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BNYM GIS (UK) Funding II LLC

Strategic report, Managers' report and financial statements

Registered number FC030297

31 December 2015

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BNYM GIS (UK) Funding II LLC

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BNYM GIS (UK) Funding II LLC

Board of Managers and other information

Managers

G J Cohen

J W Jack

J M Johnston

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

UK Establishment

BNYM GIS (UK) Funding II LLC

160 Queen Victoria Street

London

EC4V 4LA

Registered Office

Corporate Trust Centre

1209 Orange Street

Wilmington

New Castle County Delaware 19081

United States

Registered Number

FC030297

BNYM GIS (UK) Funding II LLC

Strategic report

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of BNYM GIS (UK) Funding II LLC ('the Company') business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators

Business review

The Company has continued to operate as a funding company. During the year, the Company reduced its investment in BNYM GIS Funding III LLC through the redemption of preference shares and used the proceeds to repay \$360,000,000 of loan notes.

Financial key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	2015 \$000	2014 \$000	Change \$000	Change %
Dividend income	39,952	51,904	(11,952)	(23)%
Interest payable	(37,574)	(49,088)	11,514	(23)%
Net assets	370,030	367,630	2,400	1%

Dividend income decreased by \$11,952,000 (23%) due to the reduction in the investment in BNYM GIS Funding III LLC during the year.

Interest payable decreased by \$11,514,000 (23%) due to the reduction in the loan from GIS Funding I LLC during the year.

Net assets increased by \$2,400,000 (1%) during the year due to the profit for the year.

Principal risks and uncertainties

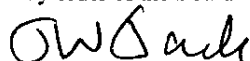
The principal risks and uncertainties affecting the business have been considered and addressed in the Managers' report on pages 3 to 5.

Business and future developments

There are no plans to change the nature of the activities of this Company.

Approval

By order of the Board



J W Jack
Manager

BNYM GIS (UK) Funding II LLC
160 Queen Victoria Street
London
EC4V 4LA

Date: 20 June 2016

Registered number: FC030297

BNYM GIS (UK) Funding II LLC

Managers' report

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

Principal activities

The Company is a funding company that holds investments (via a single subsidiary that acts as an intermediary holding company) in two operating companies that are involved in the provision of trustee and administration services

Results and dividends

The profit for the year after taxation amounted to \$2,400,000 (2014 \$2,839,000 profit)

Interim dividends paid during the year amounted to \$nil (2014 \$nil) The managers do not recommend a final dividend for the year ended 31 December 2015 (2014 \$nil)

Risk management

Governance and policies

Policies and procedures are in place to govern and manage the business Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business

Governance of the Company is ultimately the responsibility of the Board of Managers The Board is responsible for the ongoing success and development of the Company's business

Risk management process

The lines of business are responsible for actively identifying the risks associated with their key business processes business change or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls The objective of this detailed self-assessment is to prevent or minimise

- Errors or service delivery failures, especially those with impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

Risk management works in partnership with the business to ensure that there is a adequate understanding and assessment of, and accountability for all risks that relate to the Company

The Risk Appetite at Bank of New York Mellon Corporation group (the Group') level is set and owned by the BNY Mellon Board of Directors, giving the overall strategy and willingness to take on risk at a global level The Company's risk tolerance is commensurate with local business and regulatory requirements, within the guidance set by the Group and in coordination with the relevant business expertise

Credit risk

Credit risk covers default risk from clients for trade debtors and other assets where realisation of the value of the asset is dependent on counterparties' ability to perform The Company has limited exposure to credit risk

BNYM GIS (UK) Funding II LLC

Managers' report - continued

Risk management process - continued

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange exposure in respect of revenue, expenses, deposits and borrowings, and interest rate exposure on cash balances, deposits and borrowings. The Company has limited exposure to market risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission, breaches in internal controls, fraud and unforeseen catastrophes. The Company manages any operational risk exposure that may arise through the risk governance and policies outlined on page 3.

Liquidity risk

Liquidity risk is the risk that a Company, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms. The Company has limited exposure to liquidity risk.

Business risk

Business risk includes risk to a Company arising from changes in its business, including the risk that the Company may not be able to carry out its business plan and its desired strategy. The Company has limited exposure to business risk.

Compliance risk

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the Company and its executors to fines, payment of damages, the voiding of contracts and damaged reputation. The Company manages any compliance risk exposure that may arise through the risk governance and policies outlined on page 3.

Managers

The managers who served during the year and up to the date of the report were as follows:

	Appointed	Resignation
G J Cohen	5 June 2015	-
J W Jack	-	-
J M Johnston	-	-

Managers' indemnity provision

The Limited Liability Company Agreement of the Company (the "Agreement") provides that in certain circumstances the managers are entitled to be indemnified by the Company against all expenses and liability incurred by them in connection with any actual or threatened claim, action, suit or proceeding by virtue of them being a manager of the Company as more particularly set out in the Agreement. Indemnity provisions of this nature have been in place during the year but have not been utilised by the managers (2014: none utilised).

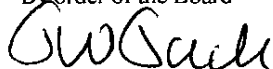
BNYM GIS (UK) Funding II LLC

Managers' report - continued

Post balance sheet events

There are no material post balance sheet events

By order of the Board



J W Jack
Manager

BNYM GIS (UK) Funding II LLC
160 Queen Victoria Street
London
EC4V 4LA

Date 20 June 2016

Registered number FC030297

BNYM GIS (UK) Funding II LLC

Statement of managers' responsibilities in respect of the Strategic report, the Managers' report and the financial statements

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

Company law requires the managers 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 Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101")

Under company law, the managers 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 managers are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, including FRS 101, 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 managers 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.

BNYM GIS (UK) Funding II LLC

Statement of profit and loss

for the year ended 31 December 2015

	Note	2015 \$000	2014 \$000
Income from shares in group undertakings	3	39,952	51,904
Interest receivable and similar income	4	22	23
Interest payable and similar charges	5	<u>(37,574)</u>	<u>(49,088)</u>
Profit on ordinary activities before tax		2,400	2 839
Taxation	6	<u>-</u>	<u>-</u>
Profit for the financial year		<u><u>2,400</u></u>	<u><u>2 839</u></u>

Notes 1 to 13 are integral to these financial statements

All items dealt with in arriving at the Company's results for the financial year and prior year relate to continuing operations

The Company has not prepared a separate statement of other comprehensive income as all the income and losses are reflected in the statement of profit and loss above

BNYM GIS (UK) Funding II LLC

Balance sheet

at 31 December 2015

	Note	2015 \$000	2014 \$000
Fixed assets			
Fixed asset investment	7	<u>1 030,000</u>	<u>1,390,000</u>
		<u>1 030,000</u>	<u>1,390 000</u>
Current assets			
Debtors	8	1	-
Cash at bank and in hand	9	<u>20,136</u>	<u>17,630</u>
		20,137	17,630
Creditors amounts falling due within one year	10	<u>(107)</u>	<u>(360,000)</u>
Net current assets/(liabilities)		20 030	(342 370)
 Total assets less current liabilities		1,050,030	1,047,630
 Creditors amounts falling due after more than one year	11	<u>(680,000)</u>	<u>(680,000)</u>
Net assets		<u>370,030</u>	<u>367,630</u>
 Capital and reserves			
Called up share capital	12	350,000	350,000
Profit and loss account		<u>20 030</u>	<u>17,630</u>
Shareholders' equity		<u>370,030</u>	<u>367,630</u>

Notes 1 to 13 are integral to these financial statements

These financial statements were approved by the Board of Managers and were signed on its behalf by



J W Jack
Manager

Date 20 June 2016

Company registered number FC030297

BNYM GIS (UK) Funding II LLC

Statement of changes in equity

31 December 2015

	Called up Share capital \$000	Profit and loss account \$000	Total equity \$000
Balance at 1 January 2014	350 000	14,791	364,791
Profit for the year	-	2,839	2,839
Balance at 31 December 2014	350,000	17,630	367,630

	Called up Share capital \$000	Profit and loss account \$000	Total equity \$000
Balance at 1 January 2015	350,000	17,630	367,630
Profit for the year	-	2,400	2,400
Balance at 31 December 2015	350,000	20,030	370,030

BNYM GIS (UK) Funding II LLC

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

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is incorporated in the United States and managed in the UK

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). These are the Company's first financial statements produced under FRS 101

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with US Generally Accepted Accounting Principles, which are equivalent to Adopted IFRS. The Bank of New York Mellon Corporation's consolidated financial statements are available at www.bnymellon.com/investorrelations/annualreport/index.html. Accordingly, the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions

Accordingly, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The Company has made no measurement and recognition adjustments as a result of transition to FRS 101

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

- A Cash Flow Statement and related notes,
- Comparative period reconciliations for share capital and tangible fixed assets,
- Disclosures in respect of transactions with wholly owned subsidiaries,
- Disclosure in respect of capital management,
- The effects of new but not yet effective IFRSs

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101

1.2 Exemption from preparation of group financial statements

As noted in section 1.1 above, the Company's ultimate parent company includes the Company in its consolidated financial statements, which are prepared under a basis equivalent to Adopted IFRS. Accordingly, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as the Company and all its subsidiary undertakings are included in the consolidated financial statements for a larger group drawn up for the same date in a manner equivalent to that prescribed by the EU Seventh Directive (83/349/EEC). Therefore, these financial statements present information about the Company as an individual undertaking and not about its group

1.3 Measurement convention

These financial statements are prepared on the historical cost basis

BNYM GIS (UK) Funding II LLC

Notes to the financial statements - continued **for the year ended 31 December 2015**

1 Accounting policies - continued

1.4 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2. In addition, the Managers' report on pages 3 to 5 includes the Company's objectives, policies and processes for managing its capital, its financial risk management objective and its exposures to credit and liquidity risk.

The Company has adequate liquidity and capital. The managers perform an annual going concern review that considers, under a stress test scenario, the Company's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. As a consequence, the managers believe that the Company is well placed to manage its business risks successfully.

Based on the above assessment of the Company's financial position, liquidity and capital, the managers have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.5 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions or balances with entities which form part of the Group.

1.6 Interest receivable and interest payable

Interest income and interest payable is recognised in the statement of profit and loss as it accrues, using the effective interest method.

1.7 Taxation

Tax on the profit or loss for the year comprises of current tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

BNYM GIS (UK) Funding II LLC

Notes to the financial statements - continued for the year ended 31 December 2015

1 Accounting policies - continued

1.8 Foreign currency

The Company's functional currency is US Dollar. The Company's presentational currency is also US Dollar. Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are reported net in the statement of profit and loss within interest receivable or payable.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the statement of profit and loss within interest receivable or payable as appropriate.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.10 Accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions about future conditions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to impairment of investment in subsidiaries. Further information about key assumptions concerning the future and other key sources of estimation uncertainty, are set out in the notes in the financial statements.

2 Managers emoluments

The managers did not receive any remuneration for their services in respect of the Company (2014 \$nil).

3 Income from fixed asset investments

	2015	2014
	\$000	\$000
Income from shares in group undertakings	39,952	51,904
	<u>39,952</u>	<u>51,904</u>

BNYM GIS (UK) Funding II LLC

Notes to the financial statements - continued for the year ended 31 December 2015

4 Interest receivable and similar income

	2015	2014
	\$000	\$000
Receivable from group undertaking	22	23
Total interest receivable and similar income	22	23

5 Interest payable and similar charges

	2015	2014
	\$000	\$000
Payable to group undertaking	37,574	49,088
Total other interest payable and similar charges	37,574	49,088

6 Taxation

Reconciliation of effective tax rate

	2015	2014*
	\$000	\$000
Profit for the year	2,400	2,839
Profit excluding taxation	2,400	2,839
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	486	610
Tax exempt revenues	(8,090)	(11,159)
Losses surrendered to other group entities	7,604	10,549
Total tax expense	-	-

* Comparatives restated for 2014 as the figures were incorrect. This restatement had no tax implications.

Factors that may affect current and total tax charge

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly.

An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the company's future tax charge accordingly. The effect of the reduction from 18% to 17% has not been quantified.

BNYM GIS (UK) Funding II LLC

Notes to the financial statements - continued for the year ended 31 December 2015

7 Fixed asset investment

	Subsidiaries \$000
Cost or valuation	
At 1 January 2015	1,390,000
Redemption of shares	(360,000)
At 31 December 2015	<u>1,030,000</u>
Net book value	
At 31 December 2015	<u>1,030,000</u>
At 31 December 2014	<u>1,390,000</u>

Subsidiaries

The Company has the following investments in subsidiaries

	Country of incorporation	Principal activity	Class of shares held	Ownership 2015	Ownership 2014
BNYM GIS Funding III LLC	United States of America	Holding Company with two subsidiaries, BNY Mellon IS Trust Co and BNY Mellon IS (US) Inc	Preference	84%	84%

Management have conducted an impairment review of the carrying value of the investment based on the net asset values and forecast cash flows of the underlying subsidiaries and concluded that no impairment exists at the balance sheet date

The Company reduced its investment in BNYM GIS Funding III LLC on 30 June 2015 through the redemption of preference shares and used the proceeds to repay \$360 000,000 of loan notes that matured on 30 June 2015

8 Debtors

	2015 \$000	2014 \$000
Accrued interest	<u>1</u>	<u>-</u>
Due within one year	<u>1</u>	<u>-</u>

BNYM GIS (UK) Funding II LLC

Notes to the financial statements - continued for the year ended 31 December 2015

9 Cash and cash equivalents

	2015	2014
	\$000	\$000
Cash at bank and in hand	20,136	17,630
	<u>20,136</u>	<u>17,630</u>

This balance represents deposits held with a UK regulated bank branch within the BNY Mellon group

10 Creditors amounts falling due within one year

	2015	2014
	\$000	\$000
Loan from parent undertaking	-	360,000
Amounts owed to group undertakings	107	-
	<u>107</u>	<u>360,000</u>

11 Creditors amounts falling due after more than one year

	2015	2014
	\$000	\$000
Loan from parent undertaking	680,000	680,000

The loan notes matured on 30 June 2015. As noted in the Strategic report, at that date the Company reduced its investment in BNYM GIS Funding III LLC through the redemption of preference shares and used the proceeds to repay \$360,000,000 of loan notes. The term of the remainder of loan notes were extended to 30 June 2025 on similar terms and conditions as the original issuance at a fixed rate of 3.86%.

12 Capital and reserves

Share capital

	2015	2014
	\$000	\$000
Allotted, called up and fully paid		
350,000,000 Ordinary shares of \$1 each	<u>350,000</u>	<u>350,000</u>

BNYM GIS (UK) Funding II LLC

Notes to the financial statements - continued **for the year ended 31 December 2015**

13 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNYM GIS Funding I LLC, a company registered in United States of America with registered address 1209 Orange Street, Wilmington, DE 19801

The largest and smallest group in which the results of the Company are consolidated is that headed by The Bank of New York Mellon Corporation, incorporated in the United States of America

The ultimate parent company as at 31 December 2015 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from

The Secretary
The Bank of New York Mellon Corporation
225 Liberty Street
New York, NY
10286
USA