value on a non-recurring basis during the current period or prior year.

13. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value due to the short term nature of these assets and liabilities.