



NORTHERN TRUST

Northern Trust Global Services Limited

Directors' Report and Financial Statements

For the year ended 31 December 2015



Registered number: 04795756

Company Information

Directors	Ms C. Aitchison Ms P. Biggs Mr J. Davie Mr T. Glaysher Mr W. Leech Mr D. Marlborough Mr J. Misselbrook
Company secretary	Mr. M.Wright, Ms. H. Flanagan
Registered number	04795756
Registered office	50 Bank Street Canary Wharf London E14 5NT
Independent auditors	KPMG LLP 15 Canada Square London E14 5GL

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Strategic report

For the year ended 31 December 2015

Business review

The core activities of the Company are custody and depositary services, fund administration and related services.

In 2015 there was a significant growth in Assets Under Custody ("AUC") which is a key driver of the Company's profitability. The Company earned €94 million in fees and commission income, an increase of 49% on 2014. The Company's client base is predominantly asset owners and managers across EMEA.

Growth is expected in new and existing business, including additional opportunities resulting from new product offerings and regulatory change.

Following the update of new UK Generally Accepted Accounting Practice (UK GAAP), companies in the UK and Ireland are required to adopt this new accounting framework in their financial statements for periods commencing on or after 1 January 2015. These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with Financial Reporting 101 Reduced Disclosure Framework (FRS 101). The Company has notified its shareholders in writing and they do not object to use the disclosure exemptions used by the Company in these financial statements. There is no material impact on the previously published financial statements as a result of the transition to FRS 101 (refer to note 36 for further detail).

Principal risks and uncertainties

The principal risks and uncertainties continue to come from both business growth and the complex regulatory environment including but not limited to impacts of AIFMD, FATCA, UCITS, CASS and MiFID. In addition to these regulatory risks the political and economic uncertainties of Britain exiting the European Union are being monitored. Operational risk is managed to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

Financial key performance indicators

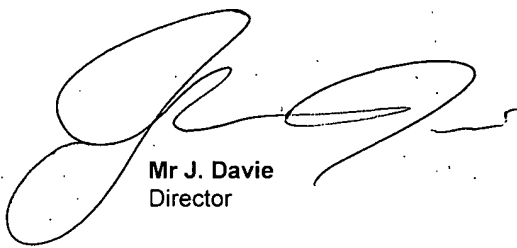
The Company monitors the following Key Performance Indicators:

- Assets Under Custody ("AUC") have grown to €531.0 billion in 2015 (2014: €325.1 billion);
- Assets Under Administration ("AUA") have grown to €119 billion in 2015 (2014: €83 billion).

Strategy

The Company's strategy remains one of organic business expansion through new products, new clients, new markets and the continued provision of a high quality client experience, tailored to clients' needs.

This report was approved by the board on 19 April 2016 and signed on its behalf by:



Mr J. Davie
Director

**Directors' report
For the year ended 31 December 2015**

The Directors present their report and the financial statements for the year ended 31 December 2015.

Principle Activity

The principal activities of the Company are the provision of depositary and custody services, fund administration services, and other forms of financial services including lending, securities lending and holding money as banker. The Company has branches in Luxembourg, the Netherlands and Sweden and a representative office in Abu Dhabi.

Results and dividends

The profit for the year, after taxation, amounted to €23,348,000 (2014: €15,118,000).

Dividends paid in the year amount to €2,000,000 (2014: Nil)

Assets under custody

In the normal course of business, the Company holds assets in a fiduciary or agency capacity for its clients. In accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"), the assets are not those of the Company and are not included in its balance sheet.

Financial risk management

The Company's activities expose it to a variety of risks that require analysis, evaluation, acceptance and management. Taking risk is core to the business, and operational risks are an inevitable consequence of this. The Company aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on the Company's financial performance.

Risk management oversight is maintained through the Asset and Liability Committee ("ALCO"), the Credit Risk, Business Risk and Senior Credit and Capital Markets Credit Committees of the ultimate parent company. Risk is assessed and managed by these committees under the Asset and Liability Management Policies approved by the Northern Trust Corporation's Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, liquidity risk, foreign exchange risk, operational risk and credit risk. The Internal Audit function across the Northern Trust Corporation is responsible for the independent review of both risk management and the control environment around Northern Trust Global Services Limited. The Company also continues to operate its Audit Committee, supported by its non-executive directors.

Employee involvement

The Company actively encourages employee involvement, and seeks to foster it in a number of different ways, including encouraging free communication between employees and their managers to ensure that questions and concerns arising during the course of employment can be aired and where possible, resolved quickly to the satisfaction of all. Communications are frequently sent out to all staff regarding changes and employees are encouraged to come forward with any issues or concerns they may have. The average Full Time Equivalent (FTE) during the year was 44 (2014: 35). This comprised: Abu Dhabi 4 (2014:4), NTGS Lux 19 (2014:13), Sweden 5 (2014:5) and Netherlands 16 (2014:13).

Pillar 3 disclosures

As a FCA and PRA regulated firm the Company is required to publish on an annual basis a set of Pillar 3 disclosures. These disclosures aim to make firms more transparent by requiring them to publish prescribed details of their risks, capital and risk management. The Company's most recent set of disclosures are published on the Northern Trust Corporation website and may be found at the following address:

<http://www.northerntrust.com/about-us/investor-relations/financial-information/sec-regulatory-filings>

Financial resources and going concern

The Company's business activities are set out in the Principal Activity section above. Other factors likely to affect its future development and position are outlined within the Strategic Report. The Company has made a profit for 2015 and is projected to continue to generate positive cash flows in the medium term. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Directors have assessed the responses of the Directors of the Company's ultimate parent, Northern Trust Corporation, to

Directors' report
For the year ended 31 December 2015

their enquiries and have consulted available information and associated risks as can be found in the Northern Trust Corporations 10-K report. The Directors have no reason to believe that a material uncertainty exists which may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and assurance of liquidity support from the Northern Trust Corporation, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. This is despite the significant volatility seen in early 2016 in global financial markets and the uncertainty around the United Kingdom (UK) leaving Europe otherwise known as "Brexit". Through the company's ICAAP it forecasts to continue to make a profit under more stressed adverse economic conditions than has been seen so the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

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

Directors

The Directors who served during the year were:

Ms C. Aitchison (appointed 20 May 2015)
Ms P. Biggs
Mr J. Davie
Mr T. Glaysher
Mr W. Leech
Mr D. Marlborough
Mr C. Meares (resigned 10 March 2015)
Mr J. Misselbrook

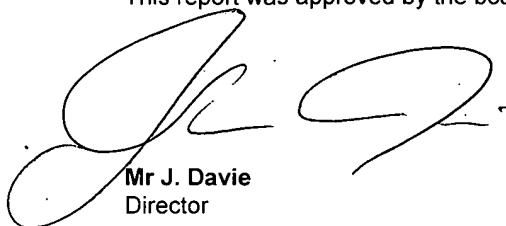
Political contributions

The Company made no political donations or incurred any political expenditure during the year (2014: Nil).

Auditors

Pursuant to an elective resolution passed by the sole shareholder of the Company, the Company has elected pursuant to Section 487 of the Companies Act 2006 to dispense with the annual obligation to appoint KPMG LLP as auditors of the Company.

This report was approved by the board on 19 April 2016 and signed on its behalf by:



Mr J. Davie
Director

Directors' responsibilities statement
For the year ended 31 December 2015

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)[, including FRS 101 *Reduced Disclosure*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the shareholders of Northern Trust Global Services Limited

We have audited the financial statements of Northern Trust Global Services Limited ("the Company") for the year ended 31 December 2015 set out on pages 8 to 50. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

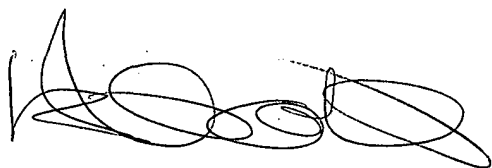
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditors' report to the shareholders of Northern Trust Global Services Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Karyn Nicoll (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

19 April 2016

**Profit and loss account
For the year ended 31 December 2015**

	Note	2015 €000	2014 €000
Interest receivable	2	12,910	8,517
Interest payable	3	(8,376)	(6,404)
Net interest income		4,534	2,113
Fees and commissions income	4	93,991	62,903
Fees and commissions expense	5	(9,965)	(9,480)
Other operating income	6	547	327
Administrative expenses	7	(59,174)	(36,173)
Profit on ordinary activities before tax		29,933	19,690
Tax expense on ordinary activities	12	(6,585)	(4,572)
Profit for the financial year		23,348	15,118

All income and expenses arise from continuing activities.

The notes on pages 11 to 50 form part of these financial statements.

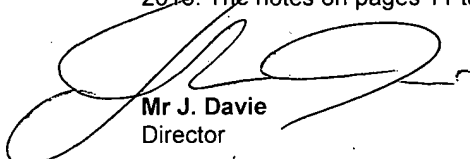
**Statement of other comprehensive income
For the year ended 31 December 2015**

	Note	2015 €000	2014 €000
Profit for the financial year		23,348	15,118
Total comprehensive income for the year		23,348	15,118

Balance sheet
As at 31 December 2015

	Note	2015 €000	2014 €000
Assets			
Cash and Cash equivalents	17	534,380	374,214
Loans and advances to group banks	18	1,398,413	1,156,415
Loans and advances to banks		1,185,260	766,212
Loans and advances to customers	19	24,714	16,418
Investment securities	20	170,811	143,146
Intangible fixed assets	15	8	10
Tangible fixed assets	16	999	330
Prepayments and accrued income	21	19,332	16,141
Other assets	22	20,806	11,243
Total assets		3,354,723	2,484,129
Liabilities			
Deposits by group banks		29,448	53,849
Deposits by banks		1,868	462
Deposits by customers		2,985,545	2,144,880
Other liabilities	25	133,266	101,305
Accruals and deferred income	23	2,499	2,894
Provisions	24	82	72
Total liabilities		3,152,708	2,303,462
Equity			
Called up share capital	28	142,292	142,292
Retained Earnings	27	59,723	38,375
Total Equity		202,015	180,667
Total liabilities and equity		3,354,723	2,484,129

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 April 2016. The notes on pages 11 to 50 form part of these financial statements.



Mr J. Davie
Director

Company number: 04795756

Please refer to note 36 for the impact of the adoption of FRS 101 on comparative balances.

**Statement of changes in equity
As at 31 December 2015**

	Share capital €000	Retained earnings €000	Total equity €000
At 1 January 2015	142,292	38,375	180,667
Comprehensive income for the year			
Profit for the year	-	23,348	23,348
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	23,348	23,348
Contributions by and distributions to owners			
Dividends: Equity capital	-	(2,000)	(2,000)
Total contributions by and distributions to owners	-	(2,000)	(2,000)
At 31 December 2015	142,292	59,723	202,015

The number of shares outstanding at the beginning and end of the period was 257,707,517.

**Statement of changes in equity
As at 31 December 2014**

	Share capital €000	Retained earnings €000	Total equity €000
At 1 January 2014	142,292	23,257	165,549
Comprehensive income for the year			
Profit for the year	-	15,118	15,118
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	15,118	15,118
Total contributions by and distributions to owners	-	-	-
At 31 December 2014	142,292	38,375	180,667

The number of shares outstanding at the beginning and end of the period was 257,707,517.

The notes on pages 11 to 50 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

Northern Trust Global Services Limited is a company incorporated and domiciled in the United Kingdom.

The company meets the requirements as a financial institution to apply Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"). The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101") and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is provided in note 36.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 35).

First time application of FRS 100 and FRS 101

In the current year the Company has adopted Application of Financial Reporting Requirements ("FRS 100") and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK Generally Accepted Accounting Standards ("UK GAAP").

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the group to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below, but made amendments where necessary in order to comply with Companies Act 2006. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The following principal accounting policies have been applied consistently to all periods presented in the financial statements and in preparing an opening FRS101 balance sheet at 1 January 2014 for the purpose of the transition to FRS101:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Notes to the financial statements
For the year ended 31 December 2015

- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

As a financial institution, the Company is not exempt from IFRS 7 and IFRS 13 fair value measurement.

1.3 Future accounting developments

There have been and are expected to be a number of significant changes to the Company's financial reporting after 2015 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 15 *Revenue from Contracts with Customers* will supersede IAS 11 *Construction Contracts* and IAS 18 *Revenue* with effective from 1 January 2018. IFRS 15 *Revenue from Contracts with Customers* will change the way the Company recognises revenue and extensive new disclosures will be required. The financial impact of IFRS 15 *Revenue from Contracts with Customers* is still to be determined as the assessment process is still on going.

IFRS 9 *Financial Instruments* will change the classification and therefore the measurement of the Company's financial assets, the recognition of impairments, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The company is currently assessing the impact of IFRS 9.

1.4 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, and liabilities for cash-settled share-based payments.

1.5 Foreign currency translation**Functional and presentation currency**

The company's functional and presentational currency is Euros.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

All material assets generating foreign exchange are monetary assets therefore are taken to the Profit and Loss account.

1.6 Going concern

On the basis of their assessment of the Company's financial position and assurance of liquidity support from the Northern Trust Corporation, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.7 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest receivable' and 'Interest payable' in the Profit and Loss Account using the effective interest rates of the financial assets or financial liabilities to which they relate.

Notes to the financial statements
For the year ended 31 December 2015

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments earned or paid on a financial asset or liability through its expected life or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate includes all estimated cash flows considering the contractual terms of the financial instrument, but excludes the risk of future credit losses.

1.8 Fee income and expense

Fee income is derived and payable on services, relating to customer investment activities. Fee income and expenses are recognised as follows:

- Income earned and expenses incurred on the execution of a significant act are recognised in the profit and loss account when the act is completed;
- income earned and expenses incurred for the provision of services over a period of time are recognised in the profit and loss account as the services are provided.

1.9 Expenses: operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense over the term of the lease.

1.10 Compensation**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes to the financial statements

For the year ended 31 December 2015

Share-based payment transactions

Where the Company grants rights to its parent's equity instruments to employees of its own subsidiaries, the Company accounts for these share-based payments as cash-settled. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Taxation

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

1.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Computer Software	-	7	years
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1.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Leasehold improvements	-	15	years
Office equipment	-	5	years
Computer equipment	-	3	years

Notes to the financial statements
For the year ended 31 December 2015

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income

1.15 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

The clients purchase and sale of securities is accounted for on a settlement basis.

Loan and advances

Loans and advances to banks and customers include loans and advances and repurchase agreements originated by the Company which are not intended to be sold in the short term and have not been classified as held for trading or designated at fair value. Loans and advances are recognised when cash is advanced to borrowers and are derecognised when either borrowers repay their obligations, or the loans are written off. They are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method after receipt of any proceeds.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Held-to-maturity investment

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are recognised at trade date and are carried at amortised cost using the effective interest method, less any impairment losses (refer to section on write-off of loans and advances and held to maturity investment within policy note 1.16). A sale or reclassification of a more than insignificant amount to held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassification after the Company has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

Notes to the financial statements
For the year ended 31 December 2015**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Deposits and subordinated loans

Deposits and subordinated loans are initially measured at fair value, net of transaction costs, at trade date. Subsequently, they are measured at amortised cost using the effective interest rate.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.16 Impairment excluding deferred tax assets**Financial assets (including trade and other debtors)**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

If there has been a significant or prolonged decline in the fair value of an equity instrument classified as Available for Sale, then an impairment loss will be recognised. An impairment loss is the difference between the acquisition cost and the current fair value of the instrument, less any impairment loss on that equity instrument previously recognised in profit or loss. In the case of a debt instrument classified as Available for sale, the cumulative loss is the difference between the amortised cost (i.e., the acquisition cost net of principal repayments and amortisation) and the current fair value of the instrument, less any impairment loss on that debt instrument previously recognised in profit or loss.

Impairment of loans and advances

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans have occurred. Impairment allowances are calculated on individual loans. Impairment losses are recorded as charges to the profit and loss statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of the impairment allowance accounts. Losses which may arise from future events are not recognised.

Write-off of loans and advances and held to maturity investment

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the sale of collateral.

Notes to the financial statements
For the year ended 31 December 2015**Reversals of impairment on loans and advances**

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.17 Comparatives

To the extent necessary the prior year presentation has been adjusted to be comparable with the current year amounts.

1.18 Dividends

Equity dividends are recognised when they become legally payable (when approved by the shareholders at an annual general meeting).

Notes to the financial statements
For the year ended 31 December 2015
2. Interest receivable and similar income

	2015 €000	2014 €000
Loans and advances to group banks	2,322	3,385
Loans and advances to banks	9,061	4,372
Loans and advances to customers	750	638
Securities	777	122
	<u>12,910</u>	<u>8,517</u>

3. Interest payable and similar charges

	2015 €000	2014 €000
Deposits by customers	1,284	4,119
Deposits by group banks	2,921	2,024
Other	4,171	261
	<u>8,376</u>	<u>6,404</u>

4. Fees and commission income

	2015 €000	2014 €000
Custody and depositary	53,014	32,726
Outsourcing fees	1,541	48
Security lending	4,662	4,182
Banking fees	15	-
Fund administration	34,759	25,947
	<u>93,991</u>	<u>62,903</u>

Notes to the financial statements
For the year ended 31 December 2015
5. Fees and commission expense

	2015 €000	2014 €000
Sub-custodian expense	9,965	9,480
	<u>9,965</u>	<u>9,480</u>

6. Other operating income

	2015 €000	2014 €000
Foreign exchange difference - gain	547	327
	<u>547</u>	<u>327</u>

7. Administrative expenses

Auditors' remuneration is borne by a fellow group undertaking, Northern Trust Management Services Limited ("NTMSL"). Apart from the staff disclosed below, all other staff involved in the Company's operations are employees of other Northern Trust entities. These entities are remunerated for those staff and audit fees through the global transfer pricing methodology. Administrative expenses include the net amounts transferred to the Northern Trust Group in respect of transfer pricing, see Note 11.

	2015 €000	2014 €000
Staff Costs (note 9)	8,186	6,603
Operating lease rentals	192	69
Depreciation	130	112
Transfer Pricing (note 11)	45,403	25,501
Other	5,263	3,888
	<u>59,174</u>	<u>36,173</u>

Notes to the financial statements
For the year ended 31 December 2015
8. Auditors' remuneration

A fellow group undertaking, Northern Trust Management Services Limited ("NTMSL") paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2015 €000	2014 €000
Audit fees for statutory audit	138	138
Fees for regulatory audit	129	67
Regulatory advisory services	67	-
	<u>334</u>	<u>205</u>

9. Staff numbers and costs

Apart from the staff disclosed below, all other staff involved in the Company's operations are employees of other Northern Trust entities.

	2015 €000	2014 €000
Wages and salaries	7,086	5,690
Social security costs	601	528
Share based payments (note 26)	164	128
Staff pension costs (note 26)	335	257
	<u>8,186</u>	<u>6,603</u>

The average number of persons employed by the Company during the year was as follows:

	2015 No.	2014 No.
Average number of Employees	<u>44</u>	<u>35</u>

Notes to the financial statements
For the year ended 31 December 2015

10. Directors' remuneration

	2015 €000	2014 €000
Directors' emoluments	669	548
Amounts receivable under long-term incentive schemes	492	316
Company contributions to defined contribution pension schemes	11	12
	<u>1,172</u>	<u>876</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was €456,402 (2014: €353,000), and company pension contributions of € nil (2014: €5,000) were made to a money purchase scheme on his behalf. During the year, the highest paid director exercised no share options and received shares under a long term incentive scheme.

The number of directors to whom retirement benefits are accruing under money purchase schemes was 3 (2014: 5).

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was 5 (2014: 5).

Directors' emoluments are allocated by the apportionment of time incurred by Directors for services to the company. All Directors' emoluments have been borne by a fellow group undertaking except for Non Executive Directors' remuneration of €125,119 (2014: €144,280).

Notes to the financial statements
For the year ended 31 December 2015
11. Transfer pricing

Transfer pricing generally refers to the determination of compensation for transactions conducted between commonly controlled taxpayers. The determination of an appropriate level of compensation is relevant for all transactions between affiliates for the provision of services, the utilisation of intellectual property and / or intercompany financing. This determination is made using an "arm's-length" standard that tests what would have occurred in comparable circumstances between comparable, unrelated taxpayers.

The Northern Trust Corporation group ("the Group") global transfer pricing methodology uses a residual profit split approach that allocates profit by providing appropriate recognition of each entity's contribution, revenues and expenses, its function in the Group, and its assets and risk profile. The framework also accounts for the fact that each Group service line may engage multiple affiliates to perform functions of varying complexity and value.

The residual profit split methodology framework starts with Group global revenue which is first used to reimburse most direct costs of affiliates with a routine margin. The remaining profit is then split into product related profit pools which are in turn allocated to affiliates, such as the Company, using product specific allocation keys. The allocation keys are reflective of the economics of the Group's lines of business. The determination of the allocation keys begins with an evaluation of the metrics that represent contributions made by the various entities with respect to each product line. Allocation keys will be reassessed periodically to ensure that these continue to be representative.

	2015 €000	2014 €000
Profit and Loss Account		
Amounts transferred to global transfer pricing pool	(99,064)	(65,343)
Re-imbursement of expenses, plus mark-up	24,285	21,460
Profit pool allocation	29,376	18,382
Transfer pricing allocation for the company	<u>(45,403)</u>	<u>(25,501)</u>

Notes to the financial statements
For the year ended 31 December 2015
12. Taxation

Corporation tax:

	2015 €000	2014 €000
UK:		
Current tax on profits for the year	4,694	3,345
Adjustments in respect of previous periods	(3)	3
	<u>4,691</u>	<u>3,348</u>
Current tax on income in the period	1,891	1,218
Adjustments in respect of previous years	3	6
	<u>1,894</u>	<u>1,224</u>
Total tax charge / (credit) on ordinary activities	<u>6,585</u>	<u>4,572</u>
Total current tax	<u>6,585</u>	<u>4,572</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). A corporation tax rate of 21% was effective until 31st March 2015, and 20% from 1st April 2015. For the prior year a corporation tax rate of 23% was effective until 31st March 2014 and 21% from 1st April 2014.

The differences are explained below:

	2015 €000	2014 €000
Profit on ordinary activities before tax	<u>29,933</u>	<u>19,690</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	6,061	4,233
Effects of:		
Permanent differences	28	23
Timing differences	13	13
Foreign profit not taxed	(1,408)	(924)
Overseas tax suffered	1,894	1,221
Adjustments in respect of previous years	(3)	6
Taxation charge for the period	<u>6,585</u>	<u>4,572</u>

Notes to the financial statements
For the year ended 31 December 2015
13. Country by country reporting

All of the information disclosed below is in respect of Northern Trust Global Services Limited and its branches

For the year ended 2015	UK	Luxembourg branch	Netherlands branch	Sweden branch	Abu Dhabi rep office	Total
Number of employees *	-	19	16	5	4	44
Turnover (€'000)**	66,455	10,517	7,054	-	-	84,026
Profit before tax (€'000)	22,977	4,818	1,790	348	-	29,933
Public subsidies received (€'000)	-	-	-	-	-	-
€'000						
Corporation tax provision b/f	-	461	80	(38)	-	503
Accruals	4,691	1,410	414	70	-	6,585
Payments ***	(4,691)	(640)	(176)	(87)	-	(5,594)
Corporation tax c/f	-	1,231	318	(55)	-	1,494

Notes to the financial statements
For the year ended 31 December 2015

For the year ended 2014	UK	Luxembourg branch	Netherlands branch	Sweden branch	Abu Dhabi rep office	Total
Number of employees *	-	13	13	5	4	35
Turnover (€'000)**	44,245	8,375	803	-	-	53,423
Profit before tax (€'000)	15,392	3,413	610	275	-	19,690
Public subsidies received (€'000)	-	-	-	-	-	-
€'000						
Corporation tax provision b/f	-	(96)	14	(18)	-	(100)
Accruals	3,345	1,004	155	64	-	4,568
Payments ***	(3,345)	(447)	(89)	(84)	-	(3,965)
Corporation tax c/f	<u>-</u>	<u>461</u>	<u>80</u>	<u>(38)</u>	<u>-</u>	<u>503</u>

* All UK employees are employed by an associated company, Northern Trust Management Services Limited. The number represents the average number of employees in the period

** Turnover represents fee and commission income less fees and commissions expense

*** UK tax is settled by The Northern Trust Company, London branch as the representative of the Group Payment Arrangement.

Nature of services:

The Company undertakes asset servicing in three locations: the UK (custody, fund administration, depositary and securities lending), Luxembourg (custody and depositary) and the Netherlands (depositary). The Sweden branch and the Abu Dhabi rep office undertake marketing and other client facing support activities.

By setting out the schedule above in accordance with The Capital Requirements (Country by Country Reporting), UK Regulations 2013, Section 2 (8), Northern Trust Global Services Limited has complied with the requirements including the audit.

14. Dividends

	2015 €000	2014 €000
On Ordinary Shares	2,000	-
	<u>2,000</u>	<u>-</u>

The dividend paid per share was €0.014 per share (2014: €nil)

Notes to the financial statements
For the year ended 31 December 2015
15. Intangible assets

	Software €000
Cost	
At 1 January 2015	225
Additions - external	4
At 31 December 2015	229
Amortisation	
At 1 January 2015	215
Charge for the year	6
At 31 December 2015	221
Net book value	
At 31 December 2015	8
At 31 December 2014	10

Please refer to note 36 for the impact of the adoption of FRS 101 on comparative balances.

16. Tangible fixed assets

	Long-term leasehold property €000	Fixtures and fittings €000	Office equipment €000	Computer equipment €000	Total €000
Cost					
At 1 January 2015	387	13	20	67	487
Additions	691	-	5	97	793
At 31 December 2015	1,078	13	25	164	1,280
Depreciation					
At 1 January 2015	97	5	6	50	158
Charge owned for the period	100	1	4	18	123
At 31 December 2015	197	6	10	68	281
At 31 December 2015	881	7	15	96	999
At 31 December 2014	290	9	14	17	330

Notes to the financial statements
For the year ended 31 December 2015
17. Cash and cash equivalents

	2015 €000	2014 €000
Bank current accounts	534,380	374,214
	<u>534,380</u>	<u>374,214</u>

18. Loans and advances to group banks

	2015 €000	2014 €000
Repayable on demand	666,108	289,929
Repayable within 3 months	732,305	866,486
	<u>1,398,413</u>	<u>1,156,415</u>

19. Loans and advances to customers

	2015 €000	2014 €000
Repayable on demand	24,714	16,418
	<u>24,714</u>	<u>16,418</u>

20. Investment securities

	2015 €000	2014 €000
Held-to-maturity investments (< 1 year)	25,385	-
(> 1 year)	145,426	143,146
	<u>170,811</u>	<u>143,146</u>

**Notes to the financial statements
For the year ended 31 December 2015**
21. Prepayments and accrued income

	2015 €000	2014 €000
Accrued interest – group banks	70	9
Accrued interest – banks	189	115
Accrued income	17,504	14,169
Prepayments	1,569	1,848
	<u>19,332</u>	<u>16,141</u>

22. Other assets

	2015 €000	2014 €000
Due within one year		
Trade debtors	10,560	6,873
Due from group undertakings	3,622	2,524
Derivatives	2,580	1,139
Other assets	4,044	707
	<u>20,806</u>	<u>11,243</u>

23. Accruals

	2015 €000	2014 €000
Accrued interest – group banks	24	15
Accrued interest – customers	226	178
Accruals	2,249	2,701
	<u>2,499</u>	<u>2,894</u>

**Notes to the financial statements
For the year ended 31 December 2015**
24. Provisions

	2015 €000
Balance as at 1 January 2015	72
Discount rate adjustment and computed interest	1
Foreign exchange movement	9
Balance as at 31 December 2015	<u>82</u>

This relates to the dilapidation provision for leasehold improvements in the Abu Dhabi office.

25. Other liabilities

	2015 €000	2014 €000
Provision for tax	1,494	503
Other liabilities	3,863	5,079
Due to group undertaking < 1 year	51,347	19,161
Due to group undertaking > 1 year	76,562	76,562
	<u>133,266</u>	<u>101,305</u>

26. Employee benefits

The Company operates a defined contribution pension plan solely for the benefit of the employees.

The total expense relating to these plans in the current year was €335,343 (2014: €256,861)

Share based payments

The Company participates in The Northern Trust Corporation 2012 Stock Plan (the 2012 Plan) which is administered by the Compensation and Benefits Committee of the Board of Directors of the Group. All employees of the Northern Trust Corporation and its subsidiaries and all directors of the Northern Trust Corporation are eligible to receive awards under the 2012 Plan. The 2012 Plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, stock awards, stock units and performance stock units. Grants are outstanding under the 2012 Plan and The Amended and Restated Northern Trust Corporation 2002 Stock Plan, a predecessor plan (2002 Plan).

Stock options consist of options to purchase common stock at prices not less than 100% of the fair market value thereof on the date the options were granted. Options have a maximum ten-year life and generally vest and become

Notes to the financial statements
For the year ended 31 December 2015

exercisable in one to four years after the date of grant. In addition, all options may become exercisable upon a 'change in control' as defined in the 2012 Plan of the 2002 Plan. All options terminate at such time as determined by the Committee and as provided in the terms and conditions of the respective option grants.

Cash settled awards granted during the year total 2676 units (2014: 2885 units). The market price at award date ranged from USD 69.57 to USD 72.63 (2014: USD 60.85 to USD 68.56)

The weighted average share price at the date of exercise of share options exercised during the year was USD 51.71 (2014: USD 50.35).

The options outstanding at the year end have an exercise price in the range of USD 43.65 to USD 71.23, and a weighted average contractual life of 2.85 years.

27. Reserves
Other reserves

Other reserves represent amounts accumulated through Other Comprehensive Income.

Profit and loss account

Accumulated Profit is recognised in Retained Earnings.

28. Share capital

	2015 €000	2014 €000
Authorised		
400,000,000- Ordinary shares of €1 each	<u>400,000</u>	<u>400,000</u>
Allotted, called up and fully paid		
142,292,483- Ordinary shares of €1 each	<u>142,292</u>	<u>142,292</u>

29. Financial instruments
(a). Fair values of financial instruments

The table below analyses financial instruments, into a value hierarchy based on the inputs used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

**Notes to the financial statements
For the year ended 31 December 2015**

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

IAS 39 categories of financial instruments	2015					2014				
	Carrying amount €000	Fair value €000	Level 1 €000	Level 2 €000	Level 3 €000	Carrying amount €000	Fair value €000	Level 1 €000	Level 2 €000	Level 3 €000
Assets										
Derivatives										
Forward exchange contracts	2,580	2,580	-	2,580	-	1,139	1,139	-	1,139	-
Total FX Forward contract	2,580	2,580	-	2,580	-	1,139	1,139	-	1,139	-
Held to maturity financial assets										
Held to maturity investments	170,811	171,127	171,127	-	-	143,146	143,201	143,201	-	-
Total held to maturity financial assets	170,811	171,127	171,127	-	-	143,146	143,201	143,201	-	-
Loans and receivables *										
Other loan and debtors	3,160,992	3,160,992	-	-	3,160,992	2,322,656	2,322,656	-	-	2,322,656
Total loans and receivables	3,160,992	3,160,992	-	-	3,160,992	2,322,656	2,322,656	-	-	2,322,656
Total financial assets	3,334,383	3,334,699	171,127	2,580	3,160,992	2,466,941	2,466,996	143,201	1,139	2,322,656

* Loans and receivables are short term in nature thus the fair value equals the carrying amount.

Notes to the financial statements
For the year ended 31 December 2015

	Carrying amount €000	Fair value €000	2015			Carrying amount €000	Fair value €000	2014		
			Level 1 €000	Level 2 €000	Level 3 €000			Level 1 €000	Level 2 €000	Level 3 €000
Liabilities										
Derivatives										
Forward exchange contracts	2,580	2,580	-	2,580	-	1,139	1,139	-	1,139	-
Total FX Forward contract	2,580	2,580	-	2,580	-	1,139	1,139	-	1,139	-
Financial liabilities measured at amortised cost										
Borrowings	3,093,422	3,093,422	-	-	3,093,422	2,275,753	2,275,753	-	-	2,275,753
Other financial liabilities measured at amortised cost	56,706	56,706	-	-	56,706	26,570	29,570	-	-	26,570
Total financial liabilities measured at amortised cost	3,150,128	3,150,128	-	-	3,150,128	2,302,323	2,302,323	-	-	2,302,323
Total financial liabilities	3,152,708	3,152,708	-	2,580	3,150,128	2,303,462	2,303,462	-	1,139	2,302,323
Total financial instruments	181,675	181,991	171,127	-	10,864	163,479	163,534	143,201	-	20,333

Notes to the financial statements
For the year ended 31 December 2015

The following table shows the valuation techniques used for Level 2 and Level 3 assets held at fair values, as well as the significant unobservable inputs used for Level 3 items.

Financial instruments measured at fair value	Valuation technique
Forward exchange contracts	Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds)

30. Financial risk management
(a) Introduction and overview

The Company's objective is to maintain a conservative attitude towards risk with a long term objective of stability. Credit, operational (including compliance and fiduciary risks), strategic, liquidity risks and to a lesser extent market risks are key components of the risk profile of the Company.

The Company's Board is responsible for monitoring compliance with the Company's risk management framework in relation to risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit. In addition, Internal Audit undertakes both periodic and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company utilises the framework of its ultimate parent, the Northern Trust Corporation ("NTC" or "Northern Trust"), which has a global structure and process for risk management. Local risk management, by the Company's Board Risk Committee and local risk oversight committees, use this global corporate risk structure. Policies are validated and approved locally and the local risk organisation is structured to provide the Company's Board with the necessary risk reporting and oversight to satisfy their responsibilities. The Company's Board has executive members who report to the Board on their activities.

Risk management is carried out by the following committees; Asset and Liability, Credit Risk, Fiduciary Risk, Operational Risk, Compliance and Ethics Oversight and the Capital Committee. These committees provide risk appetite principles and detailed policies which are reviewed regularly to reflect changes in market conditions, products and services offered. The committees and Board, through training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

There is an Executive Management Committee ("EMC") which is responsible for the daily management of the EMEA Entities' businesses (including the Company) and execution of the agreed strategies. The Company has branches in the Netherlands, Sweden and Luxembourg, as well as a representative office in the United Arab Emirates. The country heads for these offices report into the EMC. The EMC has appointed the EMEA Risk Committee ("ERC") to assist it in managing all risks; all prudential risk related activities, including regulatory submissions, are debated and challenged at the UK Prudential Committee ("UKPC"), a sub-committee of ERC. Regular risk reporting is provided to the Risk Committee of the Board.

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company aims to

**Notes to the financial statements
For the year ended 31 December 2015**

achieve an appropriate balance between risk and return and to minimise potential adverse effects on the Company's financial performance.

(b) Credit risk

Credit risk is the risk of loss from the failure of a borrower (e.g. a client or a counterparty) to perform an obligation. For the Company, whose core activity is the provision of global custody and related securities lending services to pension funds, foundations, endowments, regulated collective investment schemes and similar low risk clients principally resident in the EU, the primary source of credit risk derives from:

- balances placed on short-term deposit in the interbank market with banks (including central banks) or carried on account with nostro and sub-custodian deposit taking institutions (as a result of accepting deposits from global custody clients arising out of the settlement of their securities and financial transactions); and
- the placement of funds with The Northern Trust Company on a fully collateralised basis
- providing credit facilities to custody clients via incidental overdrafts or contractual settlement, as determined by case by case basis in support of global custody settlement activity
- purchase of high quality investment securities
- limited provision of formal client facilities (either committed or uncommitted) by way of overdraft

In addition, the Company acts as securities lending agent for clients and can provide indemnities for collateral deficiencies, in the event of a borrower default. The credit risk exposure arises for all of the Company's clients with indemnities as it is liable to pay for the realization of the collateral to meet the indemnifications.

Credit risk management and monitoring

The Company's objective is to maintain a 'low to moderate' credit risk exposure which it aims to achieve through its credit risk management process. The credit risk management and monitoring is conducted by specialised groups and is overseen by ERC and the Board.

This credit risk management process is documented in the following policies which have been approved by the Company's Board of Directors: Credit Policy and the Provisioning Policy. Central to this process is approval and monitoring of exposures as detailed below. The nature of the Company's business is not to provide traditional commercial credit. Thus it is not intended that the Company will have an extensive portfolio of loans.

Approval and monitoring of money market placement exposure

All wholesale market counterparties and limits for money market placements are approved by NTC's Capital Markets Credit Committee ("CMCC"). Under the global limits approved by CMCC, sub-limits have been established for use by the Company, subject always to local regulatory limits applicable to the Company. The Counterparty Credit Risk Analyst team monitors exposures and recommends changes to the CMCC. Risk is mitigated for the Company by the selection of top tier counterparts, who are usually systemically important banks.

Approval and monitoring of investment security issuers

All investment security issuers and limits for purchase of permitted security types of these issuers are approved by CMCC. Under the global limits approved by CMCC, sub-limits have been established for use by the Company. Subject always to local regulatory limits applicable to the Company. The Counterparty Credit Risk Analyst team monitors exposures and recommends changes to the CMCC. Risk is mitigated for the Company by the selection of high quality issuers.

Approval and monitoring of nostro agent banks, including sub-custodians

NTC's Sub-custodian Oversight Committee evaluates proposals for the appointment or replacement of sub-custodians and nostro bank agents for use by Northern Trust group companies including the Company. Upon submission by Sub-custodian Oversight Committee the CMCC is responsible for approving all such appointments and replacements. Similar to money market counterparts, the nostro agent banks are usually full branches or subsidiaries of systemically important banks.

Notes to the financial statements
For the year ended 31 December 2015

Approval and monitoring of credit for custody clients

If custody clients seek formal overdraft facilities, relationship managers initiate a request for limits to the Global Financial Institutions ("GFI") team. The GFI team, undertake credit analysis and present written credit submissions at the relevant committee (Global Financial Institutions Group Credit Approval Committee) for approval.

Overdraft exposures from custody clients are monitored by the credit team on a daily basis. Monitoring is against limits and the clearance of overdrafts is followed to resolution. Usually resolution is by the next day, but where there is any persistency, the matter is escalated by the credit team for resolution.

Approval and monitoring of securities lending exposures

All securities lending counterparties and limits are approved by NTC's Senior Credit Committee. The Company acts as securities lending agent and provides 'enhanced' indemnities to its clients, in the event of a borrower default. All such loans of client securities are fully collateralised with cash, government securities or other types of collateral depending on the guidelines.

Credit approvals – other considerations

Beyond the consideration of quantitative credit factors used in credit decisions, the assessment process also takes account of the credit staff's qualitative judgement, to include such factors as reputation, corporate structure, strategic direction and integrity amongst others.

For the Company, monitoring of the credit risk portfolio is performed monthly and reviewed by ERC via a monthly residual risk assessment. The Risk Committee of the Board receive a quarterly credit scorecard, profiling global custody overdraft volumes and trends, money market placements, nostro and sub-custodian balances, and securities lending exposures with key risk tolerances.

Notes to the financial statements
For the year ended 31 December 2015
Geographical sector

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as at 31 December 2015. The table allocates exposures to regions based on the country of domicile of individual counterparties.

	Europe €000	North America €000	Australia €000	Asia €000	Brazil €000	Other regions €000	Total €000
Loans and advances to group banks	673,232	128,746	-	-	-	-	801,978
Cash at bank	280,776	2,054	1,287	161,880	11,121	77,262	534,380
Loans and advances to banks	1,185,260	-	-	-	-	-	1,185,260
Loans and advances to customers	33,438	715	(1,025)	54	9	(8,477)	24,714
Reverse repurchase agreements	147,990	448,445	-	-	-	-	596,435
Securities	170,811	-	-	-	-	-	170,811
As at 31 December 2015	2,491,507	579,960	262	161,934	11,130	68,785	3,313,578
Loans and advances to group banks	483,757	268,593	-	-	-	-	752,350
Cash at bank	195,010	1,643	1,640	109,178	1,507	65,236	374,214
Loans and advances to banks	766,212	-	-	-	-	-	766,212
Loans and advances to customers	31,984	523	(911)	23	8	(15,209)	16,418
Reverse repurchase agreements	404,064	-	-	-	-	-	404,064
Securities	143,146	-	-	-	-	-	143,146
As at 31 December 2014	2,024,173	270,759	729	109,201	1,515	50,027	2,456,404

Notes to the financial statements
For the year ended 31 December 2015
Industry sector

The following table breaks down the Company's main exposure at their carrying amounts, as categorised by the industry sectors of individual counterparties.

	Corporate €000	Financial Institutions €000	Total €000
Loans and advances to group banks	-	801,978	801,978
Cash at bank	-	534,380	534,380
Loans and advances to banks	-	1,185,260	1,185,260
Loans and advances to customers	24,714	-	24,714
Reverse repurchase agreements	-	596,435	596,435
As at 31 December 2015	24,714	3,118,053	3,142,767
Loans and advances to group banks	-	752,351	752,351
Cash at bank	-	374,214	374,214
Loans and advances to banks	-	766,212	766,212
Loans and advances to customers	16,418	-	16,418
Reverse repurchase agreements	-	404,064	404,064
As at 31 December 2014	16,418	2,296,841	2,313,259

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	2015 Gross €000	2014 Gross €000
0 -30 days	4,265	4,100
31 -120 days	5,695	2,287
More than 120 days	600	486
	10,560	6,873

All other asset classes that are not trade receivables, are not past due.

There was no impairment during the year (2014: nil).

Notes to the financial statements
For the year ended 31 December 2015**Offsetting financial assets and financial liabilities**

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the company's balance sheet; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the balance sheet.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the balance sheet.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Company receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements; and
- securities lending and borrowing.

Such collateral is subject to standard industry terms including, when appropriate, an ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

Notes to the financial statements
For the year ended 31 December 2015

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2015	Gross amounts of recognised financial assets €000	Gross amounts of recognised financial liabilities offset in balance sheet €000	Net amounts of financial assets presented in the balance sheet €000	Related amounts not offset in the balance sheet			Net amount €000
				Financial instruments (including non-cash collateral) €000	Cash collateral received €000		
Types of financial assets							
Derivatives held for risk management	2,580	-	2,580	(2,580)	-		-
Reverse sale and repurchase, securities borrowing and similar agreements	596,435	-	596,435	(596,435)	-		-
Loans and advances to customers	24,714	-	24,714	-	-		24,714
Total	623,729	-	623,729	(599,015)	-		24,714
Derivatives held for risk management	2,580	-	2,580	(2,580)	-		-
Customer deposits	2,887,807	-	2,887,807	-	-		2,887,807
Total	2,988,346	-	2,988,346	(2,580)	-		2,887,807

Notes to the financial statements
For the year ended 31 December 2015

31 December 2014	Gross amounts of recognised financial assets €000	Gross amounts of recognised financial liabilities offset in balance sheet €000	Net amounts of financial assets presented in the balance sheet €000	Related amounts not offset in the balance sheet		
				Financial instruments (including non-cash collateral) €000	Cash collateral received €000	Net amount €000
Types of financial assets						
Derivatives held for risk management	1,139	-	1,139	(1,139)	-	-
Reverse sale and repurchase, securities borrowing and similar agreements	404,064	-	404,064	(404,064)	-	-
Loans and advances to customers	16,418	-	16,418	-	-	16,418
Total	421,621	-	421,622	(405,203)	-	16,418
Derivatives held for risk management	1,139	-	1,139	(1,139)	-	-
Customer deposits	2,144,880	-	2,144,880	-	-	2,144,880
Total	2,146,019	-	2,146,019	(1,139)	-	2,144,880

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the balance sheet on the following basis:

- derivative assets and liabilities – fair value;
- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost;
- loans and advances to customers – amortised cost; and
- customer deposits – amortised cost.

The tables below reconcile the 'Net amounts of financial assets and financial liabilities presented in the balance sheet', as set out above, to the line items presented in the balance sheet.

Reconciliation to the net amounts of financial assets and financial liabilities presented in the balance sheet

Types of financial assets	Net amounts €000	Line item in balance sheet €000	Carrying amount in balance sheet €000	Financial assets not subject to offsetting €000
Reverse sale and repurchase, securities borrowing and similar agreements	596,435	Loans and advances to group banks	596,435	2,737,949

Notes to the financial statements
For the year ended 31 December 2015**(c) Liquidity risk****Liquidity risk management and monitoring**

Under Northern Trust's risk framework, liquidity risk is governed by the Asset and Liability Management Policy Committee ("ALCO"). The Chief Executive Officer (EMEA) and the Chief Finance Officer (EMEA), both of whom are directors, are members of this committee. On an operating basis, the Company's activities are managed by the EMEA Treasury function with independent oversight from the Market and Liquidity Risk group within Corporate Risk Management.

The Company's liquidity risk is managed according to the company 'Liquidity and Investment Policy Statement'. This sets out the governance, risk appetite, monitoring and reporting framework, including stress testing and contingency funding plans. The directors believe this policy statement satisfies the liquidity risk systems and controls requirements of the PRA and has been approved by the Company's Board of Directors.

The Company primarily invests customer call cash deposits, arising from client global custody settlements activity in the interbank market, with central banks or intragroup with TNTC. It has limited off-balance sheet activity relating primarily to securities lending, which is undertaken on an agency basis. The source of funding for the Company is diversified across its client base which consists of pension funds, corporate customers and financial institutions, with an increasingly geographical spread across Europe. External money market placements of funds are to banks within a list of counterparties approved according to the 'NTGSL Credit Policy Statement', taking concentration and diversification risk into account.

The following liquidity limits, against which exposures are monitored on a daily basis, apply to the Company:

- A High Quality Liquid Asset (HQLA) buffer needs to be maintained such that it is sufficient to cover, on a daily basis, the higher of the net cash outflow which meets an 80% Liquidity Coverage Ratio (LCR) or the maximum cumulative net cash outflow over a 30 day calendar survival period, under approved stress scenarios defined as part of the NTGSL Internal Liquidity Adequacy Assessment Process (ILAAP). The liquidity buffer for the Company is maintained as cash held in Reserve Accounts at the Central Bank of Luxembourg and at the Bank of England as well as in eligible HQLA securities.
- Investment in securities is limited to high quality liquid fixed income securities denominated in EUR, GBP or USD, with a maximum tenor of 3 years.

Overall, Northern Trust manages liquidity on a consolidated basis with scenario analysis and stress testing being used to assess vulnerability to liquidity runs caused by a host of different severe scenarios, including short-term and protracted scenarios for institution specific and market-wide shocks, and combinations of these. The liquidity policies for the Company comply with the PRA system and control requirements for liquidity stress testing and contingency funding planning.

Notes to the financial statements
For the year ended 31 December 2015
Residual contractual maturities of financial liabilities

	Carrying amount €000	Gross nominal outflow €000	Less than one month €000	One to three months €000	Three months to one year €000	Perpetual €000
Deposits by group						
banks	29,448	29,448	29,448	-	-	-
Deposits by other banks	1,868	1,868	1,868	-	-	-
Deposits by customers	2,985,545	2,985,545	2,985,545	-	-	-
Loans and other liabilities	76,562	76,562	-	-	-	76,562
Interest	24	1,622	157	266	1,199	-
As at 31 December 2015	3,093,447	3,095,045	3,017,018	266	1,199	76,562
Deposits by group						
banks	53,849	53,849	53,849	-	-	-
Deposits by other banks	462	462	462	-	-	-
Deposits by customers	2,144,880	2,144,880	2,144,880	-	-	-
Loans and other liabilities	76,562	76,562	-	-	-	76,562
Interest	193	1,782	148	297	1,337	-
As at 31 December 2014	2,275,946	2,277,535	2,199,339	297	1,337	76,562

(d) Market risk
Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Trading risk is a subset of market risk and is the risk of loss from changes in the value of trading positions. Northern Trust considers the full universe of trading risk types in assessing the presence and magnitude of trading risks. The Company does not have a trading book within the meaning of the EU Capital Requirements Regulation (CRR).

There are, however, certain circumstances where the Company can take on foreign exchange risk. In particular, the Company may enter into foreign exchange contracts to pay fees and commissions to sub-custodian and agency banks. In addition, foreign exchange trades may be accepted from clients in jurisdictions where The Northern Trust Company, London Branch ("TNTC London") is not licensed to operate directly with clients. Any foreign exchange risk arising from such trades are closed out with TNTC London or with the market immediately, with the objective of the Company not running any material foreign exchange risk. The overall net overnight foreign exchange position limit is €5,000,000. In addition, it should be noted that the Company does not transact in any options products and the size of the activity in the Company, relative to the size of the foreign exchange markets, renders concentration risk, product illiquidity risk and the other trading risk types immaterial.

Market risk –Interest rate risk

Interest rate risk in the banking book is the risk to earnings or economic value of equity resulting from significant unexpected changes in interest rates. In the case of the Company, potential interest rate risk in the banking book arises from the mismatch in maturity, or re-pricing terms, of customer deposits and investments. Under Northern Trust's risk framework, interest rate risk in the banking book is governed by ALCO. The Chief Executive Officer (NTGS) and Chief Finance Officer (EMEA) are members of this committee.

Notes to the financial statements
For the year ended 31 December 2015

On an operating basis, the Company's treasury activities are managed by the EMEA Treasury function with independent oversight from the Market and Liquidity Risk Group within Corporate Risk Management. Interest rate risk is managed by EMEA Treasury primarily through securities investment tenor limits and sensitivity measures, which are used to assess the impact to earnings and economic value of equity due to changing rates, as which are specified in the "NTGS Liquidity and Investment Policy Statement". A monthly report, which shows the sensitivity of earnings (SOE) and sensitivity of economic value of equity (SEVE) to changing interest rates against approved limits, is produced by Corporate Risk and distributed to the Head of Treasury (EMEA) and the Market and Liquidity Risk Group for review, with exceptions escalated to the appropriate risk committee. SOE is calculated using a simulation, which is based on a +200 basis points ramped change in interest rates from the current market implied forward rates (at equal monthly amounts up to +200 bps), over the next year; the simulated pre-tax net interest income for the next year should not decline by more than 10% of the current year's planned income before taxes. SEVE is calculated using a simulation, which is based on an instantaneous +200bp parallel change in interest rates; simulated economic value of equity should not decline by more than 12% of common equity.

The Company maintains a prudent approach to funding client deposits, generating net interest income either through spreads or by a moderate amount of gapping. This risk is further mitigated by a relatively stable base of deposits for interest rate gapping. On a day to day operating basis, interest rate risk is low. However, on a strategic basis, low interest rate and flattening yield curve markets can impact net interest income margins.

Interest rate gap analysis

As at 31 December 2015	Not more than three months €000	More than three months €000	Non-interest bearing €000	Total €000
Loans and advances to group banks	1,398,413	-	-	1,398,413
Cash at banks	534,380	-	-	534,380
Loans and advances to banks	1,185,260	-	-	1,185,260
Loans and advances to customers	24,714	-	-	24,714
Investment securities	-	170,811	-	170,811
Prepayments and accrued income	4,088	-	15,244	19,332
Fixed assets	-	-	1,007	1,007
Other assets	2,580	-	18,226	20,806
Total assets	3,149,435	170,811	34,477	3,354,723
Deposits by Group banks	29,448	-	-	29,448
Deposits by other banks	1,868	-	-	1,868
Deposits by customers	2,970,000	-	15,545	2,985,545
Accruals and provisions	251	-	2,330	2,581
Other liabilities	-	76,562	56,704	133,266
Loans and other borrowings	-	-	-	-
Total liabilities	3,001,567	76,562	74,579	3,152,708
Overall interest rate gap	147,868	94,249	(40,102)	202,015

Notes to the financial statements
For the year ended 31 December 2015

As at 31 December 2014	Not more than three months €000	More than three months €000	Non-interest bearing €000	Total €000
Loans and advances to group banks	1,156,415	-	-	1,156,415
Cash at banks	374,214	-	-	374,214
Loans and advances to banks	766,212	-	-	766,212
Loans and advances to customers	16,418	-	-	16,418
Investment securities	-	143,146	-	143,146
Prepayments and accrued income	2,726	-	13,415	16,141
Fixed assets	-	-	340	340
Other assets	1,139	-	10,104	11,243
Total assets	2,317,124	143,146	23,859	2,484,129
Deposits by Group banks	53,849	-	-	53,849
Deposits by other banks	462	-	-	462
Deposits by customers	2,142,864	-	2,016	2,144,880
Accruals and provisions	195	-	2,771	2,966
Other liabilities	-	76,562	24,743	101,305
Loans and other borrowings	-	-	-	-
Total liabilities	2,197,370	76,562	29,530	2,303,462
Overall interest rate gap	119,754	66,584	(5,671)	180,667

Sensitivity analysis

A change of 200 basis points in interest rates at the balance sheet date would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 31 December 2014.

	Not more than three months €000	Three to twelve months €000
As at 31 December 2015		
200 bp parallel increase	(741)	1,115
200 bp parallel decrease	757	(1,154)
As at 31 December 2014		
200 bp parallel increase	(635)	1,116
200 bp parallel decrease	649	(1,156)

Notes to the financial statements
For the year ended 31 December 2015
Net currency position analysis

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

As at 31 December 2015	EUR	GBP	JPY	NOK	USD	Other	Total
	€000	€000	€000	€000	€000	€000	€000
Assets							
Loans and advances to group banks	297,529	-	-	85,760	849,245	165,879	1,398,413
Cash at banks	143,917	8,828	104,397	78,744	141	198,353	534,380
Loans and advances to banks	500,000	429,476	-	124,773	-	131,011	1,185,260
Loans and advances to customers	10,451	1,328	-	934	11,477	524	24,714
Investment securities	97,402	13,671	-	-	59,738	-	170,811
Prepay and accrued income	6,674	8,465	(4)	851	2,576	770	19,332
Fixed assets	1,007	-	-	-	-	-	1,007
Other assets	7,123	(220,149)	-	46	232,418	1,368	20,806
	1,064,103	241,619	104,393	291,108	1,155,595	497,905	3,354,723
Liabilities							
Deposits by group banks	-	-	-	-	-	29,448	29,448
Deposits by other banks	505	-	-	-	-	1,363	1,868
Deposits by customers	736,762	235,580	104,400	290,465	1,153,292	465,046	2,985,545
Accruals	1,296	36	22	197	398	632	2,581
Other liabilities	123,503	6,007	(29)	446	1,993	1,346	133,266
Loans and other borrowings	-	-	-	-	-	-	-
	862,066	241,623	104,393	291,108	1,155,683	497,835	3,152,708
Net on-balance sheet financial position	202,037	(4)	-	-	(89)	70	202,015

Notes to the financial statements
For the year ended 31 December 2015

As at 31 December 2014	EUR €000	GBP €000	JPY €000	NOK €000	USD €000	Other €000	Total €000
Assets							
Loans and advances to group banks	350,427	-	2,067	19,783	695,658	88,480	1,156,415
Cash at banks	139,872	40,108	84,451	2,018	1,366	106,399	374,214
Loans and advances to banks	271,000	321,860	-	121,460	-	51,892	766,212
Loans and advances to customers	900	1,357	1	92	7,015	7,053	16,418
Investment securities	76,648	13,045	-	-	53,453	-	143,146
Prepay and accrued income	5,230	7,443	(4)	579	2,023	870	16,141
Fixed assets	340	-	-	-	-	-	340
Other assets	6,162	3	-	243	3,153	1,682	11,243
	850,579	383,816	86,515	144,175	762,668	256,376	2,484,129
Liabilities							
Deposits by group banks	-	34,685	1,034	-	11,111	7,019	53,849
Deposits by other banks	-	-	-	462	-	-	462
Deposits by customers	576,511	182,638	85,485	143,040	911,194	246,012	2,144,880
Accruals and provisions	1,006	563	16	223	434	724	2,966
Other liabilities	92,346	165,933	(18)	452	(160,065)	2,657	101,305
Loans and other borrowings	-	-	-	-	-	-	-
	669,863	383,819	86,517	144,177	762,674	256,412	2,303,462
Net on-balance sheet financial position	180,716	(3)	(2)	(2)	(6)	(36)	180,667

(e) Operational risk (unaudited)

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events. Operational risk typically arises when transactions activity is not executed, settled or recorded accurately or on a timely basis, or where there has been a breach of contractual commitments with clients.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

Notes to the financial statements
For the year ended 31 December 2015

Operational risks within the business are identified and assessed using a standard Risk and Control Self-Assessment ("RCSA") process. The RCSA process analyses the risks that are inherent in the business environment and processing activities and their respective internal control adequacy.

All core processing functions are required to undertake an initial full RCSA process and complete the assessments periodically on a risk based approach thereafter.

The outcome of the RCSA process is a risk weighted control score. Where necessary, these will drive a risk mitigation action plan. RCSA data and action plans are recorded in the Corporation's OpVar system and are monitored and tracked by the Operational Risk Committee.

The Company uses a proprietary Benchmark Capital Model ("BCM") to assess its operational risk capital. BCM employs actual loss history from the relevant business activities of Northern Trust as a whole, supplemented by key risks scenarios built for the Company by business management and risk management teams. This data is modelled to derive a loss distribution curve and capital is provided at a 1 in 200 year confidence level. This approach is informed by the relevant data and programs from Northern Trust's operational risk framework, including RCSA, loss history and scenario analysis, in addition to any relevant risk metrics.

(f) Strategic risk (unaudited)

Strategic risk is the risk of loss arising from adverse effects of business decisions, improper implementation of business decisions, unexpected external events or damage to the reputation of the Corporation and of the UK Entities from negative public opinion. Strategic risk within Northern Trust is managed and overseen both at the Northern Trust Corporation level and at the Company's level.

(g) Capital management (unaudited)

The Company's lead regulator, the PRA, sets and monitors capital requirements for the Company as a whole. The ultimate parent company is directly supervised by its local regulator.

The Company's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital and retained earnings; and
- Tier 2 capital, which is subordinated debt.

The Company's capital position as at 31st December:

	2015 €000	2014 €000
Tier 1	202,014	180,667
Tier 2	76,562	76,562
Total capital	278,576	257,229

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company has complied with all externally imposed capital requirements throughout 2015.

There have been no material changes to the Company's management of capital during the period.

Notes to the financial statements
For the year ended 31 December 2015
31. Operating leases

	2015 €000	2014 €000
Not later than 1 year	266	92
Later than 1 year and not later than 5 years	708	253
Total	975	345

Sublease receivable

	2015 €000	2014 €000
Not later than 1 year	31	-
Later than 1 year and not later than 5 years	113	-
Total	144	-

The Company leases a number of office buildings under operating leases in Abu Dhabi and the Netherlands.

During the year €186,665 was recognised as an expense in the profit and loss account in respect of operating leases (2014: €69,231).

32. Commitments and guarantees

The Company had issued no commitments nor provided any guarantees at year end (2014 - Nil)

33. Subsequent events

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

34. Holding company

The Company is a subsidiary of Northern Trust Holdings Limited, incorporated in the United Kingdom. The Annual accounts can be obtained from 50 Bank Street, Canary Wharf, London, E14 5NT.

The smallest and largest group in which the results of the Company are consolidated is that headed by The Northern Trust Corporation incorporated in the United States of America. The consolidated accounts of the Northern Trust Corporation are available to the public and may be obtained from Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois.

The ultimate holding company in which the results of the Company are consolidated is that headed by Northern Trust Corporation, incorporated in the United States of America. The consolidated accounts of this group are available to the public and may be obtained from Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois.

Notes to the financial statements
For the year ended 31 December 2015

35. Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised:

Transfer pricing

The determination of transfer pricing is made using an "arm's-length" standard that tests what would have occurred in comparable circumstances between comparable, unrelated taxpayers. Judgement is required with regards to the appropriate methodology and verification of reasonableness. Further details are contained in note 11.

Notes to the financial statements
For the year ended 31 December 2015
36. First time adoption of FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2015, the comparative information presented in these financial statements for the year ended 2014 and in the preparation of an opening FRS 101 balance sheet at 01 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.

Identified change:

Software as an intangible assets Under UK GAAP software development costs directly attributable to bringing a computer system or other computer operated machinery into working condition are treated as part of the cost of the related hardware, not a separate intangible asset. According to IAS 38 "An intangible asset is an identifiable non-monetary asset without physical substance." Computer software integral to the related hardware is classified as Property, Plant and Equipment (Fixed assets). Computer software not integral to the related hardware is an intangible asset. All of the computer software costs recognised to date are not integral to the related hardware and meet the criteria of an intangible asset under IAS 38 therefore the software costs have to be reclassified from tangible assets to intangible assets.

		As previously stated 31 December 2014 €000	Effect of transition 31 December 2014 €000	FRS 101 (as restated) 31 December 2014 €000
	Note			
Intangible assets	15	-	10	10
Tangible assets	16	-	330	330
Fixed assets		340	(340)	-
Effect on the balance sheet		340	-	340