NORTHERN
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Northern Trust Global Services Limited

Directors' Report and Financial Statements

For the year ended 31 December 2016

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 Mr J. Rowland Mr D. Wicks
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

Contents

Strategic report
For the year ended 31 December 2016

In accordance with Section 414A (1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of Northern Trust Global Services Limited's ("the Company") business and future developments, and a description of the principal risks and uncertainties facing the Company and key performance indicators.

Business review

The Company's core activities are the provision of custody and depositary services, fund administration and related services. The Company has branches in Luxembourg, the Netherlands and Sweden, and has a representative office in Abu Dhabi. In the first quarter of 2017, the Abu Dhabi office converted to a branch in response to regulatory change in the region.

The Company's client base consists of asset owners and managers across Europe, Middle East and Africa (EMEA).

Financial key performance indicators

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

	2016 €000	2015 €000	Change €000	Change %
Turnover	**98,337**	**84,026**	14,311	17
Administrative expenses	**66,543**	**59,174**	7,369	12
Profit before tax	**39,549**	**29,933**	9,616	32
Net assets	**233,041**	**202,015**	31,026	15

The Company's key performance indicators include Assets Under Custody ("AUC") and Assets Under Administration ("AUA"), both of which recorded significant growth in 2016.

- Client Assets Under Custody ("AUC") have grown to €495.5 billion in 2016 (2015: €465.6 billion)
- Assets Under Administration ("AUA") have grown to €128.8 billion in 2016 (2015: €119 billion)

Net interest income rose by €3.1m in 2016, largely due to a rise in US Dollar base rates during the year and an increase in Investment securities. Increased euro deposits by group banks led to increased interest receivable and increased euro loans and advances to other banks led to increased interest payable, though the net impact was not significant.

Fees and commissions income increased by €16.3m in 2016, primarily driven by two income streams: (i) Custody and depositary increased €9.4m, due to the full year impact of several new clients taken on in the fourth quarter of 2015; and (ii) Fund administration increased €4.2m, due to increased revenue from the transfer agency product offering. Fees from the Securities Lending and Outsourcing services also saw increases in 2016.

Total administrative expenses increased by €7.4m year on year. The majority of 2016 administration expenses relate to the Company's participation in Northern Trust's intra-group transfer pricing mechanism.

Average employee numbers decreased to 43, from 44 in 2015. All other staff involved in the Company's operations are employees of other Northern Trust entities.

Expense reductions arose from a decrease in the number of expatriates and a reduction in fees following the termination of the Company's liquidity facility with another group entity. These cost reductions were partly offset by an increase in consultancy costs of €0.3m for advice on depositary services.

Placements with the Banque Centrale de Luxembourg led to a €1.6bn increase in Total Assets, funded by Euro deposits from The Northern Trust Company ("TNTC") London branch. Net assets increased by €31.0m on prior year, reflecting the increase in reserves from the net profit achieved during 2016.

The Company reported a pre-tax profit of €39.5m (2015: €29.9m) for the year ended 31 December 2016.

Principal risks and uncertainties

The principal risks and uncertainties continue to come from both business growth and the complex regulatory environment including the European Union's Markets in Financial Instruments Directive or "MiFID II". In addition to regulatory risks the political and economic uncertainties of Britain exiting the European Union are being monitored, with the UK government triggering Article 50 of the Lisbon Treaty on 29 March 2017. Operational risk is managed to balance the avoidance of financial losses and damage to the Company's reputation, in line with the Company's risk appetite.

Strategic report
For the year ended 31 December 2016

Strategy

The Company's strategy remains one of business expansion into new products, clients and markets through application of the group's guiding principles of service, expertise and integrity.

The Company aims to be a leading provider of investment servicing solutions to sophisticated global clients, to deliver innovative, high quality front, middle and back office solutions, combined with an outstanding client experience. It will drive strong financial performance through superior risk management, optimal productivity and engaged employees. To achieve this the Company has identified four core pillars on which it will continue to build: Client Engagement, Product Development, Information Technology and Business Optimisation.

Business and future developments

On 19 February 2017 the Company's ultimate parent company, the Northern Trust Corporation, announced that it had entered into an agreement to acquire UBS Asset Management's fund administration servicing units in Luxembourg and Switzerland. The acquisition will enable Northern Trust to expand its presence in Luxembourg, where the Company currently operates a branch providing custody and depositary services, and gain local fund administration capabilities in Switzerland, becoming a leading administrator by assets in the market.

The decision by citizens of the United Kingdom (UK) to leave the European Union (EU) continues to create uncertainty. What remains certain however, is Northern Trust's commitment to the UK and to Europe. We have considered the potential impact of a UK exit (or "Brexit") from the EU, and have undertaken contingency planning for various scenarios which are likely to affect the Company as a consequence of passporting changes.

The Company will continue to evolve its regulatory programme to meet upcoming EU regulatory change, and develop solutions to help clients meet and benefit from a shifting regulatory landscape.

This report was approved by the board on 20 April 2017 and signed on its behalf.

Mr J. Davie
Director

Date: 24 April 2017

Directors' report
For the year ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year, after taxation, amounted to €31,026 thousand (2015: €23,348 thousand).

Dividends paid in the year amount to €Nil (2015: €2,000,000)

Principal 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. In the first quarter of 2017, the Abu Dhabi office converted to a branch in response to a regulatory change in the region.

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 involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. 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") and the Credit Risk, Business Risk and Senior Credit and Capital Market Credit Committees of the ultimate parent company. Risk is assessed and managed by these committees under the Asset and Liability Management and Risk 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 of the Northern Trust Corporation is responsible for the independent review of both risk management and the control environment of the Company. The Company also operates both an Audit Committee and a Risk Committee, supported by its non-executive directors.

Employee Involvement

The Company actively encourages employee involvement and encourages 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 Company is committed to an honest and open culture having an established whistleblowing policy. The average Full Time Equivalent (FTE) during the year was 43 (2015: 44). This comprised: Abu Dhabi 4 (2015: 4), NTGS Lux 16 (2015: 19), Sweden 6 (2015: 5) and Netherlands 17 (2015:16).

Pillar 3 disclosures

As an FCA and PRA regulated firm the Company is required to publish a set of Pillar 3 disclosures on an annual basis. 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 2016 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. Consideration has been given to the financial position of the Company's ultimate parent, Northern Trust Corporation, as reported within the Northern Trust Global Services Limited ("NTGSL") Board's financial updates. The annual ICAAP presented to the Directors has also aided the formation of their opinion and the Company has the ability to continue with its current banking arrangements.

On the basis of their assessment of the Company's financial position and assurance from the Northern Trust Corporation that it will continue at all times to provide the Company with sufficient liquidity and funding to remain a going concern, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The Company will continue to assess the uncertainties around the United Kingdom (UK) leaving the EU otherwise known as "Brexit". The Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report (continued)
For the year ended 31 December 2016

Disclosure of Information to auditors

Each of the persons who are Directors at the time 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

Since the year end, the following significant events have affected the company:

- In the first quarter of 2017, the Abu Dhabi office changed to a branch in response to a regulatory change in the region.
- On 19 February 2017 the Company's ultimate parent company, the Northern Trust Corporation announced that it had entered into an agreement to acquire UBS Asset Management's fund administration servicing units in Luxembourg and Switzerland. The acquisition will enable Northern Trust to expand its presence in Luxembourg, where the Company currently operates a branch providing custody and depositary services, and gain local fund administration capabilities in Switzerland, becoming a leading administrator by assets in the market.
- The decision by citizens of the United Kingdom (UK) to leave the European Union (EU) continues to create uncertainty. What remains certain however, is Northern Trust's commitment to the UK and to Europe. The UK government triggered Article 50 of the Lisbon Treaty on 29 March 2017. We have considered the potential impact of a UK exit (or "Brexit") from the EU, and have undertaken contingency planning for various scenarios which are likely to affect the Company as a consequence of passporting changes. The Company will continue to evolve its regulatory programme to meet upcoming EU regulatory change, and develop solutions to help clients meet and benefit from a shifting regulatory landscape.

Directors

The Directors who served during the year were:

Ms C. Aitchison
Ms P. Biggs
Mr J. Davie
Mr. T. Glaysher
Mr W. Leech
Mr D. Marlborough
Mr J. Misselbrook
Mr J. Rowland (appointed 4 August 2016)
Mr D. Wicks (appointed 18 August 2016)

Political contributions

The Company made no political donations and incurred no political expenditure during the year (2015: Nil).

Auditors

During the year the Audit Committee of the Company instigated an audit tender process, inviting four audit firms to pitch for the audit of the Company's financial statements. The outcome of the process was that KPMG was chosen to be retained as the group's auditor.

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 20 April 2017 and signed on its behalf by:

Mr J. Davie
Director

Date: 24 April 2017

Directors' responsibilities statement
For the year ended 31 December 2016

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 in that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 for the year ended 31 December 2016, set out on pages 9 to 45. 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 auditors' 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 auditors

As explained more fully in the Directors' responsibilities statement set out on page 6, 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 Practicing 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly 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 is consistent with the financial statements.

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

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.

Mike Peck

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

24 April 2017

Profit and loss account
For the year ended 31 December 2016

	Note	2016 €000	2015 €000
Interest receivable	2	**21,388**	12,910
Interest payable	3	**(13,757)**	(8,376)
Net interest income		**7,631**	4,534
Fees and commissions income	4	**110,263**	93,991
Fees and commissions expense	5	**(11,926)**	(9,965)
Other operating income	6	**124**	547
Administrative expenses	7	**(66,543)**	(59,174)
Operating profit		**39,549**	29,933
Tax expense on ordinary activities	12	**(8,523)**	(6,585)
Profit for the financial year		**31,026**	23,348

The notes on pages 12 to 45 form part of these financial statements.

All income and expenses arise from continuing activities.

Statement of other comprehensive income
For the year ended 31 December 2016

	2016 €000	2015 €000
Profit for the financial year	**31,026**	23,348
Total comprehensive income for the year	**31,026**	23,348

Balance sheet
As at 31 December 2016

	Note	2016 €000	2015 €000
Assets			
Cash and Cash equivalents	18	**340,431**	534,380
Loans and advances to group banks	19	**1,070,346**	1,398,413
Loans and advances to other banks		**3,097,513**	1,185,260
Loans and advances to customers	20	**20,747**	24,714
Investment securities	21	**397,024**	170,811
Prepayments and accrued income	22	**22,516**	19,332
Tangible fixed assets	16	**832**	999
Intangible fixed assets	15	**8**	8
Other assets	23	**27,741**	20,806
Total assets		**4,977,158**	3,354,723
Liabilities			
Deposits by group banks		**1,905,350**	29,448
Bank overdrafts		**4,712**	1,868
Deposits by customers		**2,731,630**	2,985,545
Accruals and deferred income	24	**3,313**	2,499
Provisions	25	**139**	82
Other liabilities	26	**98,973**	133,266
Total liabilities		**4,744,117**	3,152,708
Equity			
Called up share capital	29	**142,292**	142,292
Retained Earnings	28	**90,749**	59,723
Total Equity		**233,041**	202,015
Total liabilities and equity		**4,977,158**	3,354,723

The financial statements were approved and authorised for issue by the board on 20 April 2017 and were signed on its behalf on 24 April 2017.

Mr J. Davie
Director

Company number 04795756

The notes on pages 12 to 45 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2016

	Share capital	Retained earnings	Total equity
	€000	€000	€000
At 1 January 2016	**142,292**	**59,723**	**202,015**
Comprehensive income for the year			
Profit for the year	-	**31,026**	**31,026**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	**31,026**	**31,026**
Total contributions by and distributions to owners	-	-	-
At 31 December 2016	**142,292**	**90,749**	**233,041**

The authorised number of shares is 400,000,000, of which 142,292,483 is issued and fully paid.

Statement of changes in equity
For the year ended 31 December 2015

	Share capital	Retained earnings	Total equity
	€000	€000	€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 authorised number of shares is 400,000,000, of which 142,292,483 is issued and fully paid.

The notes on pages 12 to 45 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2016

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.

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 36).

The following principal accounting policies have been applied consistently to all periods presented in the financial statements:

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
- 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 Measurement convention

The financial statements are prepared on a 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.

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies (continued)

1.4 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.

Foreign currency differences arising on translation are generally recognised in the Profit and Loss account.

1.5 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.

1.6 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.

The effective interest rate is the rate that 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.

Interest resulting from negative effective interest rates on a financial asset does not meet the definition of interest income because it reflects a gross outflow, instead of a gross inflow, of economic benefits. The expense arising on a financial asset because of a negative effective interest rate is presented as interest expense. The opposite presentation is applied to the income arising on financial liabilities.

1.7 Fee income and expense

Fee income is derived and payable on services relating to customer 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.

1.8 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.

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies (continued)

1.9 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.

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.

1.10 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.

1.11 Taxation

Tax is recognised in the Profit and loss account, except that a charge 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.

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies (continued)

1.12 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

1.13 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:

Leasehold improvements	- 15 years, or lease term if shorter
Plant and machinery	- 7 years
Office equipment	- 5 years
Computer equipment	- 3 -5 years

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 in the 'other operating income' line in the statement of comprehensive income.

1.14 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.

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.

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies (continued)

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 loans and advances and held to maturity investment within policy note 1.15). 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.

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.

1.15 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

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies (continued)

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

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.

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.

1.16 Comparatives

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

1.17 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 2016

2. Interest receivable and similar income

	2016 €000	2015 €000
Loans and advances to group banks	7,134	2,966
Deposits by group banks	3,133	216
Loans and advances to other banks	4,019	6,073
Deposits by customers	4,846	2,128
Loans and advances to customers	913	750
Investment securities	1,343	777
	21,388	12,910

In line with accounting policy 1.6 and IFRS guidance, negative interest expense is reclassified as interest income.

3. Interest payable and similar charges

	2016 €000	2015 €000
Deposits by customers	2,839	3,413
Deposits by group banks	3,644	3,136
Loans and advances to group banks	2,392	644
Loans and advances to other banks	4,507	813
Other	375	370
	13,757	8,376

In line with accounting policy 1.6 and IFRS guidance, negative interest income is reclassified as interest expense.

4. Fees and commission income

	2016 €000	2015 €000
Custody and depositary	62,391	53,014
Outsourcing fees	2,688	1,541
Security lending	6,157	4,662
Banking fees	68	15
Fund administration	38,959	34,759
	110,263	93,991

5. Fees and commission expense

	2016 €000	2015 €000
Sub-custodian expense	11,926	9,965
	11,926	9,965

Notes to the financial statements
For the year ended 31 December 2016

6. Other operating income

	2016 €000	2015 €000
Foreign exchange difference - gain	124	547
	124	547

7. Administrative expenses

With the exception of 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 other expenses 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. The NTGSL Luxembourg branch settles its own audit fees which are included in administrative expenses.

	2016 €000	2015 €000
Staff Costs (Note 9)	8,049	8,186
Operating lease rentals	239	187
Depreciation	289	130
Transfer Pricing (Note 11)	53,408	45,403
Other	4,558	5,268
	66,543	59,174

8. Auditors' remuneration

The NTGSL Luxembourg branch and a fellow group undertaking, Northern Trust Management Services Limited, paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016 €000	2015 €000
Statutory audit	234	217
Audit related services	299	210
Regulatory advisory services	-	67
	533	494

Notes to the financial statements
For the year ended 31 December 2016

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.

	2016 €000	2015 €000
Wages and salaries	6,723	7,086
Social security costs	611	601
Share based payments (Note 27)	181	164
Staff pension costs (Note 27)	534	335
	8,049	8,186

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

	2016 No.	2015 No.
Average number of Employees	43	44

10. Directors' remuneration

	2016 €000	2015 €000
Directors' emoluments	828	669
Amounts receivable under long-term incentive schemes	593	492
Company contributions to defined contribution pension schemes	6	11
	1,427	1,172

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was €560,507 (2015: €456,402), and company pension contributions of €2,063 (2015: €Nil) were made to a money purchase scheme on his behalf. During the year, the highest paid director exercised 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 4 (2015: 3).

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was 6 (2015: 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 €150,931 (2015: €125,119).

Notes to the financial statements
For the year ended 31 December 2016

11. Transfer pricing

Transfer pricing generally refers to the determination of compensation for transactions conducted between commonly controlled legal entities. 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 entities.

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.

	2016	2015
	€000	€000
Profit and Loss Account		
Amounts transferred to global transfer pricing pool	**(118,019)**	(99,064)
Re-imbursement of expenses, plus mark-up	**25,468**	24,285
Profit pool allocation	**39,143**	29,376
Transfer pricing allocation for the company	**(53,408)**	(45,403)

Notes to the financial statements
For the year ended 31 December 2016

12. Taxation

Corporation tax:

	2016 €000	2015 €000
UK:		
Current tax on profits for the year	6,403	4,694
Adjustments in respect of previous periods	-	(3)
	6,403	4,691
Overseas:		
Current tax on profits for the year	2,073	1,891
Interest on tax	(1)	-
Adjustment in respect of previous periods	48	3
Total tax charge on ordinary activities	8,523	6,585
Total current tax	8,523	6,585

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% (2015: 20.25%).

The differences are explained below:

	2016 €000	2015 €000
Profit on ordinary activities before tax	39,549	29,933
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	7,910	6,061
Effects of:		
Current tax on banking profits exceeding banking surcharge threshold at 8%	57	-
Permanent differences	20	28
Timing differences	14	13
Foreign profit not taxed in UK	(1,597)	(1,408)
Overseas tax suffered	2,120	1,894
Adjustments in respect of previous years	-	(3)
Interest on tax	(1)	-
Total tax charge for the year	8,523	6,585

Notes to the financial statements
For the year ended 31 December 2016

13. Country by Country reporting

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

	UK	Luxembourg branch	Netherlands branch	Sweden branch	Abu Dhabi rep office	Total
For the year ended 2016						
Number of employees *	-	16	17	6	4	43
Turnover (€'000)**	81,067	10,672	6,598	-	-	98,337
Profit before tax (€'000)	31,564	6,584	1,108	293	-	39,549
Public subsidies received (€'000)	-	-	-	-	-	-
€'000						
Corporation tax provision b/f	-	1,231	318	(55)	-	1,494
Accruals	6,397	1,715	336	75	-	8,523
Payments ***	(6,397)	(626)	(483)	(70)	-	(7,576)
Corporation tax c/f	-	2,320	171	(50)	-	2,441

	UK	Luxembourg branch	Netherlands branch	Sweden branch	Abu Dhabi rep office	Total
For the year ended 2015						
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

* 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 Company holds client deposits as banker in the UK and Luxembourg. The Sweden branch and the Abu Dhabi rep office undertake marketing and other client facing support activities.

Notes to the financial statements
For the year ended 31 December 2016

14. Dividends

	2016 €000	2015 €000
On Ordinary Shares	-	2,000
	-	2,000

The dividend paid per share was € Nil per share (2015: € 0.014)

15. Intangible assets

	Software €000
Cost	
At 1 January 2016	229
At 31 December 2016	229
Amortisation	
At 1 January 2016	221
At 31 December 2016	221
Net book value	
At 31 December 2016	8
At 31 December 2015	8

Notes to the financial statements
For the year ended 31 December 2016

16. Tangible fixed assets

	Long-term leasehold property €000	Plant and machinery €000	Fixtures and fittings €000	Office equipment €000	Computer equipment €000	Total €000
Cost or valuation						
At 1 January 2016	1,078	-	13	25	164	1,280
Additions	28	-	-	-	94	122
Transfers between classes	(291)	26	265	-	-	-
At 31 December 2016	815	26	278	25	258	1,402
Depreciation						
At 1 January 2016	197	-	6	10	68	281
Charge for the period on owned assets	202	5	35	5	42	289
At 31 December 2016	399	5	41	15	110	570
Net book value						
At 31 December 2016	416	21	237	10	148	832
At 31 December 2015	881	-	7	15	96	999

17. Fixed Asset investments

During 2016, the company bought 100% of the shares of two investments, NT Property Nominees 1A Limited and NT Property Nominees 1B Limited for £1 each, (equivalent €1 each). The country of incorporation of both entities is the United Kingdom and their principal activity is to act as nominee companies.

18. Cash and cash equivalents

	2016 €000	2015 €000
Bank current accounts	340,431	534,380
	340,431	534,380

Notes to the financial statements
For the year ended 31 December 2016

19. Loans and advances to group banks

	2016 €000	2015 €000
Repayable on demand	**587,167**	666,108
Repayable within 3 months	**483,179**	732,305
	1,070,346	1,398,413

20. Loans and advances to customers

	2016 €000	2015 €000
Repayable on demand	**20,747**	24,714
	20,747	24,714

21. Investment securities

	2016 €000	2015 €000
Held-to-maturity investments < 1 year	**191,542**	25,385
Held-to-maturity investments > 1 year	**205,482**	145,426
	397,024	170,811

22. Prepayments and accrued income

	2016 €000	2015 €000
Accrued interest - group banks	**116**	70
Accrued interest - other banks	**332**	189
Accrued income	**20,900**	17,504
Prepayments	**1,168**	1,569
	22,516	19,332

23. Other assets

	2016 €000	2015 €000
Due within one year		
Trade debtors	**12,090**	10,560
Due from group undertakings	**3,936**	3,622
Derivatives	**-**	2,580
Other assets	**11,715**	4,044
	27,741	20,806

Notes to the financial statements
For the year ended 31 December 2016

24. Accruals and deferred income

	2016 €000	2015 €000
Accrued interest - group banks	**35**	24
Accrued interest - other banks	**57**	-
Accrued interest - customers	**257**	226
Accruals	**2,964**	2,249
	3,313	2,499

25. Provisions

	2016 €000
Balance as at 1 January 2016	**82**
Provisions made during the year	**54**
Discount rate adjustment and computed interest	**1**
Foreign exchange movement	**2**
Balance as at 31 December 2016	**139**

This relates to the dilapidation provision for leasehold improvements in the Abu Dhabi and Sweden offices.

26. Other liabilities

	2016 €000	2015 €000
Provision for tax	**2,441**	1,494
Other liabilities	**1,530**	3,863
Due to group undertaking < 1 year	**18,440**	51,347
Loan from parent company > 1 year	**76,562**	76,562
	98,973	133,266

At 31 December 2016 there is a loan from the parent company, Northern Trust Holdings Limited for €76.6 million (2015: €76.6 million). This loan is subordinated in all respects to the claims of other creditors and repayable either on liquidation of the borrower or, if agreed with the lender, with express permission granted by the regulators (Prudential Regulatory Authority and Financial Conduct Authority). The loan is perpetual, meaning it has no maturity date. Interest on this loan is expressed as a percentage per annum equal to the prevailing 12-month Euribor rate on 27 December in each year, or the next business day, plus 200 basis points or such other rate as may be agreed by the parties.

Notes to the financial statements
For the year ended 31 December 2016

27. 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 €533,972 (2015: €335,343)

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. 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 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 and equity settled awards granted during the year total 3264 units (2015: 2676 units). The market price at award date was USD 58.25 (2015: USD 69.57 to USD 72.63). 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 3.32 years.

The weighted average share price at the date of exercise of share options exercised during the year was USD 63.36 (2015: USD 51.71).

28. Reserves

Profit and loss account

Accumulated Profit is recognised in Retained Earnings.

29. Share capital

	2016 €000	2015 €000
Authorised		
400,000,000 Ordinary shares of €1 each	**400,000**	400,000
Allotted, called up and fully paid		
142,292,483 Ordinary shares of €1 each	**142,292**	142,292

Notes to the financial statements
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30. 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
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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 Assets	2016 Carrying amount €000	Fair value €000	Level 1 €000	Level 2 €000	Level 3 €000	2015 Carrying amount €000	Fair value €000	Level 1 €000	Level 2 €000	Level 3 €000
Derivatives										
Forward exchange contracts	-	-	-	-	-	2,580	2,580	-	2,580	-
Total FX Forward contract	-	-	-	-	-	2,580	2,580	-	2,580	-
Held to maturity financial assets										
Held to maturity investments	397,024	396,576	396,576	-	-	170,811	171,127	171,127	-	-
Total held to maturity financial assets	397,024	396,576	396,576	-	-	170,811	171,127	171,127	-	-
Loans and receivables *										
Other loan and debtors	4,556,778	4,556,778	-	-	4,556,778	3,160,992	3,160,992	-	-	3,160,992
Total loans and receivables	4,556,778	4,556,778	-	-	4,556,778	3,160,992	3,160,992	-	-	3,160,992
Total financial assets	4,953,802	4,953,354	396,576	-	4,556,778	3,334,383	3,334,699	171,127	2,580	3,160,992

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

Notes to the financial statements
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Liabilities	2016 Carrying amount €000	2016 Fair value €000	2016 Level 1 €000	2016 Level 2 €000	2016 Level 3 €000	2015 Carrying amount €000	2015 Fair value €000	2015 Level 1 €000	2015 Level 2 €000	2015 Level 3 €000
Derivatives										
Forward exchange contracts	-	-	-	-	-	2,580	2,580	-	2,580	-
Total FX Forward contract	-	-	-	-	-	2,580	2,580	-	2,580	-
Financial liabilities measured at amortised cost										
Borrowings	4,641,692	4,641,692	-	-	4,641,692	3,093,422	3,093,422	-	-	3,093,422
Other financial liabilities measured at amortised cost	102,425	102,425	-	-	102,425	56,706	56,706	-	-	56,706
Total financial liabilities measured at amortised cost	4,744,117	4,744,117	-	-	4,744,117	3,150,128	3,150,128	-	-	3,150,128
Total financial liabilities	4,744,117	4,744,117	-	-	4,744,117	3,152,708	3,152,708	-	2,580	3,150,128
Total financial instruments	209,686	209,238	396,576	-	(187,338)	181,675	181,991	171,127	-	10,864

The following table shows the valuation techniques used for Level 2 and Level 3 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)

31. 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 Board's 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 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 Europe, Middle East and Africa (EMEA) Entities' businesses (including the Company) and execution of the agreed strategies. The Company has branches in the Netherlands, Sweden and Luxembourg, and a representative office in Abu Dhabi. In the first quarter of 2017, the Abu Dhabi office converted to a branch in response to a regulatory change in the region. 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 relevant 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 achieve an appropriate balance between risk and return and to minimise potential adverse effects on the Company's financial performance.

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(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)

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 realisation 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

NTC's Capital Markets Credit Committee ("CMCC") is responsible for approving wholesale market counterparties and limits for money market placements. 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 is responsible for monitoring exposures and recommending changes to the CMCC. The Company aims to mitigate risk by the selection of top tier counterparts, who are usually systemically important banks.

Approval and monitoring of investment security issuers

CMCC is responsible for approving all investment security issuers and limits for purchase of permitted security types of these issuers subject always to local regulatory limits applicable to the Company. The Counterparty Credit Risk Analyst team monitors exposures and recommends changes to the CMCC. The Company aims to mitigate risk by the selection of high quality issuers.

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

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

Approval and monitoring of credit for custody clients

If custody clients seek formal overdraft facilities, relationship managers are responsible for initiating a request for limits to the Global Financial Institutions ("GFI") team. The GFI team is responsible for undertaking credit analysis and presenting 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.

Approval and monitoring of securities lending exposures

NTC's Capital Markets Credit Committee ("CMCC") is responsible for approving securities lending counterparties and limits. The Company acts as securities lending agent and provides 'enhanced' indemnities to its clients, in the event of a borrower default. Loans of client securities are required to be fully collateralised with cash, government securities or other types of collateral depending on the guidelines.

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Credit approvals - other considerations

Beyond the consideration of quantitative credit factors used in credit decisions, the assessment process is designed to take account of the credit staff's qualitative judgement and 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.

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 2016. The table allocates exposures to regions based on the country of domicile of individual counterparties.

	Europe €000	North America €000	Australia €000	Asia €000	Middle East & Africa €000	Other regions €000	Total €000
Cash and cash equivalents	**111,839**	**2,007**	**8,072**	**85,727**	**109,538**	**23,248**	**340,431**
Loans and advances to group banks	**601,748**	**8,567**	**-**	**-**	**-**	**-**	**610,315**
Loans and advances to other banks	**3,042,414**	**-**	**-**	**55,099**	**-**	**-**	**3,097,513**
Loans and advances to customers	**20,691**	**-**	**9**	**-**	**46**	**1**	**20,747**
Reverse repurchase agreements	**-**	**460,031**	**-**	**-**	**-**	**-**	**460,031**
Investment securities	**391,959**	**5,065**	**-**	**-**	**-**	**-**	**397,024**
As at 31 December 2016	**4,168,651**	**475,670**	**8,081**	**140,826**	**109,584**	**23,249**	**4,926,061**
Cash and cash equivalents	280,776	2,054	1,287	161,880	64,259	24,124	534,380
Loans and advances to group banks	673,232	128,746	-	-	-	-	801,978
Loans and advances to other banks	1,185,260	-	-	-	-	-	1,185,260
Loans and advances to customers	33,438	715	(1,025)	54	(67)	(8,401)	24,714
Reverse repurchase agreements	147,990	448,445	-	-	-	-	596,435
Investment securities	170,811	-	-	-	-	-	170,811
As at 31 December 2015	2,491,507	579,960	262	161,934	64,192	15,723	3,313,578

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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
Cash and cash equivalents	**-**	**340,431**	**340,431**
Loans and advances to group banks	**-**	**610,315**	**610,315**
Loans and advances to other banks	**-**	**3,097,513**	**3,097,513**
Loans and advances to customers	**20,747**	**-**	**20,747**
Reverse repurchase agreements	**-**	**460,031**	**460,031**
Investment securities	**-**	**397,024**	**397,024**
As at 31 December 2016	**20,747**	**4,905,314**	**4,926,061**
Cash and cash equivalents	-	534,380	534,380
Loans and advances to group banks	-	801,978	801,978
Loans and advances to other banks	-	1,185,260	1,185,260
Loans and advances to customers	24,714	-	24,714
Reverse repurchase agreements	-	596,435	596,435
Investment securities	-	170,811	170,811
As at 31 December 2015	24,714	3,288,864	3,313,578

Credit quality of financial assets and impairment losses

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

	2016 Gross €000	2015 Gross €000
0-30 days	**6,613**	4,265
31-120 days	**4,476**	5,695
More than 120 days	**1,001**	600
	12,090	10,560

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

There was no impairment during the year (2015: Nil).

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Offsetting financial assets and financial liabilities

The disclosures set out 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 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.

The gross amounts of recognised financial assets are the same as the net amounts as at 31 December 2016 and 31 December 2015.

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(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 Finance Officer (EMEA), who is a director, is a member 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 The Northern Trust Company, London Branch ("TNTC London"). 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 a 100% 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 5 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.

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	**1,905,350**	**1,905,350**	**1,905,350**	**-**	**-**	**-**
Bank overdrafts	**4,712**	**4,712**	**4,712**	**-**	**-**	**-**
Deposits by customers	**2,731,630**	**2,731,630**	**2,731,630**	**-**	**-**	**-**
Loans	**76,562**	**76,562**	**-**	**-**	**-**	**76,562**
Interest	**91**	**1,577**	**215**	**248**	**1,115**	**-**
As at 31 December 2016	**4,718,345**	**4,719,831**	**4,641,907**	**248**	**1,115**	**76,562**
Deposits by group banks	29,448	29,448	29,448	-	-	-
Bank overdrafts	1,868	1,868	1,868	-	-	-
Deposits by customers	2,985,545	2,985,545	2,985,545	-	-	-
Loans	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

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(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 Finance Officer (EMEA) is a member 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. 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 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.

The following market risk tables include financial and non-financial assets and liabilities for the purpose of agreement to the balance sheet.

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Interest rate gap analysis

As at 31 December 2016	Not more than three months €000	More than three months €000	Non-interest bearing €000	Total €000
Cash and cash equivalents	177,136	-	163,295	340,431
Loans and advances to group banks	957,305	-	113,041	1,070,346
Loans and advances to other banks	3,097,513	-	-	3,097,513
Loans and advances to customers	20,747	-	-	20,747
Investment securities	59,131	337,893	-	397,024
Prepayments and accrued income	8,229	-	14,287	22,516
Fixed assets	-	-	840	840
Other assets	-	-	27,741	27,741
Total assets	4,320,061	337,893	319,204	4,977,158
Deposits by group banks	1,905,350	-	-	1,905,350
Bank overdrafts	4,712	-	-	4,712
Deposits by customers	2,706,675	-	24,955	2,731,630
Accruals and provisions	348	-	3,104	3,452
Other liabilities	-	76,562	22,411	98,973
Total liabilities	4,617,085	76,562	50,470	4,744,117
Overall interest rate gap	(297,024)	261,331	268,734	233,041

As at 31 December 2015	Not more than three months €000	More than three months €000	Non-interest bearing €000	Total €000
Cash and cash equivalents	344,464	-	189,916	534,380
Loans and advances to group banks	1,328,872	-	69,541	1,398,413
Loans and advances to other 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	2,889,978	170,811	293,934	3,354,723
Deposits by group banks	29,448	-	-	29,448
Bank overdrafts	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
Total liabilities	3,001,567	76,562	74,579	3,152,708
Overall interest rate gap	(111,589)	94,249	219,355	202,015

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Sensitivity analysis

The primary market risk that the Company is subject to is interest rate risk. As at 31 December 2016 the Company held no financial instruments classified as fair value through the profit or loss or as available-for-sale (2015: Nil). Accordingly, a change in interest rates at the balance sheet date would not have materially changed profits or shareholder equity.

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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 2016	EUR	GBP	JPY	NOK	USD	Other	Total
	€000	€000	€000	€000	€000	€000	€000
Assets							
Cash and cash equivalents	77,518	3,862	11,301	11,992	17,283	218,475	340,431
Loans and advances to group banks	112,912	42,223	67,480	21,103	630,381	196,247	1,070,346
Loans and advances to other banks	2,550,000	191,796	-	355,717	-	-	3,097,513
Loans and advances to customers	849	9,247	32	1,242	9,193	184	20,747
Investment securities	106,085	106,667	-	-	184,272	-	397,024
Prepaid and accrued income	6,802	11,171	(1)	789	3,004	751	22,516
Fixed assets	840	-	-	-	-	-	840
Other assets	3,606	7,446	711	137	9,648	6,193	27,741
	2,858,612	372,412	79,523	390,980	853,781	421,850	4,977,158
Liabilities							
Deposits by group banks	1,875,000	6,500	-	-	23,850	-	1,905,350
Bank overdrafts	-	379	-	-	-	4,333	4,712
Deposits by customers	660,241	358,879	79,562	390,229	825,991	416,728	2,731,630
Accruals and provisions	2,191	29	4	172	510	546	3,452
Other liabilities	88,129	6,631	(43)	580	3,529	147	98,973
	2,625,561	372,418	79,523	390,981	853,880	421,754	4,744,117
Net on-balance sheet financial position	233,051	(6)	-	(1)	(99)	96	233,041

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For the year ended 31 December 2016

As at 31 December 2015	EUR	GBP	JPY	NOK	USD	Other	Total
	€000	€000	€000	€000	€000	€000	€000
Assets							
Cash and cash equivalents	143,917	8,828	104,397	78,744	141	198,353	534,380
Loans and advances to group banks	297,529	-	-	85,760	849,245	165,879	1,398,413
Loans and advances to other 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
Prepaid 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
Bank overdrafts	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 and provisions	1,296	36	22	197	398	632	2,581
Other liabilities	123,503	6,007	(29)	446	1,993	1,346	133,266
	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)	-	-	(88)	70	202,015

(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.

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 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.

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(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:

	2016	2015
	€000	€000
Tier 1	**233,041**	202,015
Tier 2	**76,562**	76,562
Total capital	**309,603**	278,577

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 2016.

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

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32. Operating leases

	2016 €000	2015 €000
Not later than 1 year	**276**	266
Later than 1 year and not later than 5 years	**436**	708
Total	**712**	974

	2016 €000	2015 €000
Sublease receivable		
Not later than 1 year	**31**	31
Later than 1 year and not later than 5 years	**81**	113
Total	**112**	144

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

During the year €238,576 was recognised as an expense in the profit and loss account in respect of operating leases (2015: €186,665).

33. Commitments and guarantees

The Company had issued no commitments nor provided any guarantees at year end (2015: Nil)

34. Subsequent events

The following significant events have affected the Company since the year end:

- In the first quarter of 2017, the Abu Dhabi office changed to a branch in response to a regulatory change in the region.
- On 19 February 2017 the Company's ultimate parent company, the Northern Trust Corporation announced that it had entered into an agreement to acquire UBS Asset Management's fund administration servicing units in Luxembourg and Switzerland. The acquisition will enable Northern Trust to expand its presence in Luxembourg, where the Company currently operates a branch providing custody and depositary service.
- The decision by citizens of the United Kingdom (UK) to leave the European Union (EU) continues to create uncertainty. What remains certain however, is Northern Trust's commitment to the UK and to Europe. The UK government triggered Article 50 of the Lisbon Treaty on 29 March 2017. The potential impact of a UK exit (or "Brexit") from the EU has been considered and contingency planning for various scenarios which are likely to affect the Company as a consequence of passporting changes has been undertaken.

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35. 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.

36. 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.