BNY MELLON

The Bank of New York Mellon (International) Limited

Pillar 3 Disclosure

December 31, 2019

Executive summary

Capital

Risk

Human resources

Appendices

Executive summary

1 Article 431 CRR - Scope of disclosure requirements

1.1 Disclosure policy

This document comprises The Bank of New York Mellon (International) Limited's (the 'Company') Pillar 3 disclosures on capital and risk management at 31 December 2019. These Pillar 3 disclosures are published in accordance with the requirements of the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD'), referred to together as CRD IV, which came into effect on 1 January 2014. CRD IV has the effect of implementing the international Basel III reforms of the Basel Committee on Banking Supervision within the European Union. The Pillar 3 disclosure requirements are contained in Part Eight of the CRR, in particular articles 431 to 455.

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD IV. When assessing the appropriateness of these disclosures in the application of Article 431(3) of the CRR, The Bank of New York Mellon (International) Limited has ensured adherence to the following principles of:

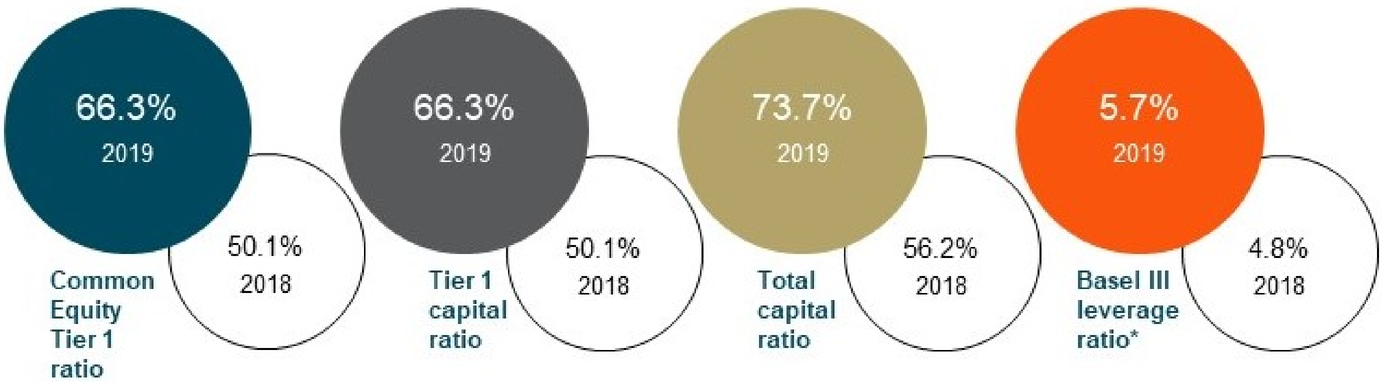
- Clarity
- Meaningfulness
- Consistency over time
- Comparability across institutions

The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. The Bank of New York Mellon (International) Limited has adopted this approach with information presented at a fully consolidated level and also presented at a solo level where appropriate.

Information in this report has been prepared solely to meet Pillar 3 disclosure requirements of the entity noted, and to provide certain specified information about capital, risk and details about the management of those risks, and for no other purpose. These disclosures do not constitute any form of financial statement of the business nor do they constitute any form of contemporary or forward-looking record or opinion about the business.

Unless indicated otherwise, information contained within this document has not been subject to external audit.

In line with Article 13(1) CRR, The Bank of New York Mellon (International) Limited is required to disclose information to the extent applicable in respect of Own Funds, Capital Requirements, Capital Buffers, Credit Risk Adjustments, Remuneration Policy and Leverage at a consolidated and solo level. The following Key Metrics, Own Funds, Capital Buffers and Remuneration Policy information is presented on a consolidated and solo basis for The Bank of New York Mellon (International) Limited. There is no material difference in the risk profile between solo and consolidated and therefore Capital Requirements and Credit Risk Adjustments information is only shown at the consolidated level. The following metrics are presented on a consolidated basis.



* This ratio is for information only. The Bank of New York Mellon (International) Limited is not subject to a binding leverage requirement.

CET1 ratio	=	CET1 capital / Pillar 1 RWAs
Tier 1 ratio	=	Tier 1 capital / Pillar 1 RWAs
Total capital ratio	=	Total capital / Pillar 1 RWAs
Basel III leverage ratio	=	Capital measure / Exposure measure

1.2 The Basel III framework

Basel III is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel III framework was implemented in the European Union through the Capital Requirements Directive ('CRD') and establishes a more risk-sensitive approach to capital management. It is comprised of three pillars:

Pillar 1 - Minimum capital requirement:

Establishes rules for the calculation of minimum capital for credit risk, counterparty credit risk, market risk, operational risk and capital resources requirements.

Pillar 2 - Supervisory review process:

Requires firms and supervisors to undertake an internal capital adequacy assessment process to determine whether the financial institution needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly.

Pillar 3 - Market discipline:

Complements the other two pillars and effects market discipline through public disclosure showing an institution’s risk management policies, approach to capital management, capital resources and an analysis of its credit risk exposures.

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content.

1.3 Purpose of Pillar 3

Pillar 3 requires the external publication of exposures and associated risk-weighted assets and the approach to calculating capital requirements for the following risk and exposure types:

These Pillar 3 disclosures focus only on those risk and exposure types relevant to The Bank of New York Mellon (International) Limited.

The Bank of New York Mellon (International) Limited includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and an analysis of its credit risk exposures. The disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into its approach to risk management.

1.4 Article 432 CRR - Non-material, proprietary or confidential information

In accordance with CRD IV, the Board may omit one or more disclosures if the information provided is not regarded as material. The criterion for materiality used in these disclosures is that The Bank of New York Mellon (International) Limited will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Furthermore, the Board may omit one or more disclosures if the information provided is regarded as proprietary or confidential. Information is regarded as proprietary if disclosing it publicly would undermine the competitive position of a company. It may include information on products or systems which, if shared with competitors, would render an institution’s investment therein less valuable. In such circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure. In addition it will publish more general information about the subject matter of the disclosure requirement except where this is classified as confidential.

The Bank of New York Mellon (International) Limited undertakes no obligation to revise or to update any forward-looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

1.5 Article 433/434 CRR - Frequency and means of disclosure

Disclosure will be made annually based on calendar year-end and will be published in conjunction with the preparation of the Annual Report and Financial Statements. The Bank of New York Mellon (International) Limited will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business, including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

This policy will be reassessed periodically and updated in light of market developments associated with Pillar 3.

Disclosures are published on The Bank of New York Mellon Corporation group website which can be accessed using the link below:

BNY Mellon Investor Relations - Pillar 3

1.6 Governance: approval and publication

Pursuant to the BNY Mellon EMEA Pillar 3 disclosure policy, these disclosures were approved for publication by the Board on 20 April 2020. The Board approved the adequacy of The Bank of New York Mellon (International) Limited's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to The Bank of New York Mellon (International) Limited's profile and strategy.

1.7 Key 2019 and subsequent events

The Board periodically reviews the strategy of the Company and the associated products and services it provides to clients. This generally takes place during the first quarter of each year following the annual refresh of the legal entity strategy.

During 2019, the key change to the operations of the Company was the transfer of the business of its Luxembourg Branch to another Group entity (The Bank of New York Mellon SA/NV), with the following impacts:

- reduction in the balance sheet of £2.5 billion as a result of the loss of customer deposits; and
- reduction in revenue year on year of £61.2 million and an associated reduction in profit of £21.9 million.

The BNY Mellon Group is currently reviewing the future of certain legal entities as part of its integration plan to manage its business operations through fewer legal entities. During 2017, the Company's subsidiary, BNY Mellon Trust and Depositary (UK) Limited sold its business to The Bank of New York Mellon (International) Limited with the business transfer completing during 2019. BNY Mellon Trust and Depositary (UK) Limited is expected to be wound down in the future.

Brexit

The UK formally left the European Union ('EU') on 31 January 2020 and ceased to be an EU member state on that date. The departure is subject to a transition period, lasting until the end of 2020 and the UK's future relationship with the EU is subject to ongoing negotiation.

The UK's withdrawal from the European Union ("Brexit") is expected to have limited impact on the Company due to the majority of the Company's customers being domiciled in the UK and the nature of assets in which it invests.

The Company continues to monitor progress post-Brexit and is proactively engaging with clients on their key concerns and considerations. In the first quarter of 2019, the programme's analysis and planning took into account regulatory and supervisory guidance and a range of potential economic scenarios, and considered the impact of such scenarios on the Company's operating model. In order to ensure full preparedness for

Brexit, the Company assessed its operations and services against a range of Brexit scenarios, including passporting, equivalency, and “Hard Brexit”, which we define as third country status for the UK, no Single Market access and no transition period. Our contingency plans, which have largely been completed, assumed a “Hard Brexit”, in line with regulatory guidance.

The Company’s Luxembourg Branch asset servicing clients were advised of the potential loss of the ability to service assets under a Hard Brexit scenario. As a result, their asset portfolio, together with staff supporting that business, was migrated to another BNY Mellon Group entity which completed during the first quarter of 2019. The impact of the migration on the Company’s 2019 financial results has been included in the “Business review” section of the Strategic report. The Company is now in the process of winding up its Luxembourg Branch.

The Company no longer has access to the European Central Bank ('ECB') via its Luxembourg Branch. In the absence of access to a European Central Bank, the Company manages excess Euro liquidity by investing in Euro-denominated assets and swapping residual Euro balances into Sterling and placing them at the Bank of England.

As a result of the nature of the Company’s asset base, significant balance sheet valuation impacts are not expected; however significant adverse movements in financial market values could impact the Company’s future financial performance by reducing *ad valorem* fees pre and post the transition period.

Other risks which may arise as a result of the Brexit process include operational impact arising from changes to the legal and regulatory framework in which the Company operates.

As the Brexit transition progresses, the Company continues to monitor new developments and any further implications that may impact the Company’s services.

Whereas the above changes reduced income and profitability for the Company during the year, accompanied by a reduction in balance sheet size due to the loss of Luxembourg branch customer deposits; the Company is expected to remain profitable over the next 12 months, with a robust balance sheet and significant headroom above regulatory capital requirements. As such, there is no material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

Interbank Offered Rates ('IBOR') reform

The Financial Stability Board ('FSB') has conducted a review of major interest rate benchmarks in use across the world’s financial markets, including Interbank Offered Rates, and subsequently made recommendations to review and reform benchmarks, and to transition to alternate reference rates.

The BNY Mellon Global IBOR Transition Programme (“the Programme”) has been set up to manage the IBOR transition. As part of the Programme, the Company continues to assess the impact of the planned phasing out of IBOR and transition to a new benchmark by UK regulators expected by the end of 2021.

Given the nature of the assets held by the Company, the primary exposures to such rates are deemed to be low compared to other companies operating within the banking sector. Certain operational risks however exist regarding the Company’s business model, including execution, maintenance and reporting risk relating to the processing of Assets Under Custody ('AUC'), legal risk arising from legal claims and contract frustration, in particular where acting in a Trust or service capacity, and technology risk relating to impacted systems not being sufficiently updated to deal with the transition.

Working with the Programme, the Company is taking steps to manage its principal exposure to IBOR-based instruments via explicit investment decisions, and focussing on mitigating the risks identified. This has included monitoring market developments through industry groups and consultations, regularly engaging with clients to monitor expected client impacts and ensure transition awareness, and to remediate or restructure operational areas where updates are deemed to be required in relation to expected changes.

Other macro environmental risks (including coronavirus)

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and has led to an increased level of uncertainty among companies and global financial markets. To ensure the health and wellbeing of its people and continuing ability to service its clients, the Company has moved to a largely working-from-home model and both the Company and wider BNY Mellon Group have implemented enhanced monitoring and oversight controls. Management has concluded that the impact of COVID-19 is a non-adjusting post balance sheet event in respect of the financial statements for the year ended 31 December 2019. Consideration of the impact of the uncertainty on the Company's financial statements and operational resilience is summarised below.

Company's operational resilience

Management has through its enhanced monitoring and oversight controls assessed the impact of COVID-19 on the Company's existing operational processes and its potential impact on its key stakeholders.

- *People:* The Company remain focused on the health and wellbeing of its employees. To achieve this objective, the majority of people supporting the Company's operations including offshore workforce are working from home supported by enhancements to existing technology and IT infrastructure. Both the onshore and offshore workforce remain operational, driven by the actions taken by management to minimise the operational risks associated with the current uncertainty.
- *Clients:* The Company has stayed fully operational, demonstrating its commitment and capacity to support its clients.
- *Suppliers:* No significant issues have been noted to date.
- The Company's key information technology systems and infrastructure, including those outsourced, continue to operate as normal.

The Company is adequately capitalised and as at 31 March 2020, it had sufficient headroom above regulatory capital requirements and risk appetite. Refer to note 30 of the Annual Report where we give details of the regulatory capital position as at 31 December 2019.

Going concern

The Directors have had regard to management's assessment in determining whether there are material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern and have concluded that no such uncertainties exist. In reaching this conclusion, management has considered:

- The financial impact of the uncertainty on the Company's balance sheet and current and projected capital position. The Company's capital management is discussed in the section 'Capital management' on page 16 of the Annual Report. The Company is adequately capitalised and as at 31 March 2020, it had sufficient headroom above regulatory capital requirements and risk appetite. Refer to note 30 of the Annual Report where we give details of the regulatory capital position as at 31 December 2019;
- Liquidity position based on current and projected cash resources and regulatory requirements. The Company currently has sufficient 'Liquidity Coverage Ratio' ("LCR") above regulatory requirement which is designed to test short-term resilience to liquidity disruptions;
- Capital and liquidity stress tests on reasonably plausible scenarios. In addition, an extreme revenue scenario assuming zero revenue for a period of 12 months from the date of signing the financial statements was considered by management. Mitigation of the Company's liquidity risk exposure and capital management is discussed in note 2 ("Financial risk management") and the 'Capital management' section on page 16 of the Annual Report respectively;
- Reverse stress tests; and
- The Company's operational resilience with respect to the impact of the pandemic on existing processes and key resources and relationships such as its people, clients, suppliers and its existing information technology systems and infrastructure.

The Company continues to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining a robust balance sheet and sufficient headroom above regulatory capital requirements and internally-set risk appetite.

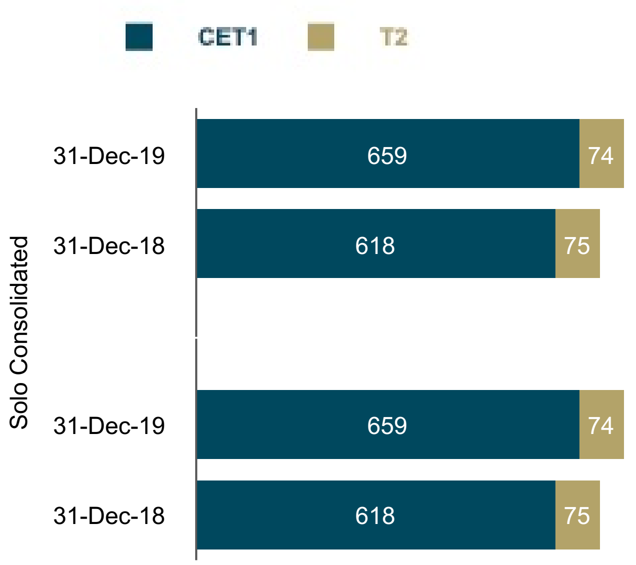
Climate Change

The Bank of New York Mellon (International) Limited is committed to understanding and mitigating the financial risks resulting from climate change, and is actively enhancing its focus on managing these risks. Within section 4.10 there is a description of the current status of The Bank of New York Mellon (International) Limited's approach, using the framework as recommended in the June 2017 Task Force on Climate-related Financial Disclosures ('TCFD') publication, *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*.

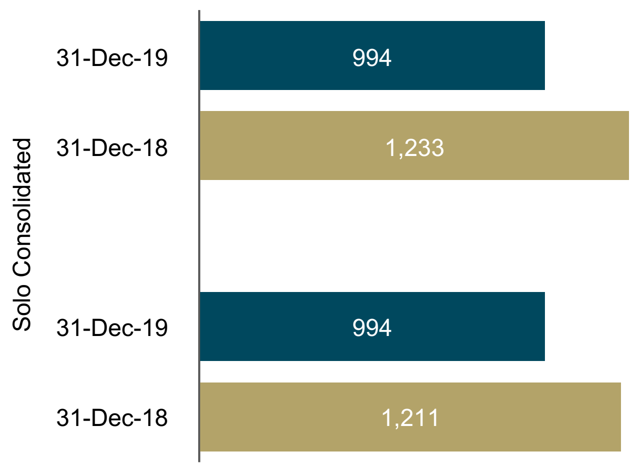
1.8 Key metrics

The following risk metrics reflect The Bank of New York Mellon (International) Limited's risk profile:

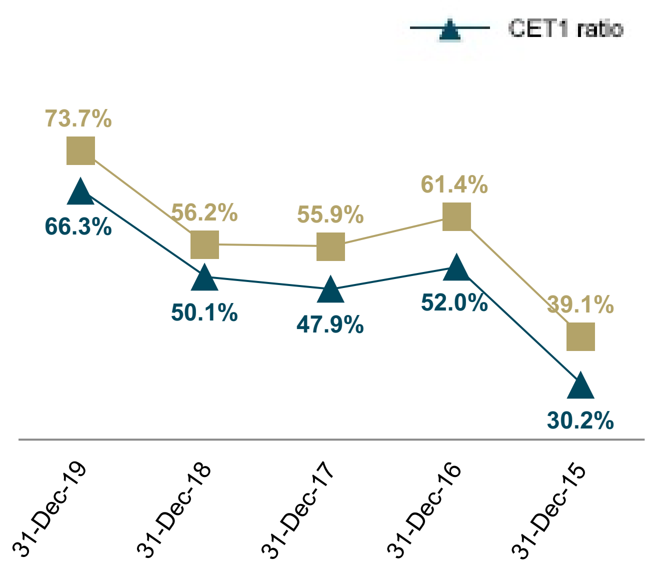
Regulatory capital (£m)



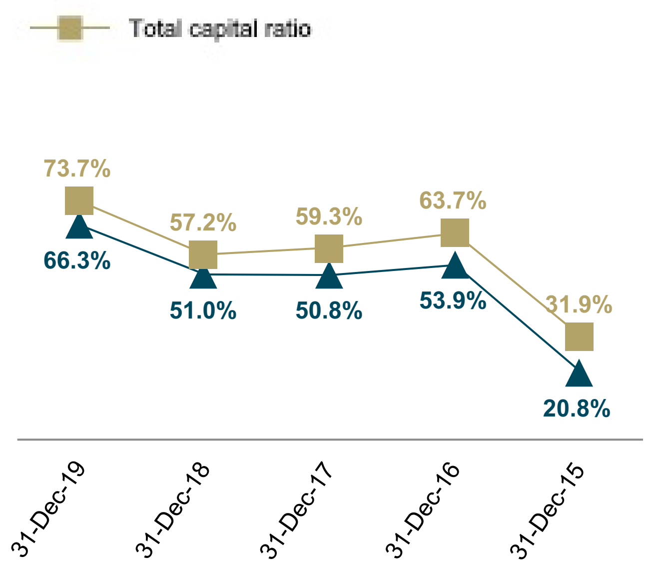
Risk-weighted assets (£m)



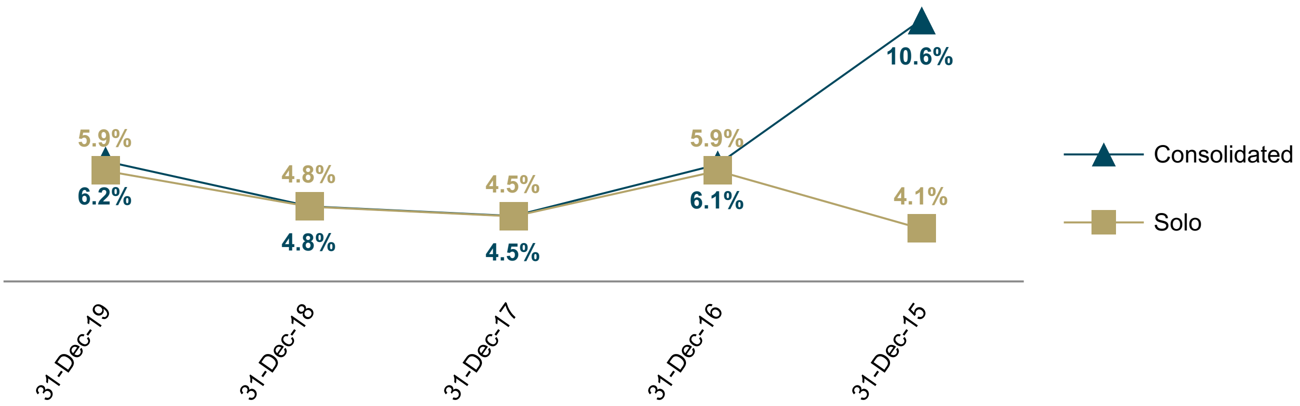
Capital ratios - Consolidated



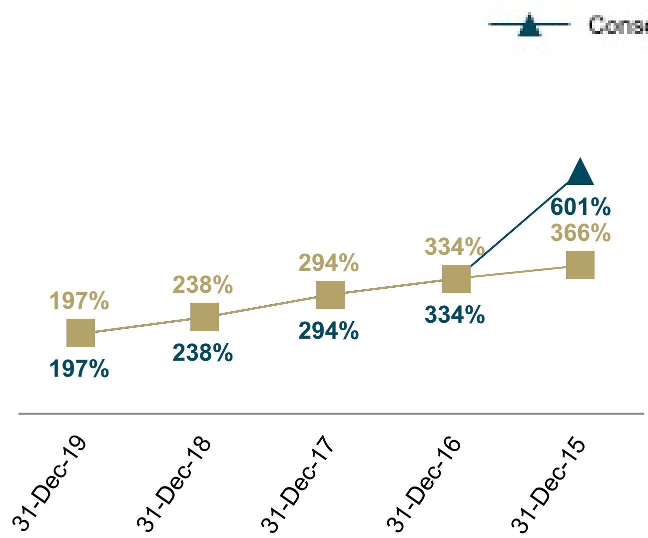
Capital ratios - Solo



Basel III leverage ratio



Liquidity coverage ratio



Net stable funding ratio

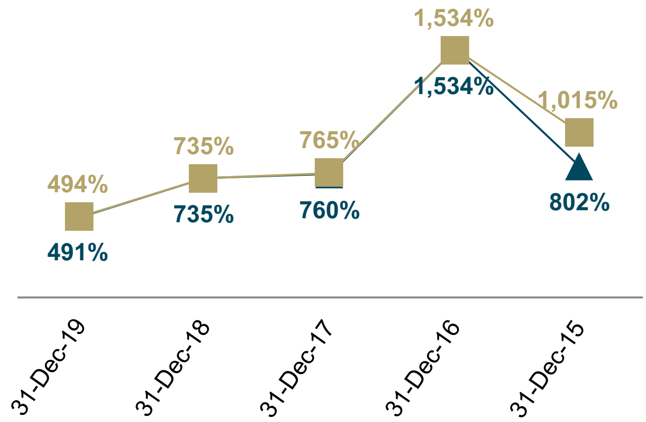


Table 1:KM1 - Key metrics

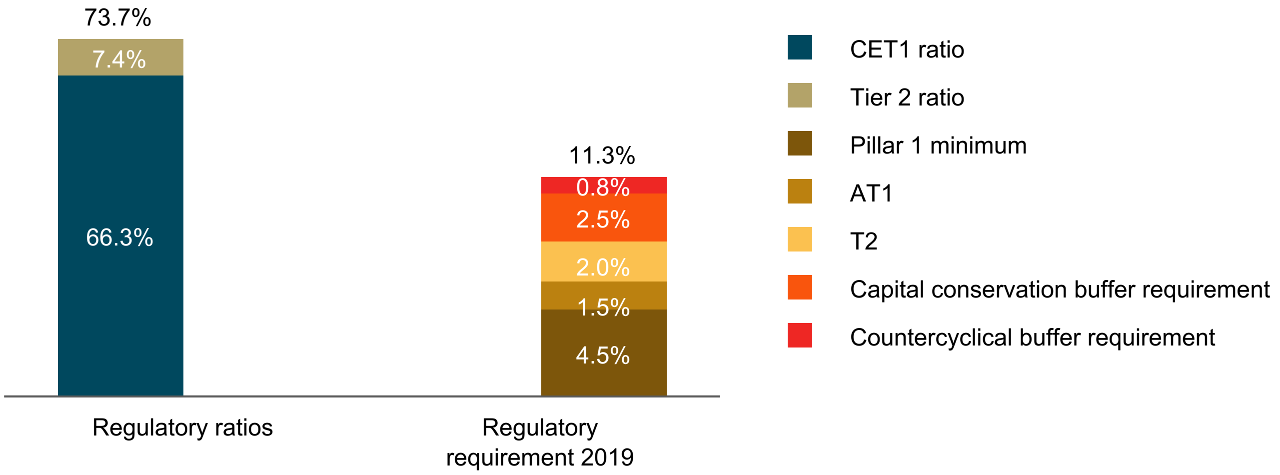
	Consolidated		Solo	
Own Funds	**31-Dec-19**	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Available capital (£m)[1]				
Common Equity Tier 1 ('CET1') capital	**659**	618	**659**	618
Tier 1 capital	**659**	618	**659**	618
Tier 2 capital	**74**	75	**74**	75
Total capital	**733**	693	**733**	693
Risk-weighted assets (£m)[2]				
Total risk-weighted assets ('RWA')	**994**	1,233	**994**	1,211
Risk-based capital ratios as a percentage of RWA				
CET1 ratio	**66.3 %**	50.1 %	**66.3 %**	51.0 %

	Consolidated		Solo	
Own Funds	**31-Dec-19**	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Tier 1 ratio	**66.3 %**	50.1 %	**66.3 %**	51.0 %
Total capital ratio	**73.7 %**	56.2 %	**73.7 %**	57.2 %
Additional CET1 buffers requirements as a percentage of RWA				
Capital conservation buffer requirement	**2.500 %**	1.875 %	**2.500 %**	1.875 %
Countercyclical buffer requirement	**0.800 %**	0.750 %	**0.800 %**	0.750 %
Total of bank CET1 specific buffer requirements	**3.300 %**	2.625 %	**3.300 %**	2.625 %
CET1 available to meet buffers after meeting the bank's minimum capital requirements, and, if applicable, Total Loss Absorbing Capacity ('TLAC') requirements	**53.5 %**	42.1 %	**58.0 %**	43.0 %
Basel III leverage ratio				
Total Basel III leverage ratio exposure measure (£m)	**10,703**	12,907	**10,703**	12,907
Basel III leverage ratio	**6.2 %**	4.8 %	**5.9 %**	4.8 %
Liquidity Coverage Ratio ('LCR')				
Total High Quality Liquid Assets (£m)	**8,018**	9,590	**8,018**	9,590
Total Net Cash Outflow (£m)	**4,080**	4,040	**4,080**	4,040
LCR	**197 %**	238 %	**197 %**	238 %
Net Stable Funding Ratio ('NSFR')[3]				
Total Available Stable Funding (£m)	**2,977**	4,533	**2,994**	4,533
Total Required Stable Funding (£m)	**606**	617	**606**	617
NSFR	**491 %**	735 %	**494 %**	735 %

[1] 2019 capital as stated is after the inclusion of audited profits for the year.
[2] 2019 RWAs include the latest operational risk RWAs, updated in line with the audited results for the year.
[3] The Bank of New York Mellon (International) Limited is not subject to a binding NSFR requirement.

The increase in capital ratios on both a solo and consolidated basis is driven by the reduction in risk-weighted assets resulting from a decrease in credit risk exposures mainly from corporates (£92 million) and institutions (£50 million) in Q3 2019.

2019 consolidated regulatory capital versus regulatory requirement



Thus the common equity tier 1, total tier 1 and total capital ratios remain in excess of the minimum regulatory requirement of 4.5%, 6.0% and 8.0% respectively.

1.9 Article 436 CRR - Scope of application

BNY Mellon Group ('BNY Mellon') is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2019, BNY Mellon had $37.1 trillion in assets under custody and/or administration, and $1.9 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

The Bank of New York Mellon (International) Limited is a private limited company incorporated in the UK with a Banking Licence issued by the Prudential Regulatory Authority (PRA). As at 31 December 2019, The Bank of New York Mellon (International) Limited had £521bn in assets under custody ('AUC'). It is a wholly-owned subsidiary of BNY International Financing Corporation ('BNYIFC'), a holding company with investments in banking and non-banking entities. BNYIFC is a wholly-owned US-regulated subsidiary of The Bank of New York Mellon, the main banking entity of BNY Mellon.

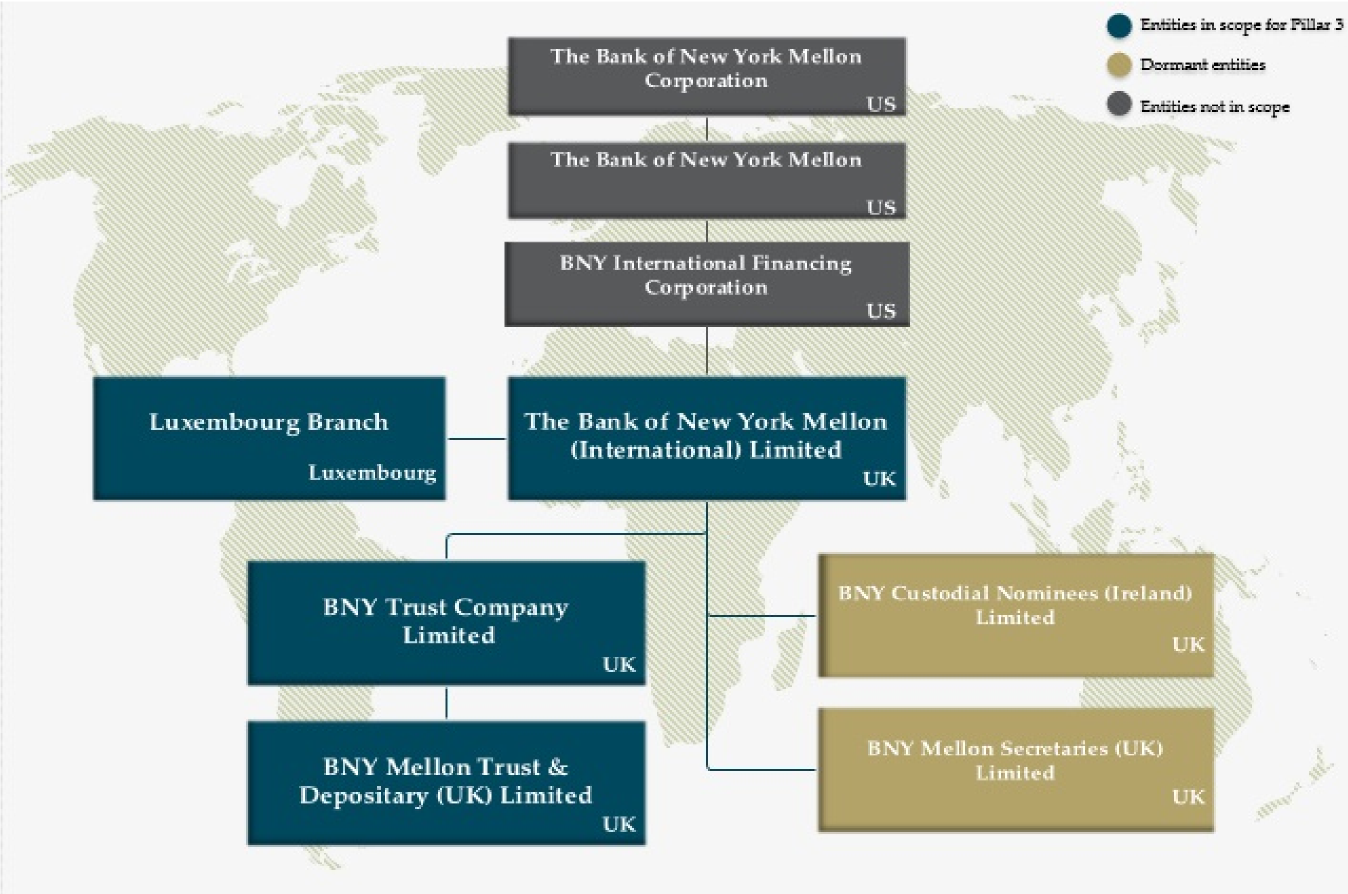
The Bank of New York Mellon (International) Limited has a branch in Luxembourg (the Bank of New York Mellon (International) Limited Luxembourg Branch) and is the parent of BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited.

The Bank of New York Mellon (International) Limited is regulated by the PRA and the Financial Conduct Authority ('FCA'). BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited are both authorised and regulated by the FCA. The Bank of New York Mellon (International) Limited, BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited are incorporated in the UK.

The Board is not aware of any material impediments to the transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries.

The legal entity structure of The Bank of New York Mellon (International) Limited is illustrated in Figure 1.

Figure 1: Legal entity structure at 31 December 2019



Note: A Hard Brexit scenario will mean that the Company's Luxembourg Branch would lose its depositary licence and be unable to continue servicing its Asset Servicing clients. As a result, these clients were advised of the situation and a migration of their asset portfolio together with staff supporting that business to another BNY Mellon Group entity with a necessary depositary licence was completed in the first quarter of 2019.

Basis of consolidation

Entity name	Consolidation basis	Services provided
The Bank of New York Mellon (International) Limited	Fully consolidated	Consolidated entity - The Bank of New York Mellon (International) Limited provides asset servicing to clients, particularly custody and investment administration services.
The Bank of New York Mellon (International) Limited Luxembourg Branch	Fully consolidated	De-registered on 12 April 2019.
BNY Trust Company Limited	Fully consolidated	Subsidiary - BNY Trust Company Limited, through its subsidiary, provides trustee and depositary services to authorised CISs and alternative investment funds in the UK.
BNY Mellon Trust and Depositary (UK) Limited	Fully consolidated	Subsidiary - BNY Mellon Trust and Depositary (UK) Limited's primary activity is to perform trustee and depositary services for CISs. BNY Mellon Trust and Depositary (UK) Limited also performs limited custody services.
BNY Custodial Nominees (Ireland) Limited	N/A	Dormant subsidiary.
BNY Mellon Secretaries (UK) Limited	N/A	Dormant subsidiary.

EMEA Business Operating Model

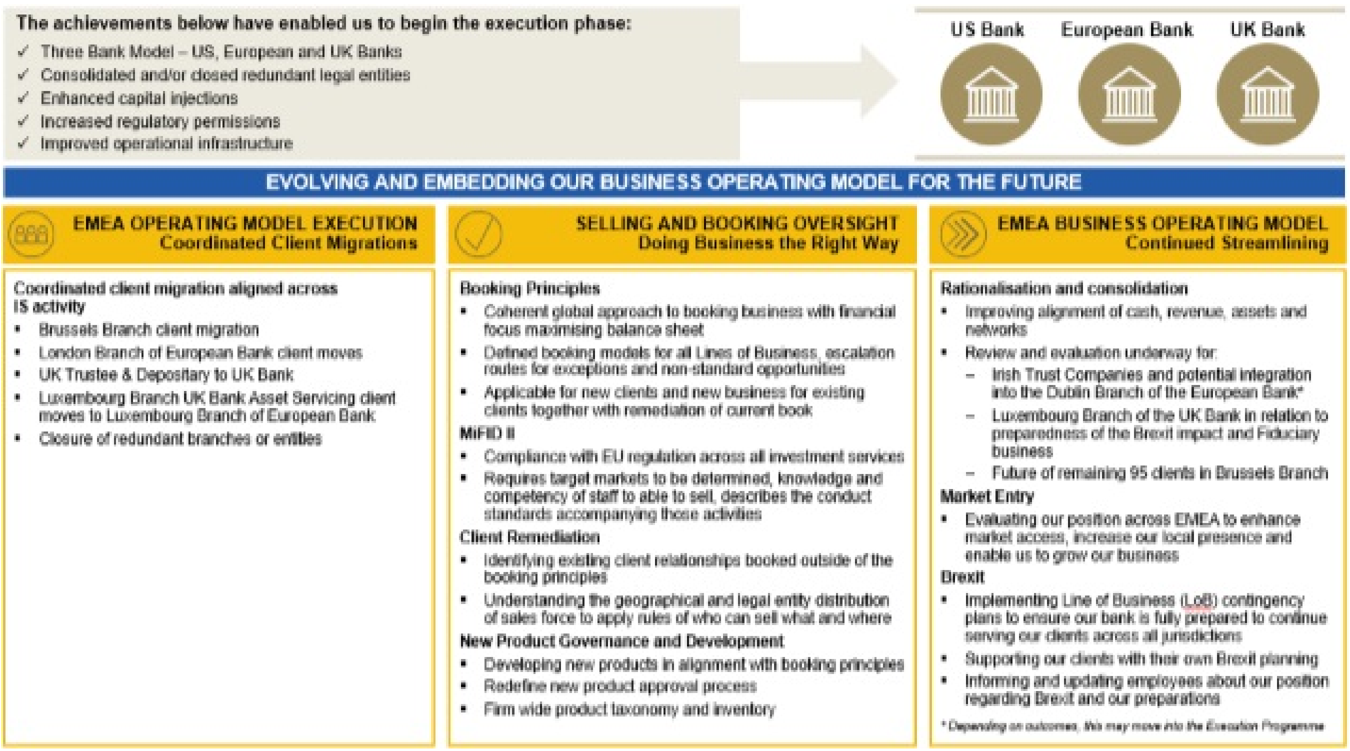
To create a more efficient operating model and respond to increasing demands from regulators in the US, UK and EMEA, the BNY Mellon EMEA Business Operating Model has been re-aligned around Three Banking Entities in EMEA. To facilitate this model, a new global booking principle and a Dual Custody model was implemented within BNY Mellon. This rationalized, more efficient and simple structure gives The Bank of New York Mellon (International) Limited flexibility for growth by freeing up capital and allowing greater capacity for new products and services, thereby allowing the Company to focus its business on UK clients.

The **rationales** behind the EMEA Business Operating Model include:

- reduction of complexity in Legal Entity structure as well as respective contractual framework;
- improvement of resolvability by removing duplication, potential conflicts and improving transparency on risks;
- viability of businesses with appropriate client base, operations / balance sheet size, capital and management;
- appropriate alignment to client needs whilst improving client experience through more efficient service delivery; and
- deliver shareholder value through more efficient use of resources, liquidity and capital and improved client growth and retention.

The **outcome** of the EMEA Business Operating Model is illustrated in figure 2 below:

Figure 2: EMEA Business Operating Model



1.1 Core business lines

The Bank of New York Mellon (International) Limited offers a number of products including Custody Services, Transfer Agency, and Fund Accounting to predominantly UK clients. Through BNY Mellon Trust and Depositary (UK) Limited, The Bank of New York Mellon (International) Limited provides Trustee and Depositary services in the UK to both authorised and unauthorised collective investment schemes and investment trusts. Corporate Trust (Fiduciary) and Segregation Services are also provided. These products are outlined in more detail below.

1.10.1 Custody Services

Custody Services are provided to customers (or their advisors) to assist with holding and monitoring of their securities. Specifically, The Bank of New York Mellon (International) Limited's custody services include the following functions:

- safekeeping instruments either in physical form or within a securities settlement system or central securities depository;
- maintaining records of the securities being held and the securities being bought and sold;
- presenting securities either electronically, or on occasion, physically to, and receiving securities from a clearing and settlement platform;
- collecting income earned on the securities such as dividends and interest;
- delivering issuer communications to the investor;
- preparing reports for the investor, such as settlement reports and income collection reports;
- Client Service Delivery ('CSD') provides operational support to Core Custody, including maintenance and administration of clients' assets; and
- Custody Oversight – mainly consisting of monitoring failed trades, overdrafts, review of exceptions from subcustodian reconciliations, security and cash reconciliations; and Transfer Agency oversight - mainly consisting of monitoring subscriptions, redemptions and dividend distributions.

1.10.2 Transfer Agency

Transfer Agency is contracted by clients, primarily asset managers, pension funds and mutual funds, to maintain records of investors (share or unit holders), account balances and transactions, as well as cancelling and issuing shares/units, and processing investor mailings. Other client services provided include Anti-Money Laundering ('AML'), Know Your Customer ('KYC') verification contract and statement reporting, and static data maintenance.

1.10.3 Fund Accounting

Fund Accounting provides fund accounting and administration services to asset managers, fund distributors, and life companies. Clients of Fund Accounting Services include Unit Trusts (authorised and un-authorised), Open-Ended Investment Companies, Authorised Contractual Schemes, Common Investment Funds, Unitised Life and Pension Funds, and Investment Trusts. The asset types of the funds include Equity, Fixed Income, Money Market, Derivative, and Collective Investment Scheme holdings with country, region and global geographical exposure. Share class net asset values ('NAV') are calculated at each fund valuation point, usually daily. Fund distribution rates are calculated and disseminated in line with relevant frequencies and semi-annual financial statements are prepared for publication to fund investors.

1.10.4 Trustee and Depositary Services

Trustee services are performed directly by The Bank of New York Mellon (International) Limited and through its subsidiary BNY Mellon Trust and Depositary (UK) Limited. Trustee services are provided to UK clients, predominantly UK domiciled funds.

Trustee Services' role is one of oversight and effectively represents the interests of the unit holders of the funds. In fulfilling its fiduciary responsibilities, Trustee Services performs a number of functions:

- safekeeping (financial instruments held in custody) and ownership verification and record keeping (Other assets);
- monitoring of the fund's cash flows, including identification of significant and inconsistent cash flows and reconciliation of the cash flows with the fund's administration;

- NAV monitoring: Ensuring that the valuation of units or shares of the fund are carried out in accordance with the applicable national law and the fund documentation;
- Income distribution: Ensuring that the fund's income is applied in accordance with the applicable national law and the fund documents; and
- Fund Compliance oversight: Mainly ensuring that the investment limits set by law, the implementing decrees and management rules are respected and that funds adhere to regulatory and prospectus rules.

1.10.5 Corporate Trust

Corporate Trust help investors, bondholders and lenders navigate the debt capital markets, from traditional to the most specialized asset classes and complex financing structures, at all stages of the deal lifecycle - from issuance to maturity.

Corporate Trust does not expect to be contracting new business with the UK Bank, however there are a limited number of existing deals that contract for one or more of the below roles:

- Custodian – Party that holds/safekeeps collateral, cash or other form of security for the benefit of a client or lender, as per underlying documentation
- Fiduciary – The Fiduciary acts as the issuer of the notes on behalf of the arranger. The proceeds of the issued notes are used to purchase assets as prescribed by the arranger and these are held by the Fiduciary with the Custodian. The Fiduciary acts as the representative of the noteholders, which requires minimal activity unless enforcement against the assets is required
- Trustee – Party that has a responsibility to protect the interests of the investors/security holders under a trust indenture, agreement, deed, bond obligation or trust arrangement particularly in the event of default. Party ensures that the Obligor adheres to specific covenants of the underlying agreement(s). If so required, Party will act upon the written direction of majority investors/lenders.

1.10.6 Segregation Services

Margin Direct delivers custodial services in support of initial margin segregation for both cash and non-cash collateral. Historically, this solution was sought after by buy-side clients (largely hedge funds) required to post initial margin/independent amount to their broker-dealer counterparties as a voluntary risk mitigation measure. Since 2016 the service has also been used by a variety of clients to help meet their obligations under the global Uncleared Margin Rules. The collateral account is governed by a collateral account control agreement and executed by the pledging party, secured party and BNY Mellon, acting as a securities intermediary. The account is maintained in the name of the pledging party and the assets are pledged by pledging party to the secured party.

The platform provides many benefits to assist clients in the collateral and segregation process, including:

- transparency and automation through portal access;
- electronic default notification functionality;
- flexible reporting and formats;
- integration with BNY Mellon cash investment technology; and
- electronic instruction capability including SWIFT.

1.11 Legal entities

The Bank of New York Mellon (International) Limited's core business lines and critical economic functions are conducted through several legal entities organised in various jurisdictions.

1.11.1 The Bank of New York Mellon (International) Limited

The Bank of New York Mellon (International) Limited provides asset servicing to clients, particularly custody and investment administration services. Although The Bank of New York Mellon (International) Limited has a banking licence, it does not actively seek deposits, provide credit facilities or provide retail banking services, only doing so as a result of its core activity. These activities are exempt from a credit consumer licence and do not form part of the core activities of The Bank of New York Mellon (International) Limited.

The Bank of New York Mellon (International) Limited also has permissions for the following activities:

- accepting deposits;
- advising on investments (except on pension transfers and pension opt-outs);
- agreeing to carry on a regulated activity;
- arranging deals in investment;
- arranging safeguarding and administration of assets;
- causing dematerialised instructions to be sent;
- dealing in investments as both agent and principal;
- making arrangements with a view to transactions in investments;
- safeguarding and administration of assets (without arranging); and
- depositary services (including fiduciary services in the Luxembourg Branch).

1.11.2 The Bank of New York Mellon (International) Limited Luxembourg Branch

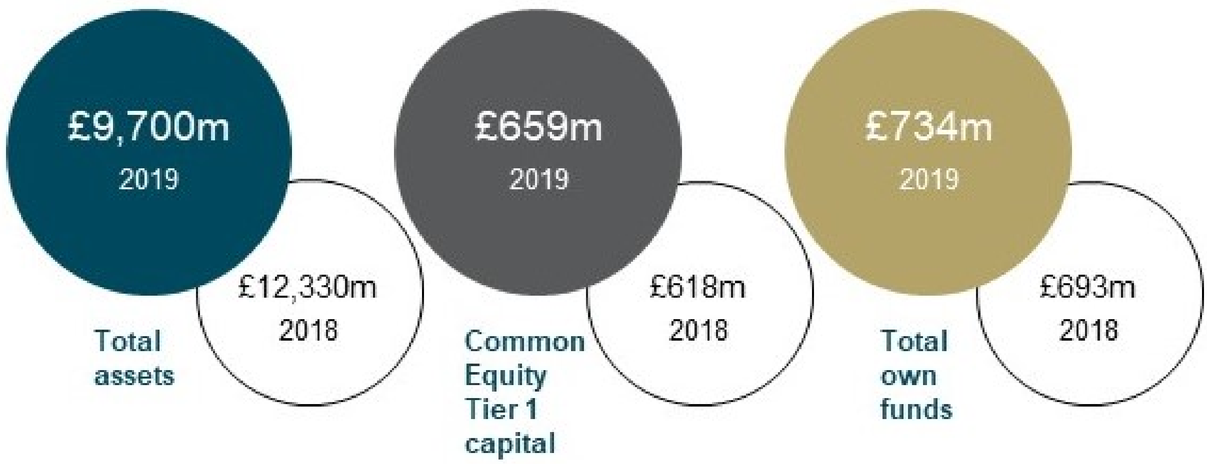
The Bank of New York Mellon (International) Limited Luxembourg Branch provided administration services, including depositary services for collective investment schemes ('CISs'), transfer agency and fund accounting. As a consequence of Brexit, the Luxembourg branch did not meet the criteria to be considered a branch and as such the entity did not seek to re-licence. The Luxembourg Asset Servicing clients contracted with The Bank of New York Mellon (International) Limited Luxembourg branch moved to the Luxembourg branch of BNY Mellon SA/NV and the Luxembourg Fiduciary Corporate Trust business moved to The Bank of New York Mellon (International) Limited at the same time. This was all completed by early April 2019. The Luxembourg branch is in the process of being closed down.

1.11.3 BNY Mellon Trust and Depositary (UK) Limited

BNY Mellon Trust and Depositary (UK) Limited ('BNY Mellon TDUKL') is a private limited company incorporated in the UK and authorised by the FCA to carry on business as a depositary. The primary activity for UK Trust and Depositary is to perform trustee and depositary services for collective investment schemes. It also performs limited custody services. UK Trust and Depositary has a fiduciary responsibility for arranging safekeeping of assets and for facilitating the creation and cancellation of units / shares. The trustee is not responsible for appointing the fund accountant or transfer agent.

The Bank of New York Mellon (International) Limited is the parent of BNY Mellon Trust and Depositary (UK) Limited via BNY Trust Company Limited. As of 31 December 2019, the entity had no live clients, however a small number of legacy accounts and abandoned assets are being resolved before the entity can be deregulated. Once the entity is deregulated, it will become a dormant company only for the purpose of holding direct property assets on behalf of the depositary business.

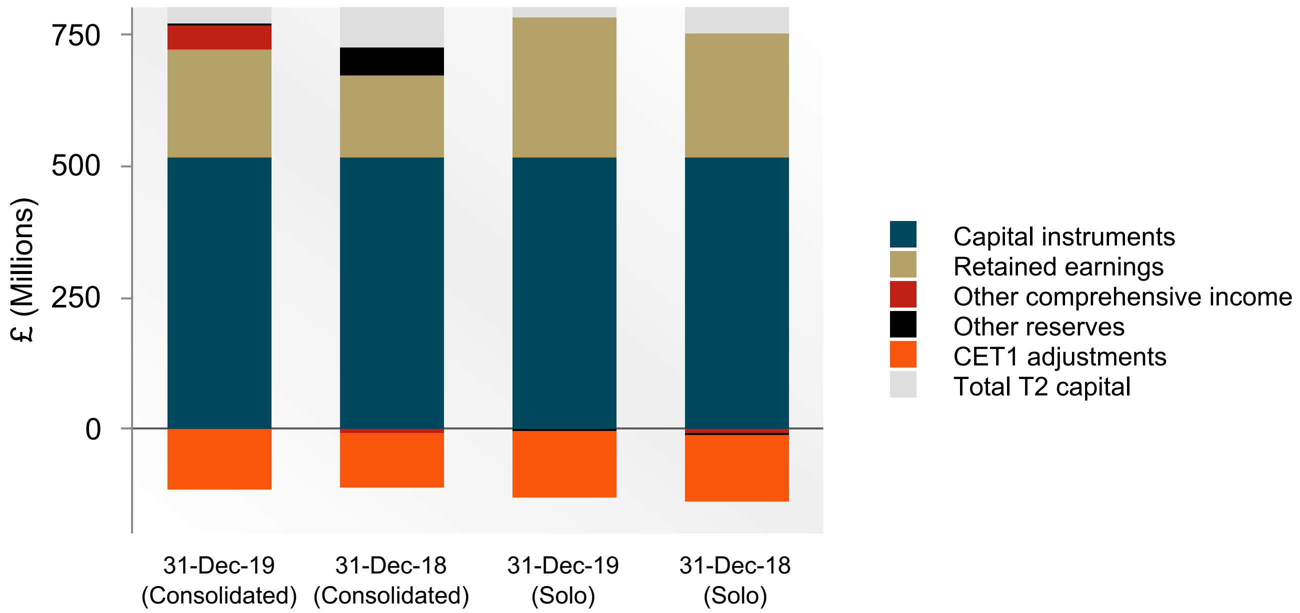
2 Article 437 CRR - Own funds



BNYMIL consolidated own funds

Composition of regulatory capital (£m)

This graph shows the composition of regulatory capital including all regulatory adjustments at 31 December 2019 (see Table 5: CC1 - Composition of regulatory capital).



This section provides an overview of the regulatory balance sheet and composition of The Bank of New York Mellon (International) Limited's regulatory capital. There are a number of differences between the balance sheet prepared in accordance with International Financial Reporting Standards ('IFRS') and Pillar 3 disclosures published in accordance with prudential requirements.

Own funds comprise tier 1 and tier 2 capital less deductions.

The Bank of New York Mellon (International) Limited's regulatory capital is defined by CRD IV and includes:

- **common equity tier 1 capital** which is the highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments; and
- **tier 2 capital** which is a component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, and eligible collective impairment allowances.

Table 2: CC2 - Reconciliation of regulatory capital

These tables show a reconciliation of The Bank of New York Mellon (International) Limited's balance sheets on a consolidated and solo basis prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101') and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements.

Consolidated at 31 December 2019 (£m)	Consolidated balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash balances at central banks	4,570	(83)	4,487
Other demand deposits	1,157	(472)	685
Derivatives	—	—	—
Debt securities - FV	3,668	6	3,674

Consolidated at 31 December 2019 (£m)	Consolidated balance sheet	Regulatory adjustments	Regulatory balance sheet
Debt securities - at amortised cost	—	110	110
Loans and advances	118	450	568
Investments in subsidiaries, joint ventures and associates	109	(109)	—
Property, plant and equipment	—	—	—
Current tax assets	—	—	—
Deferred tax assets	—	19	19
Other assets	78	(9)	69
Total assets	**9,700**	**(88)**	**9,612**
Liabilities			
Derivatives	19	—	19
Deposits	8,799	2	8,801
Current tax liabilities	—	23	23
Other liabilities	101	(78)	23
Total liabilities	**8,919**	**(53)**	**8,866**
Shareholders' equity			
Called up share capital	520	—	520
Retained earnings	206	(2)	204
Other reserves	55	(51)	4
Deductions from capital	—	(68)	(68)
Tier 2 capital	—	74	74
Capital and reserves	**781**	**(47)**	**734**
Total equity and liabilities	**9,700**	**(100)**	**9,600**

Note: Adjustments relating to restricted stock (£8 million) and prudential valuation adjustment (£4 million) are excluded from capital in the regulatory balance sheet.

Solo regulatory adjustments at 31 December 2019 (£m)	Solo balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash balances at central banks	4,570	(83)	4,487
Other demand deposits	1,150	(465)	685
Derivatives	—	—	—
Debt securities - FV	3,675	(1)	3,674
Debt securities - at amortised cost	—	110	110
Loans and advances	118	450	568
Investments in subsidiaries, joint ventures and associates	178	(178)	—

Solo regulatory adjustments at 31 December 2019 (£m)	Solo balance sheet	Regulatory adjustments	Regulatory balance sheet
Property, Plant and Equipment	—	—	—
Current tax assets	—	—	—
Deferred tax assets	—	20	20
Other assets	90	(21)	69
Total assets	**9,781**	**(168)**	**9,613**
Liabilities			
Derivatives	19	—	19
Deposits	8,854	(53)	8,801
Current tax liabilities	—	23	23
Other liabilities	101	(78)	23
Total liabilities	**8,974**	**(108)**	**8,866**
Shareholders' equity			
Called up share capital	520	—	520
Retained earnings	259	5	264
Other reserves	9	(11)	(2)
Deductions from capital	—	(123)	(123)
Tier 2 Capital	—	74	74
Capital and reserves	**788**	**(55)**	**733**
Total equity and liabilities	**9,762**	**(163)**	**9,599**

Note: Adjustments relating to restricted stock (£8 million) and prudential valuation adjustment (£4 million) are excluded from capital in the regulatory balance sheet.

The Company does not have a trading book, but there are securities in the non-trading book that are measured at fair value, applying observable quoted prices.

Table 3: EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			Carrying values of items				
Consolidated at 31 December 2019 (£m)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash, cash balances at central banks and other demand deposits	5,172	5,172	5,172	—	—	5,172	—
Financial assets at fair value through other comprehensive income	3,668	3,668	3,668	—	—	3,668	3,668
Financial assets at amortised cost	678	678	678	—	—	678	—
Investments in subsidiaries, joint ventures and associates	109	109	109	—	—	109	109
Tax assets	38	38	38	—	—	38	—
Other assets	35	35	35	—	—	35	—
Total assets	**9,700**	**9,700**	**9,700**	**—**	**—**	**9,700**	**3,777**
Liabilities							
Financial liabilities held for trading	19	19	—	—	—	19	—
Financial liabilities measured at amortised cost	8,854	8,854	—	—	—	8,854	—
Tax liabilities	23	23	—	—	—	23	—
Other liabilities	23	23	—	—	—	23	—
Total liabilities	**8,919**	**8,919**	**—**	**—**	**—**	**8,919**	**—**

Table 4: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Consolidated at 31 December 2019 (£m)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation	19,400	9,700	—	—	9,700
Liabilities carrying value amount under the regulatory scope of consolidation	8,942	—	—	—	8,942
Total net amount under the regulatory scope of consolidation	9,714	**9,700**	**—**	**—**	**14**
Off-balance sheet amounts	318	159	—	—	159
Differences in valuations	13	—	13	—	—
Differences due to different netting rules, other than those already included in row 2	1,046	1,046	—	—	—
Differences due to consideration of provisions	—	—	—	—	—
Differences due to prudential filters	—	—	—	—	—
Exposure amounts considered for regulatory purposes	10,873	**10,846**	**13**	**—**	**14**

Table 5: CC1 - Composition of regulatory capital

This table shows the composition of regulatory capital including all regulatory adjustments.

Own Funds at 31 December 2019 (£m)	Consolidated		Solo	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Common Equity Tier 1 ('CET1') capital				
Capital instruments	520	520	520	520
Retained earnings	204	156	264	234
Other comprehensive income	44	(7)	1	(7)
Other reserves	4	53	(2)	(3)
CET1 adjustments	(112)	(103)	(124)	(126)
Total CET1 capital	660	**619**	659	618
Additional Tier 1 ('AT1') capital				
Capital instruments	—	—	—	—
Others	—	—	—	—
AT1 adjustments	—	—	—	—
Total AT1 capital	—	**—**	—	—

	Consolidated		Solo	
Own Funds at 31 December 2019 (£m)	**31-Dec-19**	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Total T1 capital	**660**	**619**	**659**	**618**
Tier 2 ('T2') capital				
Capital instruments and subordinated loans	74	75	74	75
Others	—	—	—	—
T2 adjustments	—	—	—	—
Total T2 capital	**74**	**75**	**74**	**75**
Total Own Funds	**734**	**694**	**733**	**693**

Table 6: TLAC1 - Total loss absorbing capacity

	Amount at disclosure date	
Equity instruments, reserves and regulatory adjustments at 31 December 2019 (£m)	**(Consolidated)**	**(Solo)**
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts	520	520
of which: ordinary shares	520	520
Retained earnings	204	264
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	48	(1)
CET1 capital before regulatory adjustments	**772**	**783**
CET1 capital: Regulatory adjustments		
Intangible assets (net of related tax liability) (negative amount)	(4)	(4)
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	(109)	(120)
Year-end non-eligible earning adjustments	—	—
Total regulatory adjustments to CET1	**(113)**	**(124)**
CET1 capital	**659**	**659**
AT1 capital	**—**	**—**
T1 capital	**659**	**659**
T2 capital: Instruments and provisions		
Total regulatory adjustments to T2 capital	**—**	**—**
T2 capital	**74**	**74**

Equity instruments, reserves and regulatory adjustments at 31 December 2019 (£m)	Amount at disclosure date (Consolidated)	(Solo)
Total capital	**733**	**733**
Total risk-weighted assets	**994**	**994**
Capital ratios and buffers		
CET1 (as a percentage of risk exposure amount)	66.3 %	66.3 %
T1 (as a percentage of risk exposure amount)	66.3 %	66.3 %
Total capital (as a percentage of risk exposure amount)	73.7 %	73.7 %
of which: capital conservation buffer requirement	2.500 %	2.500 %
of which: countercyclical buffer requirement	0.800 %	0.800 %
CET1 available to meet buffers (as a percentage of risk exposure amount)	58.3 %	58.3 %
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities(amount below 10% threshold and net of eligible short positions)	—	—
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	22	22

Table 7:CCA - Main features of regulatory capital instruments

This table provides a description of the main features of the regulatory capital instruments issued by BNY Mellon (International) Limited as at 31 December 2019. The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments are included as Appendix 4 of this disclosure.

The capital instruments listed below are included as either tier 1 or tier 2 capital in Table 2 of this disclosure.

Capital instruments main features [1]	Ordinary Shares	Subordinated Debt
Issuer	The Bank of New York Mellon (International) Limited	The Bank of New York Mellon (International) Limited
Governing law(s) of the instrument	Law of England and Wales	Law of England and Wales
Regulatory treatment		
Transitional CRR rules	Not applicable	Not applicable
Post-transitional CRR rules	Common Equity Tier 1	Tier 2
Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo	Solo
Instrument type	Ordinary Shares	Subordinated Debt
Amount recognised in regulatory capital	£520 million	£74 million
Nominal amount of instrument	£520 million	£75 million
Issue price	£1	Not applicable
Redemption price	Not applicable	£75 million
Accounting classification	Shareholders’ equity	Subordinated liabilities
Original date of issuance	9-August-1996	30-November-2011

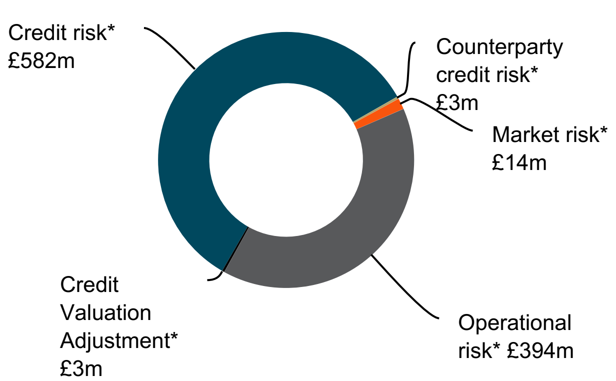
Capital instruments main features [1]	Ordinary Shares	Subordinated Debt
Perpetual or dated	Perpetual	Dated
Maturity date	No maturity	29-November-2024
Issuer call subject to prior supervisory approval	No	No
Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable
Subsequent call dates, if applicable	Not applicable	Not applicable
Coupons / dividends		
Fixed or floating dividend/coupon	Not applicable	Floating coupon
Coupon rate and any related index	Not applicable	Sterling 3 month LIBOR plus 3%
Existence of a dividend stopper	No	Not applicable
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No
Non-cumulative or cumulative	Not applicable	Not applicable
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down features	No	No
Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Not applicable	Not applicable
Non-compliant transitioned features	Not applicable	No

[1] this table is based on Annex II of ITS Regulation (EU) No. 1423/2013. Some 'not applicable' lines have been omitted.

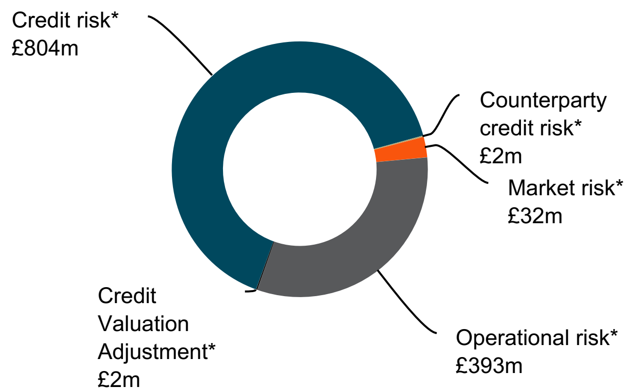
3 Article 438 CRR - Capital requirements

All figures relating to capital requirements and credit risk adjustments from this point forward are disclosed on a consolidated basis only. The solo requirements are similar, but slightly lower than the consolidated requirements. Therefore, this approach shows the prudent view of the Company's capital position.

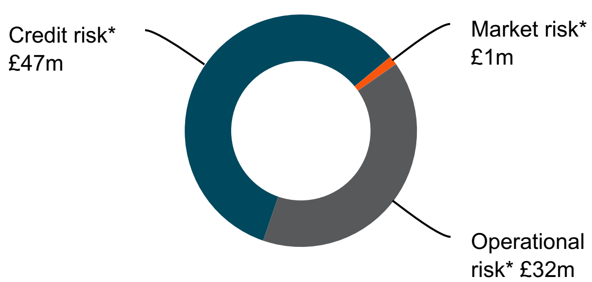
Risk exposure by risk type at 31 December 2019



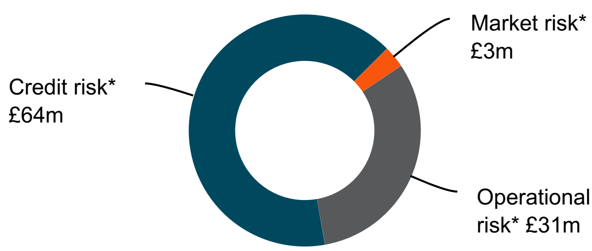
Risk exposure by risk type at 31 December 2018



Capital requirements by risk type at 31 December 2019



Capital requirements by risk type at 31 December 2018



* Standardised approach

The Bank of New York Mellon (International) Limited

The Bank of New York Mellon (International) Limited's capital plan aims to ensure that an appropriate amount of capital is held to support its business model, allowing for prudent management of the business, given a range of plausible but severe stress scenarios. Potential capital shortfalls are identified over a three year period and capital plans adjusted accordingly. The plan is reflective of The Bank of New York Mellon (International) Limited's risk appetite, which details a commitment to a strong balance sheet characterised by strong liquidity, superior asset quality and a capital structure which supports the risk taking activities and has the ability to absorb losses.

The plan is developed with input from Finance, Risk, Treasury and the business lines.

Incorporating the projected earnings based on its business plan, The Bank of New York Mellon (International) Limited generates a three year forecast, which forms the base foundation for financial modelling and stress testing used as part of the ICAAP process.

The capital plan effectively incorporates a view of The Bank of New York Mellon (International) Limited's current business model, the risks associated with that model, and an assessment of how those risks contribute to the amount of capital required, as per internal and external regulatory criteria. The capital plan is subject to executive and Board approval and the performance metrics reviewed at the Asset and Liability Committee ('ALCO').

3.1 Calculating capital requirements

CRD IV allows for different approaches for calculating capital requirements. The standardised approach is used for calculating the risk weights assigned to each risk component including credit risk, counterparty credit risk, market risk and operational risk.

Table 8:EU OV1 - Overview of RWAs

This table shows the risk-weighted assets for The Bank of New York Mellon (International) Limited (Consolidated), using the standardised approach, with their respective capital requirements.

	Risk exposure amount		Capital requirements	
Type of risk (£m)	**31-Dec-19**	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Credit risk*	**582**	804	**47**	64
Counterparty credit risk*	**3**	2	**—**	—
Market risk*	**14**	32	**1**	3
of which: foreign exchange position risk	**14**	32	**1**	3
Operational risk*	**394**	393	**32**	31
of which: standardised approach	**394**	393	**32**	31
Credit Valuation Adjustment*	**3**	2	**—**	—
Total	**996**	**1,233**	**80**	**98**
Total capital			**733**	**693**
Surplus capital			**653**	595

* Standardised approach.

The risk exposure amount relating to credit risk, decreased to £582 million (2018: £804 million) as a result of the transfer of the business from the Luxembourg Branch to another Group entity (The Bank of New York Mellon SA/NV).

The Bank of New York Mellon (International) Limited

The Bank of New York Mellon (International) Limited met or exceeded the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. The Bank of New York Mellon (International) Limited sets the internal capital target levels higher than the minimum regulatory requirements to ensure there is a buffer which reflects balance sheet volatility. These ratios have been determined to be appropriate, sustainable and consistent with the capital objectives, business model, risk appetite and capital plan.

4 Article 435 CRR - Risk management objectives and policies

Given the critical role that BNY Mellon plays supporting clients and its status as a Global Systemically Important Financial Institution ('G-SIFI'), the financial stability of all of its constituent legal entities, throughout market cycles and especially during periods of market turbulence, is recognised at the Corporation level as an imperative. Clients and market participants need to have confidence that the Corporation's many legal entities will remain strong and continue to deliver operational excellence and maintain an uninterrupted service. Therefore, The Bank of New York Mellon (International) Limited, and BNY Mellon Corporation as a whole, are committed to maintaining a strong balance sheet and, as a strategic position, assumes less risk than many financial services companies.

BNY Mellon has developed an enterprise risk management program that is designed to ensure that:

- risk limits are in place to govern its risk-taking activities across all businesses and risk types;
- risk appetite principles are incorporated into its strategic decision making processes;
- monitoring and reporting of key risk metrics to senior management and the Board takes place; and
- there is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

The Bank of New York Mellon (International) Limited

The Bank of New York Mellon (International) Limited Board has adopted a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity, superior asset quality, ready access to external funding sources at competitive rates, and a robust capital structure whilst delivering operational excellence to meet stakeholders' expectations.

Risk statement

The entity's risk profile is assessed and monitored using a Legal Entity High-Level Assessment. The Legal Entity High-Level Assessment is a management tool that provides a high-level view of an entity's risk landscape, across risk types. The High Level Assessment, alongside the entity Risk Appetite, are key components within the strategy of the entity. Applied to The Bank of New York Mellon (International) Limited, the Legal Entity High-Level Assessment enables management to focus on the key risks to which the entity is exposed. The materiality and significance of risks in the Legal Entity High-Level Assessment are based on an assessment of impact for each risk, both from an inherent (before controls) perspective and from a residual (after controls) perspective.

The Bank of New York Mellon (International) Limited is exposed to various risks, the most material of which are strategic, operational, credit, market, liquidity and restitution risk. Reputational risk and conduct risk are not explicitly described as they are felt to be intrinsic to the other risk types. However, maintaining a strong brand and reputation is fundamental to our ability to attract and retain clients and as such, we consider reputational impact as part of our overall risk management process. Similarly the result of poor conduct risk management could result in a lack of confidence from our regulators, our clients and other key stakeholders. As such, our adherence to the conduct risk regime is considered via the wider risk management process. Other key areas for focus for the entity embedded within our material risks are operational and technology resilience, climate change and outsourcing.

The above risks are managed through The Bank of New York Mellon (International) Limited's own risk management function, organization and governance which is consistent with the BNY Mellon Group framework. Any capital requirements for these risks have been assessed utilising models under BAU and stressed conditions.

Adherence to the risk management framework ensures that:

- risk appetite principles and associated limits are in place to govern its risk-taking activities across all business and risk types;
- these risk appetite principles and associated limits are incorporated into its strategic decision making processes; and
- monitoring and reporting of key risk metrics takes place and that these are reported to senior management and the Board.

In accordance with the Board defined Risk Appetite, The Bank of New York Mellon (International) Limited is committed to maintaining a balance sheet that remains resilient throughout market cycles; a balance sheet which is characterised as being significantly liquid, having strong asset quality and having a capital structure that is adequate to support the bank's risk-taking activities as well as being able to absorb potential losses. The Bank of New York Mellon (International) Limited is also committed to delivering operational excellence to meet the expectations of its stakeholders, including its clients, shareholders, employees and regulators and to support its goal of having superior credit ratings.

The Bank of New York Mellon (International) Limited monitors its capital adequacy in accordance with the Basel Framework, on the basis of Pillar 1 requirements (Regulatory Capital Requirements) as well as Pillar 2 (Internal Capital Assessment). Both concepts are subject to Board approved risk appetite limits.

Pillar 1 capital requirements are calculated according to the Basel standardized approach for credit risk, market risk, operational risk, and for credit value adjustment. Pillar 1 capital requirements are compared to the Bank of New York Mellon (International) Limited available capital, in particular, Common Equity Tier 1 ('CET1'), Tier 1 and Total Capital, and monitored (daily) against regulatory thresholds defined by the

Prudential Regulatory Authority Supervisory Review and Evaluation Process ('SREP'), the CRD IV buffers and Board defined risk appetite limits.

The Internal Capital Assessment uses The Bank of New York Mellon methodologies which follow an approval process including independent validation by BNY Mellon's Model Risk Management Group ('MRMG'). These methodologies are presented to, and challenged by, The Bank of New York Mellon (International) Limited Capital and Stress Testing Committee which is focused on Internal Capital Adequacy Assessment related subjects. Capital is assessed for all material risks identified within the Bank of New York Mellon (International) Limited.

An Internal Capital Assessment is calculated quarterly, with approximations applied to estimate the capital needs on a monthly basis. A three-year financial forecast is used to project future capital requirements. Capital assessments are performed under baseline and stressed conditions, taking into account any changes to accounting elements (balances and profitability) and the risk profile.

Capital stress tests, pre and post identified management actions, are used to assess the resilience of The Bank of New York Mellon (International) Limited to adverse systemic and idiosyncratic shocks. Capital stress tests are identified within the legal entity taking into account the The Bank of New York Mellon (International) Limited's business model and the economic environment.

4.1 Board of Directors

The main duty and responsibility of the Board is to approve the strategy and supervise the management of The Bank of New York Mellon (International) Limited. Whilst acting autonomously and in accordance with its legal and regulatory requirements, the Board aligns The Bank of New York Mellon (International) Limited's strategy to that of its primary shareholder. The Board has overall responsibility for the establishment and maintenance of The Bank of New York Mellon (International) Limited's risk appetite framework and for the approval of the risk appetite statement. The Board must ensure that strategic and business plans are consistent with the approved risk appetite. The Board also has responsibility for:

- Holding management accountable for the integrity of the risk appetite framework;
- Seeking independent assessment, if deemed necessary, of the integrity and robustness of the risk appetite framework by reference to stakeholder expectations; and
- Understanding how strategic decisions alter the risk profile, and whether the strategic change would cause the risk appetite to be exceeded.

The Board meets at least quarterly and the directors who served during the year were:

Board member	Function at the Bank of New York Mellon (International) Limited	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with the Company (Y/N)
H Kablawi	Head of International and EMEA Chairman	Arab Bankers Association	United Kingdom	Financial services	N	Vice-Chairman	N
		Advisory Council for the Official Monetary and Financial Institutions Forum	United Kingdom	Central banking, economic policy and public investment	N	Deputy Chairman	N
K Damsell	Chief Executive Officer, Head of Legal Entity and Client Governance	Autumn End Management Company Limited	United Kingdom	Buying and selling of own real estate	N	Director	N

The Bank of New York Mellon (International) Limited

Board member	Function at the Bank of New York Mellon (International) Limited	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with the Company (Y/N)
P Bergamaschi Broyd	Independent Non-Executive Director, Chair Depositary Advisory Counsel, Member of Audit and Risk Committees	Wells Fargo Securities International Limited	United Kingdom	Financial intermediation	N	Non-Executive Director	N
		Fareshare	United Kingdom	Charity - Operation of warehousing facilities	N	Trustee	N
		Big Society Capital Limited	United Kingdom	Charity - Fund management activities	N	Non-Executive Director	N
		ARCA Fondi SGR	Italy	Asset Manager	N	Non-Executive Director	N
		SAMTI Foundation (non-regulated)	Dutch	Administer one single equity participation	N	Treasurer	N
K J Gregory	Independent Non-Executive Director, Chair Risk Committee, Member of Audit and Nomination Committees	Paradigm Norton Holdings Limited	United Kingdom	Activities auxiliary to financial intermediation not elsewhere classified	N	Director	N
		Paradigm Norton Financial Planning Limited	United Kingdom		N	Director	N
J Jack	Chief Financial Officer, International	St Giles Christian Mission (The)	United Kingdom	Activities of Religious Organisations	N	Director	N
J M Johnston	External Non-Executive Director, Chair Nomination Committee						
S O'Connor	Independent Non-Executive Director, Chair Audit Committee, Member of Risk and Nomination Committees	Scottish Widows Group	United Kingdom	Insurance (non-life) and financial services	N	Non-Executive Director	N
		Scottish Widows Financial Services Holdings			N		
		Scottish Widows Limited			N		
		Scottish Widows Unit Trust Managers Limited			N		
		HBOS Investment Fund Managers Limited			N		
		St Andrews Insurance PLC			Y		
		Lloyds Bank General Insurance Holdings Limited			N		
		Lloyds Bank General Insurance Limited			N		
		BUPA Insurance Services Limited	United Kingdom	Non-life insurance	Y	Director	N
		BUPA Insurance Limited					
		Chance to Shine Foundation Limited	United Kingdom	Charity, Cricket	N	Trustee	N
J Wheatley	EMEA Head of Client Service Delivery						

The Bank of New York Mellon (International) Limited has established a Diversity Policy, which sets out its approach to promoting diversity on the Board.

The Bank of New York Mellon (International) Limited has a commitment to diversity and inclusion. This commitment is not only important to The Bank of New York Mellon (International) Limited's culture and to each director as individuals, it is also critical to The Bank of New York Mellon (International) Limited's ability to serve its clients and grow its business. The Bank of New York Mellon (International) Limited recognises the benefits of having individuals with diverse backgrounds, experience and viewpoints on the Board for the different perspective and unique contributions they provide. Board appointments are based on an individual's knowledge, skills, experience, performance, and other valid role-related requirements.

The Nomination Committee (the 'Committee') is responsible for reviewing the structure, size and composition of the Board, including its skills, knowledge, experience, and diversity, and making recommendations to the Board with respect to any appointment. In identifying suitable candidates for a particular appointment, the Committee considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Bank of New York Mellon (International) Limited recognises the importance diversity plays in the effective governance of the Company. As at the date of this report, The Bank of New York Mellon (International) Limited Board met its target of 30% female representation. The Committee will continue to review all relevant diversity targets on a regular basis.

4.2 Risk governance

A formal governance hierarchy is in place to ensure effective escalation of issues through the regional and global structure. The main governing body of the Company is the Board. The Board meets on a quarterly basis, and receives reports from its Audit and Risk Committees on Risk Management, Compliance and Internal Audit, to assist the Board in evaluating the effectiveness of the existing control environment.

The Board delegates certain responsibilities to a number of dedicated committees as follows:

- The Bank of New York Mellon (International) Limited Risk Committee of the Board ('RCoB');
- The Bank of New York Mellon (International) Limited Audit Committee ('AC')
- The Bank of New York Mellon (International) Limited Executive Committee ('ExCo');
- The Bank of New York Mellon (International) Limited Nomination Committee ('NomCo');
- The Bank of New York Mellon (International) Limited Depositary Advisory Council ('DAC').
- The Bank of New York Mellon (International) Limited Risk Management Committee ('RMC');
- The Bank of New York Mellon (International) Limited Capital and Stress Testing Committee ('CSTC');
- The EMEA Treasury Risk Committee ('TRC');
- Client Asset Sourcebook ('CASS') Governance Body ('CGB');
- CASS Operational Oversight Committee ('COOC');

Further detail on the key Committees for BNYMIL's Risk Management are listed below:

The RCoB was established to assist the Board in fulfilling its oversight responsibilities concerning the Risk Appetite and Risk Management of the Company, as well as compliance with legal and regulatory requirements and controls to prevent, deter and detect fraud. The RCoB meets four times a year and is chaired by an Independent Non-Executive Director ('INED').

The AC was established to assist the Board in fulfilling its oversight responsibilities in respect of the Company's financial reporting process; its compliance with legal and regulatory requirements; the efficiency of the internal controls and risk management systems; the performance of the internal audit function; and the statutory auditor's qualifications, independence, provision of additional services and performance. The AC is chaired by an INED.

The ExCo is responsible for the executive management of the Company, responsibilities include, but are not limited to:

- the day-to-day execution of the Company's business strategy, performance and governance within the strategy as approved by the Board;
- overseeing culture in the day to day management of the Company; and
- review of corporate initiatives including strategic initiatives, financial performance, new business initiatives, policy changes, controls and organisational development. The ExCo has responsibility across all lines of business conducted by or impacting the Company. The ExCo is chaired by the Chief Executive Officer ('CEO').

The RMC has delegated authority from the RCoB to oversee the management of risk on a day-to-day basis. The RMC meets at least ten times per year and is chaired by the Deputy Chair of the ExCo . The UK Legal Entity Risk Officer ('UK LERO') is the Deputy Chair.

The RMC delegates the review, challenge, oversight and approval of changes in limits, policies, calculation methods, model assumptions, model output and model validation results related to the management of Liquidity Risk, Interest Rate Risk in the Banking Book ('IRRBB') and related Capital to the EMEA Treasury Risk Committee ('TRC'). The purpose of the EMEA TRC is to review, assess and approve results and changes to the methodology and assumptions, including but not limited to internal liquidity stress testing and IRRBB metrics, used in activities related to Asset and Liability and Balance Sheet Management. The EMEA TRC is chaired by the EMEA Head of Liquidity Risk.

The CGB provides oversight of the organisational arrangements in place within the Company to comply with the FCA's Client Assets ('CASS') requirements.

The COOC assists the senior manager performing the CASS Operational Oversight Function to ensure that the appropriate client assets and client money protections are actively being achieved in the Company during the course of its business.

The CSTC has delegated authority from the RCoB to ensure sufficient capital is held in the Company to offset material risk exposures and to ensure adequate governance of the Company's Internal Capital Adequacy Assessment Process ('ICAAP'). The CSTC is responsible for reviewing the capital requirements, risk model methodologies and stress testing in accordance with the relevant capital and stress testing policies.The CSTC and the ExCo are both chaired by the Chief Executive Officer ('CEO').

4.2.1 Regional Risk Governance

A regional level risk governance structure is in place to oversee all business and legal entity risk. Oversight and escalation is provided through the following key committee:

EMEA Senior Risk and Control Committee ('ESRCC') - The purpose of the Europe, Middle East and Africa ('EMEA') Senior Risk and Control Committee is to provide regional risk management oversight and act as a point of convergence for the co-ordination, transparency and communication of material pan-EMEA issues (live or emerging) within the region. The Committee escalates to:

- Senior Risk and Control Committee ('SRCC').

with a number of committees reporting to it:

- EMEA Advisory Control Council ('EACC');
- EMEA Asset Liability Committee ('EALCO');
- EMEA Anti-Money Laundering Oversight Committee ('EAMLOC');
- EMEA European Portfolio Committee ('EPC'); and
- EMEA Resilience and Resolvability Steering Committee ('ERRSC').

The Committee is empowered under authority delegated by the BNY Mellon SRCC but subject to constraints of both corporate policy and legislation and regulation as appropriate.

4.2.2 Business Unit Risk Governance

In addition to the entity specific and regional governance bodies, the business conducted through The Bank of New York Mellon (International) Limited is also subject to oversight by the following key committees:

Business Acceptance Committees ('BAC')

The business acceptance process is the approval mechanism for on-boarding new/renewal business into lines of business and subsequently legal entities approving all new clients prior to commencing a relationship with them and approving new business arrangements with existing clients. The Bank of New York Mellon (International) Limited utilises the:

- EMEA Asset Servicing Business Acceptance Committee;
- Corporate Trust Business Acceptance Committee; and
- Markets Business Acceptance Committee.

Business Risk Committees ('BRC')

The Business Risk Committees (and where applicable sub committees) are responsible for ensuring that the risk profile the line of business is understood and effectively managed. This is achieved by carrying out the review of current and emerging key risk and control issues and related initiatives, escalation of material risks and issues to the Business Head and other regional committees and boards as appropriate, approval of new or materially modified products, review of potential off-boarding of non-systemically significant products and review of significant regulatory requirements. The Bank of New York Mellon (International) Limited utilises the:

- EMEA Asset Servicing Business Risk Committee;
- EMEA Corporate Trust Business Risk Committee; and
- Markets Business Risk Committee.

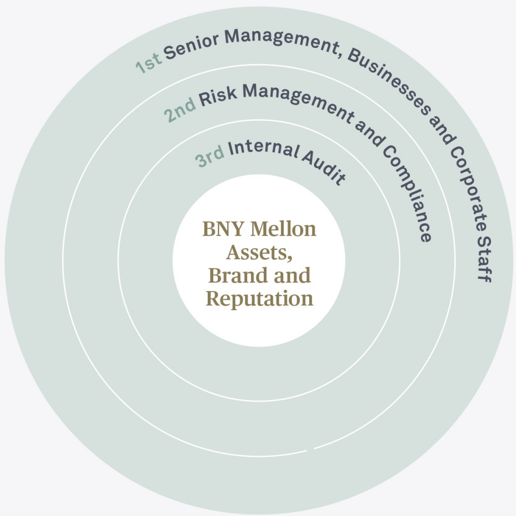
4.3 Risk management framework

In line with global policy, The Bank of New York Mellon (International) Limited has adopted the 'Three Lines of Defense' model in deploying its risk management framework (figure 3 below). The first line of defense ('1LOD') is the business or, in some cases, business partner level. The business takes and owns the risk associated with activities, and it manages the risks and the related control processes and procedures on an operational basis. The Risk Management and Compliance functions are the second line of defense ('2LOD') and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD, ensuring that policies are adhered to and challenged. The third line of defense ('3LOD') is Internal Audit, which independently provides The Bank of New York Mellon (International) Limited Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

BNY Mellon Risk and Compliance policies and guidelines provide the framework for The Bank of New York Mellon (International) Limited's risk identification, internal controls, monitoring, reporting and escalation. Risks are managed within specialist risk teams (e.g. market, credit, operational) or via line of business risk teams.

Figure 3: Managing Three Lines of Defense

THREE LINES OF DEFENSE



1st Senior Management, Businesses and Corporate Staff

- Execute business activities consistent with the Company's strategy and risk tolerance
- Provide information to senior management regarding the current and future risk profile
- Ensure that the internal control system is designed properly and operating effectively
- Identify, measure and manage current and emerging risks
- Operate within the risk appetite, and escalate appropriately
- Establish policies and procedures that ensure accountability

2nd Risk Management and Compliance

- Maintain an independent risk management function that is appropriate for the size, complexity and risk profile of the Company
- Establish enterprise-wide risk limits consistent with the Company's risk tolerance and monitor adherence to such limits
- Independently challenge and measure the Company's risks, and provide an assessment of the Company's risk profile
- Provide the Board and senior management with risk reports
- Identify a system of internal controls and evaluate their effectiveness

3rd Internal Audit

- Examine, evaluate and perform independent assessments of the Company's risk management and internal controls system
- Report findings to senior management and the Company's Audit Committee

4.4 Risk appetite

The Bank of New York Mellon (International) Limited's Risk Appetite Statement is owned and approved by the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations. The statement applies to all subsidiaries and is reviewed at least annually or when the Company's risk profile changes.

The Bank of New York Mellon (International) Limited uses a variety of metrics to measure and monitor its risk-taking activities relative to its risk appetite. In addition the legal entity High Level Assessment is also utilised to determine if the entity is outside of its qualitative appetite. The entity risk profile and risk appetite metrics are actively monitored and managed through the monthly RMC to manage the entity within its risk appetite.

4.5 Legal entity high-level assessment

Material risk identification for the Legal Entity is performed through the LE High-level Assessment ('HLA') process. The LE HLA is a qualitative assessment performed separately for the Legal Entity and utilises the applicable business level HLA as a key input to the assessment. It is a consolidated review that analyses the risk profile of the entity, the quality of controls in place to mitigate risks and internal and external factors impacting the business. The HLA process is designed to ensure that the first line of defense within the entity, with oversight and challenge from Risk Management, formally identify, review and discuss the identified risks as appropriate.

4.6 Escalation of risks and issues

A robust framework exists for monitoring and escalation of issues and risks within each Line of Business and Legal Entity including appropriate governance bodies. Risk Management is responsible for supporting the business lines in achieving the following:

- identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed;
- developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by Risk;
- elevating, reporting and investigating operating errors, losses and near misses, identifying root causes and implementing corrective actions;
- reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions;
- approving the process to accept new business, including 'Request for Proposal' preparation, contract acceptance and compliance, and challenging whether The Bank of New York Mellon (International) Limited is being compensated appropriately for the assumption of risk;
- reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.; and
- ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness.

Management information is used to monitor the performance of the transaction processing and support services including specific risk exposures (e.g. cash and securities reconciliation breaks) and red/amber/green ratings in respect of the health of the operational functions.

4.7 Stress testing

Stress testing is undertaken within The Bank of New York Mellon (International) Limited to monitor and quantify risk and capital and ascertain whether sufficient capital resources are held against risks on a forward-looking basis. The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to The Bank of New York Mellon (International) Limited's risk profile. The stress testing process conclusion is a statement of the future risk(s) that the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for capital to be held against each risk type.

4.8 Internal capital adequacy assessment process

An Internal Capital Adequacy Assessment Process ('ICAAP') document is produced at least annually for The Bank of New York Mellon (International) Limited on a consolidated basis, including its subsidiaries. The process and document is owned by The Bank of New York Mellon (International) Limited Board. The purpose of the ICAAP is to:

- ensure the ongoing assessment and monitoring of the Company's risks and the approaches used to mitigate those risks, such that they remain within the Risk Appetite established by the Board of The Bank of New York Mellon (International) Limited;
- determine the capital requirement for the residual risk exposure at the point when the assessment is made and also over the Company's three-year planning horizon, both under baseline and internally assessed stressed conditions;
- document the capital adequacy assessment process both for internal stakeholders and for prudential supervisors; and

- provide the necessary information so that senior management, including the Board, can make decisions about the amount of capital that is required and the approach to risk management.

In addition to ensuring that there is sufficient capital to cover economic risk and to meet capital requirements under internally assessed stressed conditions, the Company's objective is also to maintain capital in excess of its Risk Appetite.

4.9 Recovery and resolution planning

The Bank of New York Mellon (International) Limited updates its recovery plan annually, in accordance with regulatory guidance. The recovery plan is designed to ensure that The Bank of New York Mellon (International) Limited group has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises. The Bank of New York Mellon (International) Limited also submits its resolution information to the regulator every two years, as prescribed by supervisory policy.

4.1 Climate change risk

The Bank of New York Mellon (International) Limited is committed to understanding and mitigating the financial risks resulting from climate change, and is actively enhancing its focus on managing these risks. This disclosure describes the current status of The Bank of New York Mellon (International) Limited’s approach, using the framework as recommended in the June 2017 Task Force on Climate-related Financial Disclosures ('TCFD') publication, *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*.

Governance

The Bank of New York Mellon (International) Limited’s Board has assigned Senior Management Functions responsibility for managing the financial risks from climate change to The Bank of New York Mellon (International) Limited’s Chief Executive Officer, who has overall responsibility for The Bank of New York Mellon (International) Limited’s strategy and delivering against the Prudential Regulation Authority’s ('PRA') expectations within its Supervisory Statement (SS3/19) *Enhancing banks’ and insurers’ approaches to managing the financial risks from climate change* through:

- embedding consideration of the financial risks from climate change in governance arrangements;
- incorporating the financial risks from climate change into existing financial risk management practice;
- using scenario analysis to inform strategy setting and risk assessment and identification; and
- developing an approach to public disclosure on the financial risks from climate change.

The Bank of New York Mellon (International) Limited’s Executive Committee (ExCo) has established a Climate Change Working Group, comprising a broad cross-section of first- and second-line defence teams. The Climate Change Working Group has been tasked with developing The Bank of New York Mellon (International) Limited’s plan to embed addressing financial risks resulting from climate change and embedding addressing climate change implications within the Company, leveraging existing governance structure, policies and procedures. Climate change considerations will be captured in The Bank of New York Mellon (International) Limited’s annually-refreshed Strategy and Risk Appetite, which are subject to approval by the Board.

Strategy

The Bank of New York Mellon (International) Limited recognises that success in addressing the financial risks resulting from climate change must take into account impacts on its clients, vendors, existing and future employees, financial position and performance, and must also reflect its outsourced business model and status as a subsidiary of a global organisation. Ongoing engagement with the BNY Mellon Group

Executive Committee (who have appointed an Executive sponsor for climate change-related initiatives) on the importance of climate change continues. The Bank of New York Mellon (International) Limited will work collaboratively with the broader BNY Mellon Group with a view to embedding the initiatives resulting from its plan into the firm's wider ongoing Environmental, Social and Governance and Corporate Social Responsibility programmes. As the understanding of financial impacts of climate change evolves, management actions are expected to evolve and to be reflected in The Bank of New York Mellon (International) Limited's documentation including its policies and procedures.

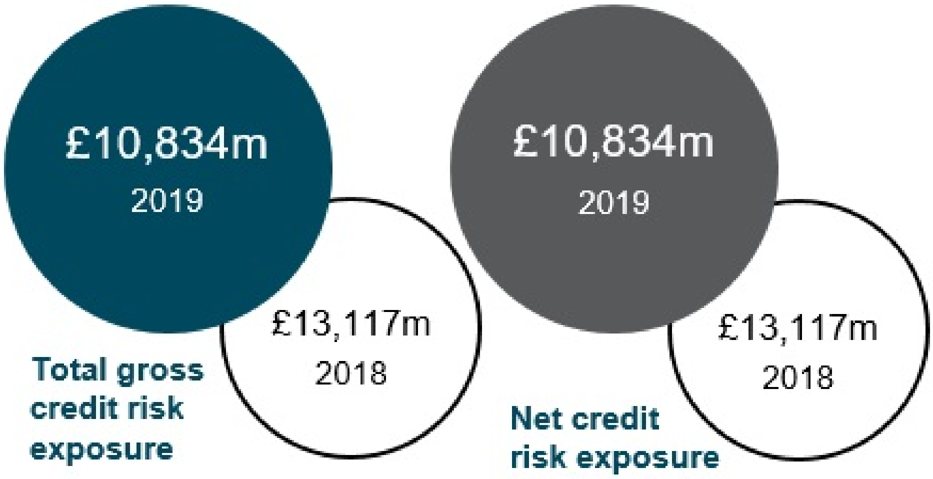
Risk Management

BNY Mellon's existing risk management framework provides the structure, processes and tools necessary to identify, mitigate and manage climate related risks. Over time, as knowledge and understanding of climate change risks develops, The Bank of New York Mellon (International) Limited will incorporate these impacts into its analysis and oversight of all risk types, thereby embedding climate change within the BAU risk management environment.

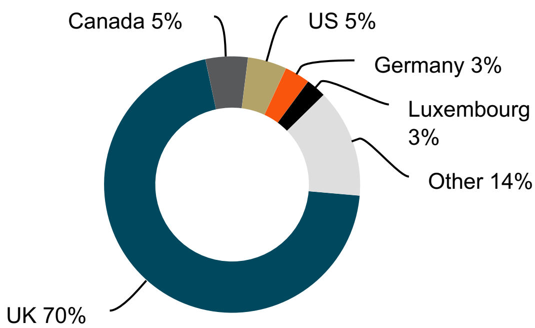
Metrics and Targets

Metrics and targets have yet to be defined. However, The Bank of New York Mellon (International) Limited is seeking to further understand climate-related risks by first conducting a data collection and analysis exercise, to help inform future decision-making endeavours with respect to climate change.

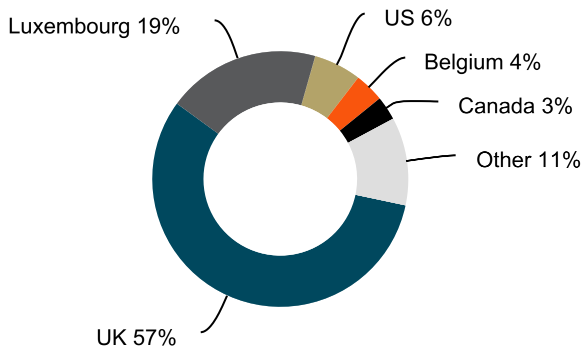
5 Article 442 CRR - Credit risk adjustments



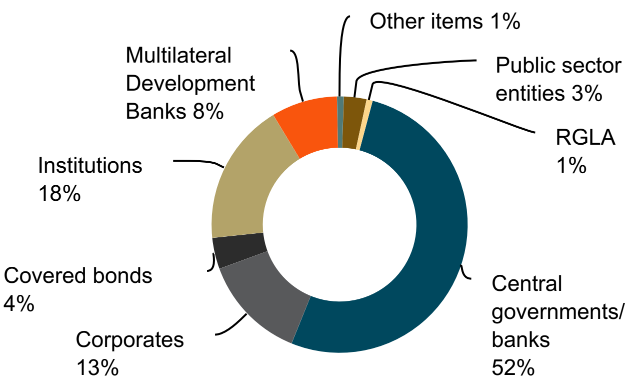
Standardised net credit exposure by geographical area at 31 December 2019



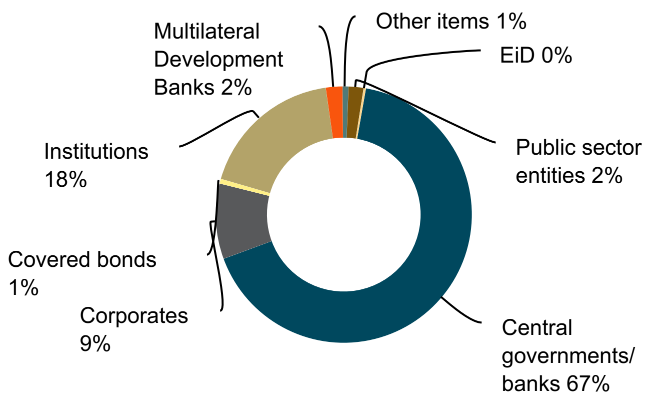
Standardised net credit exposure by geographical area at 31 December 2018



Standardised net credit exposure by counterparty type at 31 December 2019



Standardised net credit exposure by counterparty type at 31 December 2018



CGLA: Regional governments/ local authorities, EiD: Exposures in default (past due)

5.1 Definition and identification

Credit risk is the risk that an obligor/issuer is unable or unwilling to satisfy an obligation when it falls due. Credit risk can originate from on-balance sheet obligations such as deposits, loans, commitments, securities and other assets by failing to make the required repayments.

Understanding, identifying and managing credit risk is a central element of BNY Mellon's successful risk management approach. The Bank of New York Mellon (International) Limited's credit risk is managed in line with the BNY Mellon's Risk Appetite to minimise losses whilst identifying future potential risks. The Bank of New York Mellon (International) Limited's business model creates operational and intraday credit risks along with other credit risk types. This section describes the effective governance of credit risk exposures in The Bank of New York Mellon (International) Limited. The principles, methodologies, and processes outlined in this section relating to credit risk will be reviewed and may be modified as part of the annual review process of credit policy, if applicable.

The Bank of New York Mellon (International) Limited has a liability-driven balance sheet and typically engages in the provision of custody services to its clients. The Bank of New York Mellon (International) Limited generates the following forms of credit exposure:

Client Lending:

Credit facilities are provided on an advised but uncommitted basis to some Investment Trusts.

Unadvised, uncommitted intraday and overnight internal guidance facilities may be provided in support of operational activity (trade settlement, cash wire activity, FX trades, etc.) subject to client's credit quality requirements and contractual documentation.

Nostros:

The Bank of New York Mellon (International) Limited utilises a number of banks around the world to maintain cash and securities accounts to enable access to over a hundred worldwide markets and to facilitate its Global Custody business. The larger, more active nostros are actively managed, others (mostly smaller, more exotic markets) are not. Nostro balances occur as a result of underlying client custody activity (trade settlements, securities maturing, etc). This is known as 'as offered' exposure, since it is dependent largely upon client activity rather than The Bank of New York Mellon (International) Limited's own Treasury function. Nostro exposure forms the bulk of The Bank of New York Mellon (International) Limited's credit risk to other banks.

Daylight/Intraday Credit Exposure:

Intraday credit exposure can be created from three sources:

- daylight (or intraday) limits that are authorised by Credit Risk Management to facilitate client activity for various businesses and products throughout BNY Mellon. These daylight limits permit straight through processing ('STP') of transactional activity and may generate intraday credit exposure up to the approved limit, with the expectation that the exposure will be cleared by the end of the same business day;
- intraday credit exposure is derived from timing differences arising from BNY Mellon operational processes and/or settlement activity that results in the extension of credit, which is expected to be extinguished within the business day when the payment and/or settlement activity is completed. For example, a counterparty's account may be credited based on the anticipated settlement of securities sales or make a payment on behalf of a counterparty in the morning and not receive covering funds until late in the afternoon; and
- additional intraday credit exposure can arise from the credit approval of a transaction for which no approved limit exists or the transaction exceeds the approved limits, if approved on an exceptional basis. The expectation that the exposure will be cleared by the end of the business day remains.

Cash Placements:

The Bank of New York Mellon (International) Limited deposits funds with, or purchases certificates of deposits issued by, other banks.

5.2 Credit risk management framework

At the outset of a new agent bank, trading counterpart or customer relationship, a review is undertaken by the business in partnership with Credit Risk Management to determine the client's suitability for the products offered and The Bank of New York Mellon (International) Limited's Risk Appetite for the name. Once it is agreed that the relationship can be entered into and suitable credit limits made available to accommodate the activity, the client can be mandated and moved through the Business Acceptance Committee process for formal approval by all relevant parties. As the First Line of Defense, the business has primary responsibility to identify the nature and quantum of credit risk that may be incurred as a result of any business relationship. The Credit Risk Management function assists in that assessment as the Second Line of Defense.

Credit risk management is an outsourced service provided under Service Level Descriptions ('SLDs') to the various global BNY Mellon Legal Entities. Each Legal Entity Board will approve both an appropriate Risk Appetite Statement and a Legal Entity specific Credit Risk Policy which details the roles and responsibilities and levels of delegated authority for each type of activity.

5.3 Management of credit risk

Credit risk (including metrics, breaches, and output) is effectively managed in a number of ways:

- Nostros are maintained at the minimum possible level and within the large exposure limits, ensuring smooth operations and adherence to own fund requirements. The majority of the Nostro providers used are all major, well rated banks in their relevant countries;
- for custody clients, limits are calculated as a percentage of AUC. Most clients have, within their Global Custody Agreement ('GCA'), provided the bank with a contractual right of set-off across currency accounts, a custodial lien on the assets held with right of retention and sale if debts are not repaid;
- for legal reasons certain clients may not be able to provide a lien on their assets, or there may be some other inability to encumber the asset pool which may be held ultimately for the benefit of other parties (e.g. insurance companies, etc.). However, these clients are usually also highly rated financial institutions. Therefore, the risk is mitigated by their high credit rating rather than access to a collateralised bond portfolio;
- in some instances, the provision of an overdraft to a client could result in a large exposure breach. To mitigate this risk, a Risk Participation Agreement is in place with The Bank of New York Mellon, whereby excess exposure can be legally transferred to the larger bank and thereby removed from The Bank of New York Mellon (International) Limited balance sheet. This arrangement is fully collateralised where necessary, to offset the intragroup large exposure risk;
- a Master Netting Agreement is in place to cover intragroup exposure to BNY Mellon SA/NV; and
- placement activity with third party banks is subject to credit approval and is only permitted after careful consideration of the quality of the counterparty bank, large exposure issues and exposure elsewhere within the BNY Mellon enterprise. Relationships with, and limits for, all banks are managed globally by BNY Mellon. The Bank of New York Mellon (International) Limited counterparty bank limits are managed as a subset within the overall limits approved by the parent.

The metrics supporting the management of credit risk are monitored on a monthly basis and reported to The Bank of New York Mellon (International) Limited's senior management.

5.4 Monitoring and reporting

Credit risk is monitored and controlled in real time through the Global Funds Control Platform and its interaction with both the Global Securities Processing ('GSP') system for securities settlement activity and the International Money Management System ('IMMS'), which is the bank's proprietary Demand Deposit Account platform.

Post-event monitoring is conducted by the Client Service area, with secondary oversight from the Credit Risk Management function.

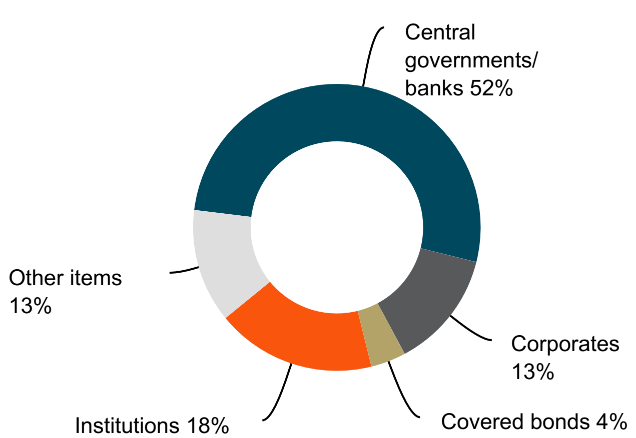
5.5 Governance

Governance of credit risk oversight as a Second Line of Defense function is described and controlled through Credit Risk Policy and day-to-day procedures as follows:

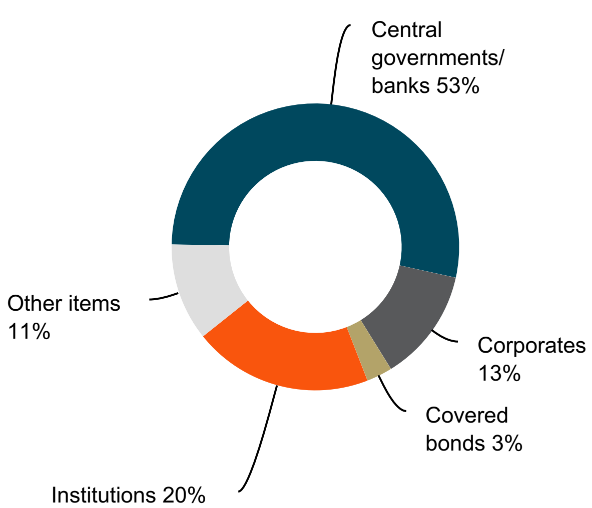
- The Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event;
- approvals for excesses are controlled using a matrix of credit risk approval authorities held within the Credit Risk Policy - each Credit Risk Officer has their own individual delegated approval authority granted by the Chief Credit Officer. He/she must act within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a more senior officer as per the applicable Credit Risk Policy. The outsourcing of credit responsibility to Credit Risk Management is through the Board approved Credit Risk Policy; and
- overdraft monitoring conducted within each legal entity - significant overdrafts are escalated in line with The Bank of New York Mellon (International) Limited's risk appetite. All significant overdrafts and exposures are recorded and form part of the credit risk management information produced on a monthly basis for various management committees.

5.6 Analysis of credit risk

Total net exposures at 31 December 2019



Average net exposures over 2019



The Bank of New York Mellon (International) Limited’s minimum credit risk capital requirement is calculated using the standardised approach and is expressed as 8% of risk-weighted exposures. Where available, issuer ratings from External Credit Assessment Institutions ('ECAI') are used in the determination of the relevant risk-weighting across all exposure classes. Where ECAI ratings differ, the more conservative rating is applied.

A breakdown of The Bank of New York Mellon (International) Limited’s credit risk exposures as at 31 December 2019 is provided below.

The definitions below are used in the following tables:

- **Exposure at Default ('EAD')** is defined as the amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory IFRS accounting balance sheet carrying values;
- **Exposures in Default (past due) -** The Bank of New York Mellon (International) Limited has a low level of exposures in default which are defined as accounts receivable balances in excess of agreed limits for more than 90 days. This definition only applies to regulatory computations and is disclosed under exposure class, exposures in default. In the case of The Bank of New York Mellon (International) Limited this carries no impairment;
- **Credit Conversion Factor ('CCF')** converts the amount of a free credit line and other off-balance sheet transactions (with the exception of derivatives) to an EAD amount;
- **Credit Risk Mitigation ('CRM')** is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection;
- **geographic area** is based on the country location of the counterparty; and
- **residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.

Table 9:EU CRB-B - Total and average net amount of exposures

The following tables show the total and average credit risk exposure pre conversion factors by class for The Bank of New York Mellon (International) Limited (Consolidated) using the standardised approach.

At 31 December 2019 (£m)	Net value at the end of the period	Average net value over the period
Central governments/ banks	5,629	5,954
Corporates	1,439	1,427
Covered bonds	428	323
Institutions	1,948	2,262
Multilateral Development Banks	904	796
Other items	93	86
Public sector entities	310	265
Exposures in default (past due)	—	—
Regional governments/ local authorities	83	83
Total	**10,834**	**11,196**

Table 10:EU CRB-C - Geographical breakdown of exposures

This table shows The Bank of New York Mellon (International) Limited (Consolidated) credit risk exposure pre conversion factors by (top five) geographical area.

At 31 December 2019 (£m)	UK	Canada	US	Germany	Luxembourg	Other	Total
Central governments/ banks	5,629	—	—	—	—	—	**5,629**
Corporates	1,328	—	—	—	—	110	**1,438**
Covered bonds	327	—	—	101	—	—	**428**
Institutions	50	464	405	—	—	1,030	**1,949**
Multilateral Development Banks	190	—	123	—	276	315	**904**
Other items	89	—	4	—	—	—	**93**
Public sector entities	—	115	—	165	—	30	**310**
Exposures in default (past due)	—	—	—	—	—	—	**—**
Regional governments/ local authorities	—	—	—	83	—	—	**83**
Total	**7,613**	**579**	**532**	**349**	**276**	**1,485**	**10,834**

Table 11:EU CRB-D - Concentration of exposures by counterparty types

This table shows The Bank of New York Mellon (International) Limited (Consolidated) credit risk exposure pre conversion factors classified by class and by counterparty type.

At 31 December 2019 (£m)	Central governments	Credit institutions	Other financial corporations	Various balance sheet items	Total
Central governments/banks	5,629	—	—	—	**5,629**
Corporates	—	—	1,439	—	**1,439**
Covered bonds	—	428	—	—	**428**
Institutions	—	1,948	—	—	**1,948**
Multilateral Development Banks	—	904	—	—	**904**
Other items	—	—	—	93	**93**
Public sector entities	310	—	—	—	**310**
Exposures in default (past due)	—	—	—	—	**—**
Regional governments/local authorities	83	—	—	—	**83**
Total	**6,022**	**3,280**	**1,439**	**93**	**10,834**

Table 12:EU CRB-E - Maturity of exposures

This table shows The Bank of New York Mellon (International) Limited (Consolidated) **on-balance sheet** credit risk exposure pre conversion factors classified by exposure class and residual maturity.

At 31 December 2019 (£m)	On demand	Less than 1 year	Less than 5 years	More then 5 years	No stated maturity	Total
Central governments or central banks	32	1,061	252	—	4,466	**5,811**

At 31 December 2019 (£m)	On demand	Less than 1 year	Less than 5 years	More then 5 years	No stated maturity	Total
Corporates	1,163	—	—	—	116	**1,279**
Covered bonds	—	80	348	—	—	**428**
Institutions	266	445	585	—	419	**1,715**
Multilateral development banks	—	—	848	56	—	**904**
Other items	93	—	—	—	—	**93**
Public sector entities	—	61	300	—	—	**361**
Equity	—	—	—	—	—	**—**
Regional governments or local authorities	—	—	83	—	—	**83**
Total	**1,554**	**1,647**	**2,416**	**56**	**5,001**	**10,674**

5.7 Analysis of past due and impaired exposures

An aspect of credit risk management relates to problem debt management, which entails early problem identification through to litigation and recovery of cash where there is no realistic potential for rehabilitation.

The following tables provide an analysis of past due and impaired exposures using the following definitions:

- **past due** exposure is when a counterparty has failed to make a payment when contractually due; and
- **impaired exposure** is when the entity does not expect to collect all the contractual cash flows when they are due.

As at 31 December 2019, The Bank of New York Mellon (International) Limited had no material impaired assets for which a specific or general provision was required. There were no material assets past due greater than 90 days. The Bank of New York Mellon (International) Limited did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.

Table 13:EU CR1-A - Credit quality of exposures by exposure class and instrument

This table provides a comprehensive picture of The Bank of New York Mellon (International) Limited (Consolidated) credit quality of on- and off-balance sheet exposures.

	Exposures		Credit risk adjustments				
At 31 December 2019 (£m)	Defaulted	Non-defaulted	Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Central governments/banks	—	5,629	—	—	—	—	5,629
Credit institutions	—	1,948	—	—	—	—	1,948
Other financial corporations	—	1,439	—	—	—	—	1,439
Various balance sheet items	—	93	—	—	—	—	93
Multilateral Development Banks	—	904	—	—	—	—	904
Exposures in default (past due)	—	—	—	—	—	—	—
Public sector entities	—	310	—	—	—	—	310
Regional governments/local authorities	—	83	—	—	—	—	83

At 31 December 2019 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Covered bonds	—	428	—	—	—	—	428
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**

At 31 December 2018 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Central governments/banks	—	8,741	—	—	—	—	8,741
Credit institutions	—	2,393	—	—	—	—	2,393
Other financial corporations	—	1,246	—	—	—	—	1,246
Various balance sheet items	—	98	—	—	—	—	98
Multilateral Development Banks	—	275	—	—	—	—	275
Exposures in default (past due)	—	1	—	—	—	—	1
Public sector entities	—	248	—	—	—	—	248
Regional governments/local authorities	—	37	—	—	—	—	37
Covered bonds	—	79	—	—	—	—	79
Total	**—**	**13,117**	**—**	**—**	**—**	**—**	**13,117**

Table 14:EU CR1-B - Credit quality of exposures by industry

This table shows the credit quality of The Bank of New York Mellon (International) Limited (Consolidated) on- and off-balance sheet credit risk exposures by industry type.

Industry type at 31 December 2019 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Financial and insurance activities	—	7,035	—	—	—	—	7,035
Other services	—	3,799	—	—	—	—	3,799
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**
Of which: Loans	—	10,675	—	—	—	—	10,675
Of which: Off-balance sheet exposures	—	159	—	—	—	—	159
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**

Industry type at 31 December 2018 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Financial and insurance activities	—	11,664	—	—	—	—	11,664
Other services	—	1,453	—	—	—	—	1,453
Total	**—**	**13,117**	**—**	**—**	**—**	**—**	**13,117**
Of which: Loans	—	12,870	—	—	—	—	12,870
Of which: Off-balance sheet exposures	—	247	—	—	—	—	247
Total	**—**	**13,117**	**—**	**—**	**—**	**—**	**13,117**

Table 15:EU CR1-C - Credit quality of exposures by geography

This table shows an analysis of The Bank of New York Mellon (International) Limited (Consolidated) credit risk exposures past due, impaired and allowances by (top five) country using the IFRS methodology.

Counterparty type at 31 December 2019 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	—	7,613	—	—	—	—	7,613
Canada	—	579	—	—	—	—	579
US	—	531	—	—	—	—	531
Germany	—	349	—	—	—	—	349
Luxembourg	—	276	—	—	—	—	276
Other	—	1,486	—	—	—	—	1,486
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**

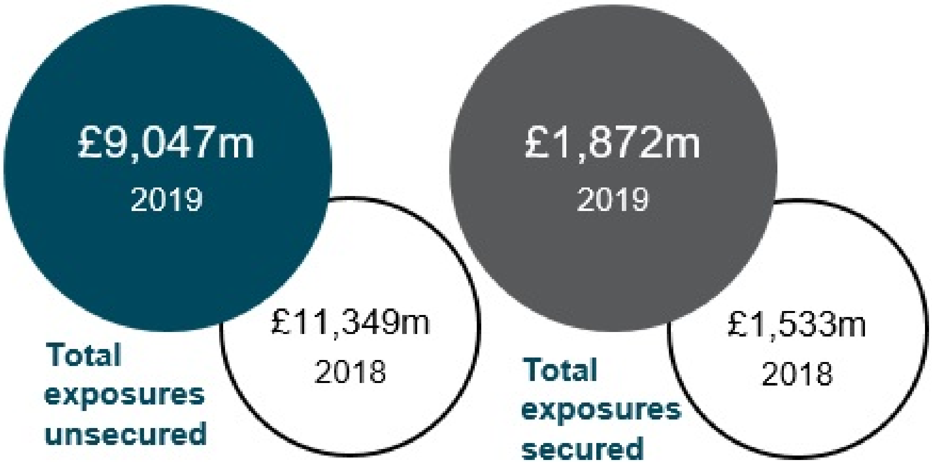
Counterparty type at 31 December 2018 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	—	7,439	—	—	—	—	7,439
Luxembourg	—	2,541	—	—	—	—	2,541
US	—	787	—	—	—	—	787
Belgium	—	489	—	—	—	—	489
Canada	—	396	—	—	—	—	396
Other	—	1,467	—	—	—	—	1,467
Total	**—**	**13,119**	**—**	**—**	**—**	**—**	**13,119**

Non-performing and forborne exposures: The Bank of New York Mellon (International) Limited did not incur any material non-performing or forborne exposures during the year to 31 December 2019.

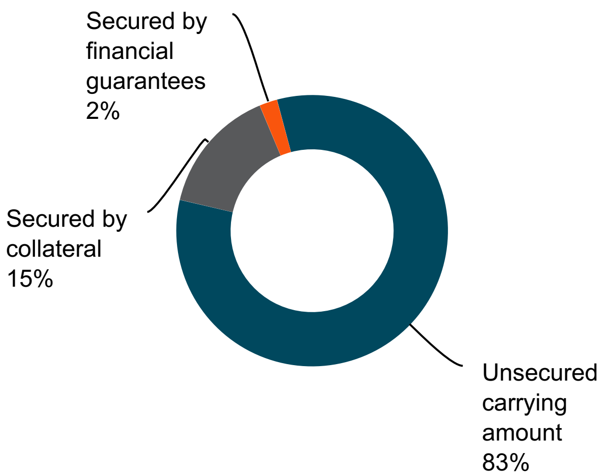
Changes in the stock of general and specific credit risk adjustments: The Bank of New York Mellon (International) Limited did not incur any impaired exposures during the year to 31 December 2019 and, therefore, no general or specific credit risk adjustments were noted.

Changes in the stock of defaulted and impaired loans and debt securities: The Bank of New York Mellon (International) Limited did not incur any defaulted loans or debt securities during the year to 31 December 2019.

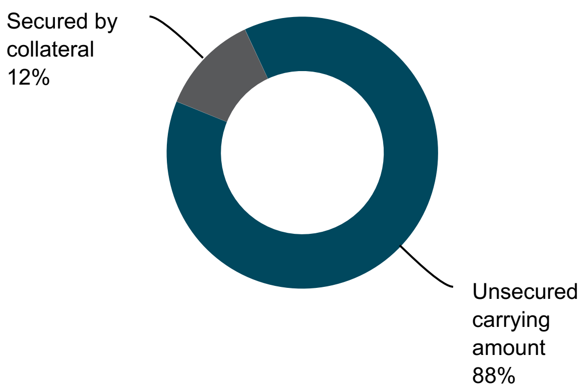
6 Article 453 CRR - Credit risk mitigation



Credit risk mitigation at 31 December 2019



Credit risk mitigation at 31 December 2018



The Bank of New York Mellon (International) Limited manages credit risk through a variety of credit risk mitigation strategies including collateral and master netting agreements and netting arrangements.

6.1 Netting

The Bank of New York Mellon (International) Limited facilitates customer settlement activity which gives rise to receivables and payables across multiple accounts. On-balance sheet netting agreements have a similar effect to a 'cash-pooling' arrangement, insofar as the amounts due from customers can be recorded on a net basis across accounts.

The Bank of New York Mellon (International) Limited also has master netting agreements ('MNAs') with other BNY Mellon entities that allow it to net intercompany balances on a single currency basis. The agreements meet the requirements of the CRR for credit risk mitigation purposes.

International Swaps and Derivatives Association ('ISDA') Master Agreements and netting can be used to mitigate counterparty credit risk. The ISDA Agreement incorporates schedules that allow the contracting parties to customise the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters. However, The Bank of New York Mellon (International) Limited had limited derivative positions as at 31 December 2019 and did make use of ISDA master netting agreements.

6.2 Collateral valuation and management

Currently The Bank of New York Mellon (International) Limited only receives collateral from other BNY Mellon entities as part of the group's liquidity management strategy. However, there are 'pledge' or 'lien' arrangements in place with some customers such that their assets under custody serve to support any credit exposures arising from loans granted to the customer.

6.3 Wrong-way risk

The Bank of New York Mellon (International) Limited takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the counterparty increases when the counterparty's credit quality deteriorates.

6.4 Credit concentration risk

Ongoing assessments of credit concentration risk are performed as part of the Pillar 2 risk assessment process.

Credit concentration risk within The Bank of New York Mellon (International) Limited originates mostly through The Bank of New York Mellon (International) Limited's banking activities. The Bank of New York Mellon (International) Limited has an appetite to place funds only with institutions having an internal rating of 10 or better (equivalent to Moody's/S&P/Fitch external rating of Baa3/BBB-/BBB- respectively). Whilst this approach undoubtedly constrains the number of eligible placement counterparties as well as the deposit spread, it also ensures that exposures are well controlled and less likely to default.

In addition, to ensure compliance with the Large Exposures and Shadow Banking Regime, Credit risk limits placements to individual banks to EUR 150 million or to connected groups and shadow banking entities to a maximum of 25% of regulatory capital, in line with CRR requirements.

Table 16:EU CR3 - Credit risk mitigation techniques - overview

This table shows the extent of credit risk mitigation techniques of all exposures utilised by The Bank of New York Mellon (International) Limited (Consolidated).

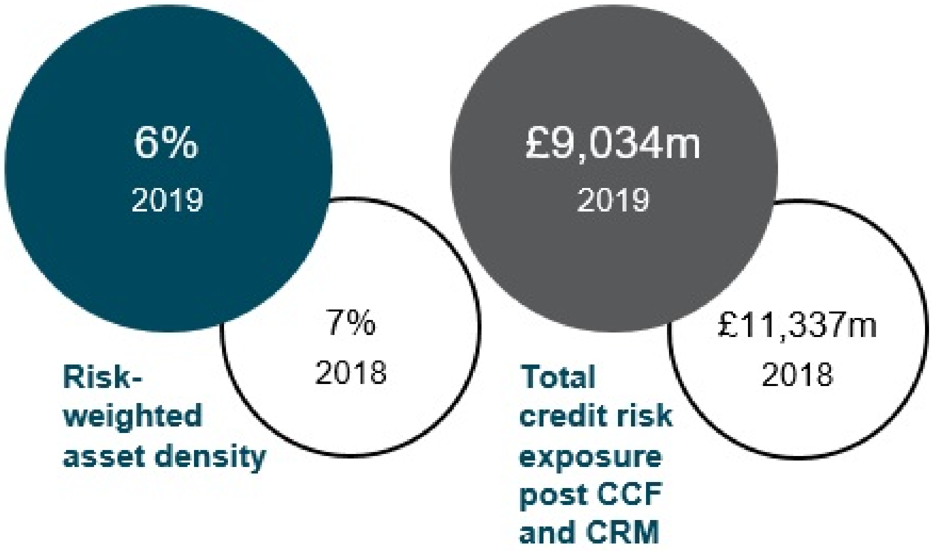
At 31 December 2019 (£m)	Exposures unsecured - carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	9,034	1,872	1,640	233	—
Total debt securities	13	—	—	—	—
Total exposures	**9,047**	**1,872**	**1,640**	**233**	**—**
Of which defaulted	—	—	—	—	—

Note: Total loans includes on- and off-balance sheets exposures post CRM and CCF subject to credit risk. Total debt securities includes all exposures subject to counterparty credit risk.

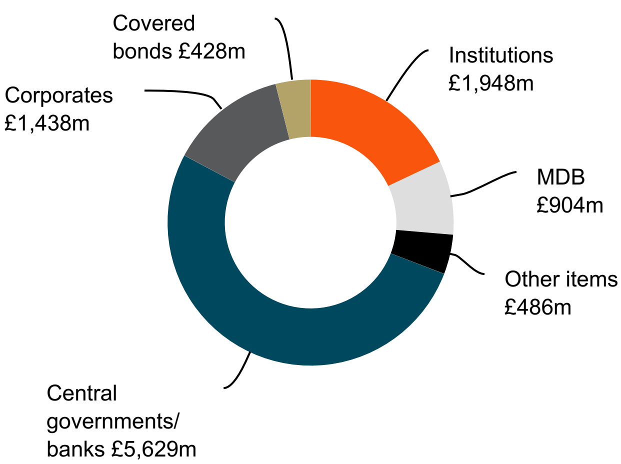
Financial and other eligible collateral can include cash, debt securities, equities or gold, and their values are taken into account for the purposes of calculating the risk-weighted exposure amount of the underlying exposure.

There are no exposures covered by guarantees at 31 December 2019. Using guarantees has the effect of replacing the risk weight of the underling exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

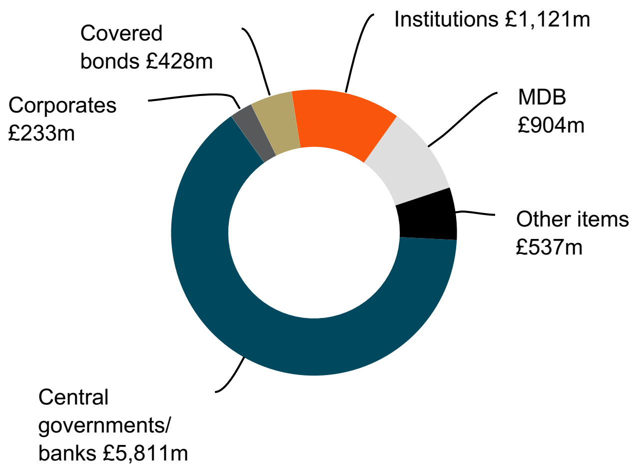
7 Article 444 CRR - External credit rating assessment institutions



Total exposures before CCF and CRM at 31 December 2019



Total exposures post CCF and CRM at 31 December 2019



MDB: Multilateral development banks

The standardised approach requires The Bank of New York Mellon (International) Limited to use risk assessments prepared by External Credit Rating Assessment Institutions ('ECAIs') to determine the risk-weightings applied to rated counterparties. The Bank of New York Mellon (International) Limited uses S&P Global Ratings, Moody's and Fitch Ratings as its chosen ECAIs. There has been no change to these ECAIs during the year.

Table 17:Mapping of ECAIs credit assessments to credit quality steps

The Bank of New York Mellon (International) Limited uses Credit Quality Steps ('CQS') to calculate the RWAs associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments.

This table shows the mapping of The Bank of New York Mellon (International) Limited's nominated ECAIs' credit assessments to the credit quality steps.

Credit quality steps	S&P Global Ratings	Moody's	Fitch Ratings
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB-+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

Table 18:Credit quality steps and risk-weights

ECAI risk assessments are used for each exposure class except eligible retail exposures which are assigned a risk-weight of 75%. In accordance with the regulations, institutions with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk-weight different to institutions with a risk-weight of more than three months. This distinction is shown in the table below.

This table shows the prescribed risk-weights associated with the credit quality steps by exposure class.

	Risk-weight by credit quality step					
Exposure class	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
Central governments/banks	0%	20%	50%	100 %	100%	150%
Institutions maturity <= 3 months	20%	20%	20%	50 %	50%	150%
Institutions maturity > 3 months	20%	50%	50%	100 %	100%	150%
Corporates	20%	50%	100%	100 %	150%	150%
Collective investment undertakings	20%	50%	100%	100 %	150%	150%
Unrated institutions	20%	50%	100%	100 %	100%	150%

The risk systems maintain the credit quality step mappings to customers in their database. When calculating the risk-weighted value of an exposure using the ECAI risk assessments, the system will identify the customer, the maturity of the transaction and the relevant credit quality step to determine the risk-weight percentage.

Table 19:EU CR4 - Credit risk exposure and credit risk mitigation ('CRM') effects

This table shows the effect of the standardised approach on the calculation of capital requirements for The Bank of New York Mellon (International) Limited (Consolidated) credit risk exposures. Risk-weighted exposure amount ('RWA') density provides a synthetic metric on the riskiness of each portfolio.

	Exposures before CCF and CRM		Exposures post CCF and CRM			
	balance sheet amount		balance sheet amount			
Exposure class at 31 December 2019 (£m)	On-	Off-	On-	Off-	RWA	RWA density
Central governments/ banks	5,629	—	5,811	—	5	0 %
Corporates	1,279	159	233	—	178	76 %
Covered bonds	428	—	428	—	43	10 %
Institutions	1,948	—	1,121	—	226	20 %

Exposure class at 31 December 2019 (£m)	Exposures before CCF and CRM balance sheet amount On-	Off-	Exposures post CCF and CRM balance sheet amount On-	Off-	RWA	RWA density
Multilateral Development Banks	904	—	904	—	—	0 %
Other items	93	—	93	—	126	135 %
Public sector entities	310	—	361	—	4	1 %
Regional governments/local authorities	83	—	83	—	—	0 %
Exposures in default (past due)	—	—	—	—	—	0 %
Total	**10,674**	**159**	**9,034**	**—**	**582**	**6 %**

Table 20:EU CR5 - Credit risk exposure by risk-weight post CCF and CRM

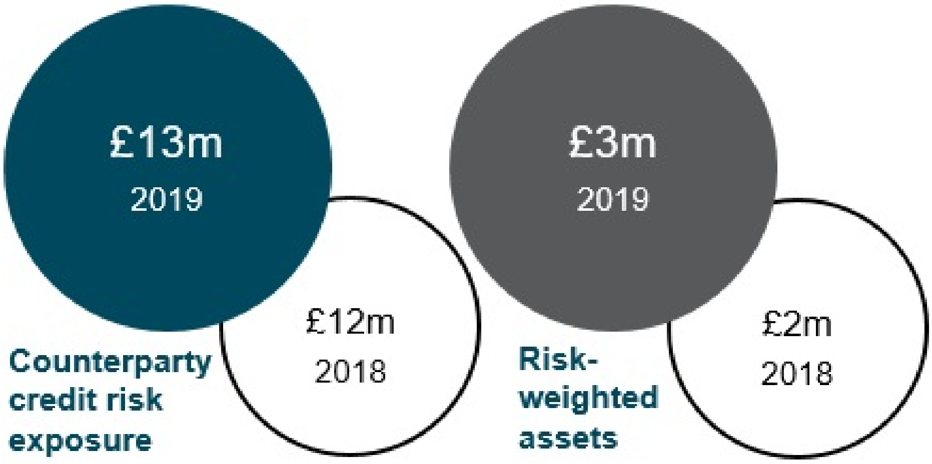
This table shows the breakdown of credit risk exposures for The Bank of New York Mellon (International) Limited (Consolidated) after the application of both conversion factors and risk mitigation techniques.

31 December 2019 (£m)	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Other	Total
Central governments/ banks	5,786	—	25	—	—	—	—	—	5,811
Corporates	—	—	—	110	123	—	—	—	233
Covered bonds	—	428	—	—	—	—	—	—	428
Institutions	—	—	1,116	6	—	—	—	—	1,122
Multilateral development banks	904	—	—	—	—	—	—	—	904
Other items	—	—	—	—	71	—	22	—	93
Public sector entities	340	—	20	—	—	—	—	—	360
Regional governments or local authorities	83	—	—	—	—	—	—	—	83
Exposures in default	—	—	—	—	—	—	—	—	—
Total	**7,113**	**428**	**1,161**	**116**	**194**	**—**	**22**	**—**	**9,034**

Exposure class at 31 December 2018 (£m)	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Other	Total
Central governments/banks	8,741	—	—	—	—	—	—	—	8,741
Corporates	—	—	3	78	273	—	—	—	354
Covered bonds	—	79	—	—	—	—	—	—	79
Institutions	—	—	1,330	174	—	—	—	—	1,504
Multilateral development Banks	275	—	—	—	—	—	—	—	275
Other items	—	—	—	—	78	—	20	—	98
Public sector entities	248	—	—	—	—	—	—	—	248
Regional governments/local authorities	37	—	—	—	—	—	—	—	37
Exposures in default (past due)	—	—	—	—	—	1	—	—	1
Total	**9,301**	**79**	**1,333**	**252**	**351**	**1**	**20**	**—**	**11,337**

The Bank of New York Mellon (International) Limited's deposit base decreased during 2019 following the transfer of The Luxembourg Asset Servicing clients contracted with the UK Bank Luxembourg branch to the Luxembourg branch of BNY Mellon SA/NV and the Luxembourg Fiduciary Corporate Trust business moved to the UK Bank at the same time. This was all completed by early April 2019.

8 Article 439 CRR - Exposure to counterparty credit risk



Counterparty credit risk is the risk of a counterparty to a contract (recorded in either the trading book or non-trading book) defaulting before fulfillment of cash-flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

Table 21:EU CCR1 - Analysis of the counterparty credit risk ('CCR') exposure by approach

This table shows a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method for The Bank of New York Mellon (International) Limited (Consolidated).

Counterparty credit risk (£m)		
Derivatives - Mark to Market method	**31-Dec-19**	**31-Dec-18**
Gross positive fair value of contracts	—	1
Potential future credit exposure	13	11
Netting benefits	—	—
Net current credit exposure	13	12
Net derivatives credit exposure	13	12
Risk-weighted Assets	**3**	**2**
SFT - under financial collateral comprehensive method	**31-Dec-19**	**31-Dec-18**
Net current credit exposure	—	—
Net SFT credit exposure	—	—
Risk-weighted Assets	**—**	**—**
Counterparty credit risk exposure	**13**	**12**

Note: SFT (Securities Financing Transactions).

8.1 Credit valuation adjustment

The credit valuation adjustment is the capital charge for potential mark-to-market losses due to the credit quality deterioration of a counterparty. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

Table 22:EU CCR2 - Credit valuation adjustment capital charge

This table shows The Bank of New York Mellon (International) Limited (Consolidated) credit valuation adjustment using the standardised approach.

Portfolio at 31 December 2019 (£m)	Exposure value	RWA
All portfolios subject to the standardised method	13	3
Total subject to the CVA capital charge	**13**	**3**

Table 23:EU CCR3 - CCR exposures by regulatory portfolio and risk

This table shows the breakdown of The Bank of New York Mellon (International) Limited (Consolidated) counterparty credit risk exposures by exposure class and risk-weight attributed according to the standardised approach.

Exposure class at 31 December 2019 (£m)	0 %	20 %	50 %	100 %	150 %	Other	Total
Central governments/banks	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—
Institutions	—	13	—	—	—	—	13
Multilateral Development Banks	—	—	—	—	—	—	—
Other items	—	—	—	—	—	—	—
Total	**—**	**13**	**—**	**—**	**—**	**—**	**13**

Exposure class at 31 December 2018 (£m)	0 %	20 %	50 %	100 %	150 %	Other	Total
Central governments/banks	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—
Institutions	—	12	—	—	—	—	12
Multilateral Development Banks	—	—	—	—	—	—	—
Other items	—	—	—	—	—	—	—
Total	**—**	**12**	**—**	**—**	**—**	**—**	**12**

Table 24:EU CCR5-A - Impact of netting and collateral held on exposure values

This table provides an overview of the collateral held on counterparty credit risk exposures for The Bank of New York Mellon (International) Limited (Consolidated).

Financial security at 31 December 2019 (£m)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	13	—	13	—	13
Securities financing transactions	—	—	—	—	—
Cross-product netting	—	—	—	—	—
Total	**13**	**—**	**13**	**—**	**13**

9 Article 443 CRR - Asset encumbrance

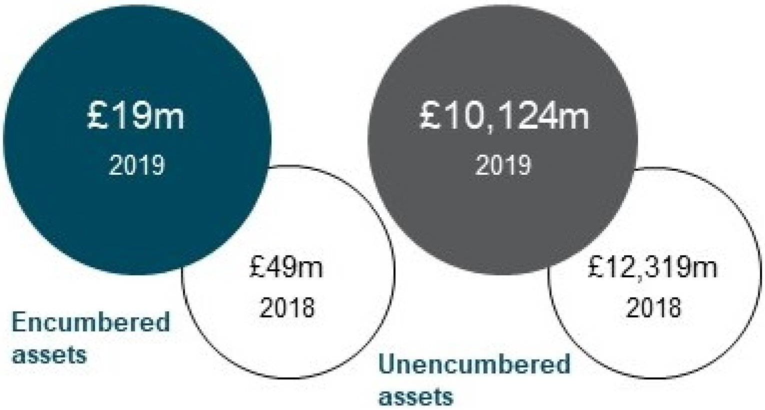


Table 25:AE-A - Encumbered assets

The carrying and fair value of encumbered assets by type, based on median values in 2019, are as follows:

	Encumbered assets				Unencumbered assets			
Consolidated at 31 December 2019 (£m)	Carrying amount	of which notionally eligible EHQLA and HQLA	Fair value	of which notionally eligible EHQLA and HQLA	Carrying amount	of which EHQLA and HQLA	Fair value	of which EHQLA and HQLA
Assets of the reporting institution	**19**	**—**			**10,124**	**980**		
Debt securities	—	—	—	—	3,076	980	3,057	980
of which: covered bonds	—	—	—	—	289	377	289	377
of which: issued by general governments	—	—	—	—	980	855	980	855
of which: issued by financial corporations	—	—	—	—	1,617	685	1,617	685
Other assets	**19**	**—**			**7,245**	**—**		
of which: loans on demand	19	—			6,416	—		
of which: loans and advances other than loans on demand	—	—			625	—		
Other assets	—	—			204	—		

Note: HQLA (High Quality Liquid Assets) / EHQLA (Extremely High Quality Liquid Assets).

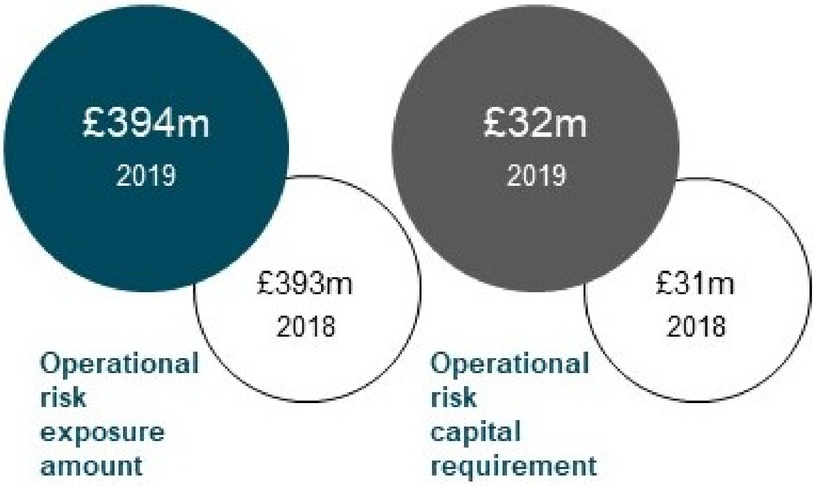
Table 26:AE-B - Collateral

The reportable encumbered collateral received, or available for encumbrance are presented below:

Consolidated at 31 December 2019 (£m)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Total assets, collateral received and own debt securities issued	19	—	—	—

Encumbered assets for The Bank of New York Mellon (International) Limited relate solely to its 'cash ratio deposit' requirement to hold a minimum level of reserves at the Bank of England. This represents a relatively small proportion of the Company's total reserves held at the Bank of England.

10 Article 446 CRR - Operational risk



Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events (including legal risk but excluding strategic and reputation risk).

Operational risk may arise from errors in transaction processing, breaches of internal control, systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

10.1 Operational risk management framework

BNY Mellon's Risk Management Framework provides the processes and tools necessary to fulfil a strategy of managing operational risk through a culture of risk awareness, a clear governance structure and well-defined policies and procedures. The framework ensures appropriate reporting and monitoring to allow effective identification, management and mitigation of risks within appropriate forums and governance bodies. To support this activity, a number of risk management activities are prescribed through both the Enterprise and Operational Risk Management programmes.

The Bank of New York Mellon (International) Limited uses the Operational Risk Management Framework (‘ORMF’) to effectively identify, manage, mitigate (where possible), monitor and report the risks in an organised way to the appropriate governance bodies.

The ORMF defines roles and responsibilities through the global policy, using the Three Lines of Defense model as a foundation. Thus, responsibility for the management of operational risk sits first and foremost with the business and functions.

Therefore, the monitoring and reporting of operational risks occurs within the business, entity and EMEA-region risk oversight functions as well as decision-making forums, such as business risk committees and The Bank of New York Mellon (International) Limited’s Risk Management Committee ('RMC').

The tools utilised include but are not limited to:

Risk and Control Self Assessments ('RCSA')

A comprehensive policy for Business Groups and Business Partners to identify risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls in place to mitigate that risk.

Operational Risk Events ('ORE')

A standard for the capture, notification and reporting of Operational Risk Events. The collection of internal loss data provides information for assessing the entity’s exposure to Operational Risk. Analysis of loss events provides insight into the root cause and information on whether a control weakness is isolated or potentially more systemic. Operational Risk Events ('OREs') are mapped to Basel II Operational Risk event categories and the impact to The Bank of New York Mellon (International) Limited is identified. Information on Operational Risk event losses or gains exceeding USD10,000 are analysed to understand root cause(s) and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events. All OREs (over USD10,000) are reviewed for root cause and possible mitigating actions are reported to the RMC monthly.

Key Risk Indicators ('KRI')

Key risk metrics designed to monitor activities which could cause financial loss or reputational damage to the legal entity. Periodic and consistent monitoring of KRIs ensures that deviations from predetermined standards can be identified.

High Level Assessments

The High Level Assessment ('HLA') is a qualitative assessment performed separately at the Business/ Business Partner Group. It is a consolidated review that analyses the risk profile of the entity, the quality of controls in place to mitigate risks and internal and external factors impacting the business. The HLA is designed to ensure that Business/Business Partners and Risk Management identify, review and discuss the identified risks including Material Operational Risks on a regular basis. It enables current and emerging risks to be identified, discussed, addressed and elevated as appropriate.

Legal Entity High-level Assessment ('LE HLA')

Material risk identification for the Legal Entity is undertaken through the LE HLA process. The LE HLA is a qualitative assessment performed separately for the Legal Entity and utilises the applicable business level HLA as a key input to the assessment. It is a consolidated review that analyses the risk profile of the entity, the quality of controls in place to mitigate risks and internal and external factors impacting the business. The HLA is designed to ensure that the Legal Entities and Risk Management identify, review and discuss the identified risks on a regular basis. It enables current and emerging risks to be identified, discussed, addressed and elevated as appropriate.

Risk Appetite

BNY Mellon defines Risk Appetite as the aggregate level of risk a legal entity is willing to assume after considering topics such as its strategic business objectives and business plan, the major risks facing the legal entity and its risk capacity. The Bank of New York Mellon (International) Limited has, in line with the Enterprise Risk policy for Risk Appetite, defined a Risk Appetite Statement which recognises the inherent nature of operational risk and the reliance on the ORMF to mitigate it.

Operational Risk Scenario Analysis ('ORSA')

Operational Risk Scenario Analysis is used by The Bank of New York Mellon (International) Limited to identify and assess plausible, high impact, low probability operational risk loss events that could plausibly occur using a combination of the operational risk data and expert management judgement. Scenario analysis provides a broad perspective of risks faced globally based on the expertise of senior business and risk managers and supports an understanding of how significant operational losses could occur. Scenario analysis also supports, directly or indirectly, the calculation of operational risk capital by using the output of scenario analysis (frequencies and severities) as an input for Pillar 2A operational risk capital modelling.

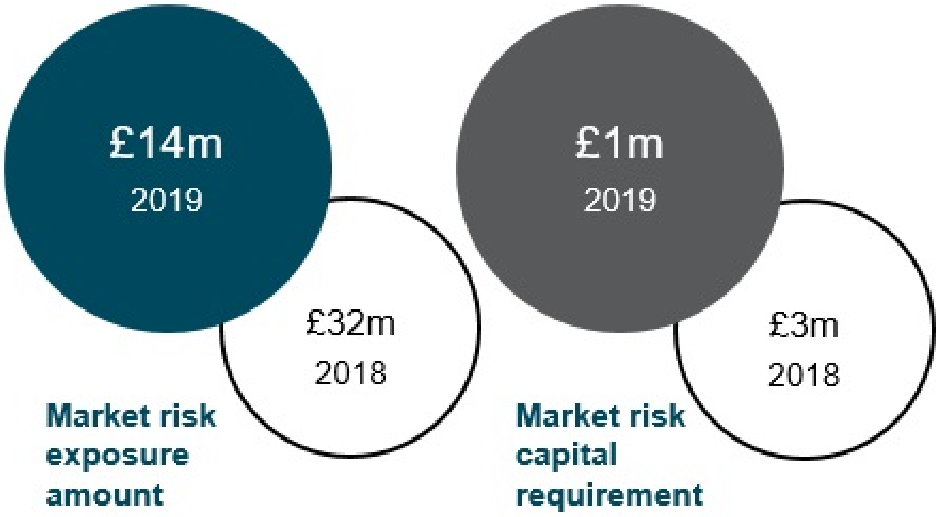
Monitoring and Reporting

Monitoring and reporting of operational risks occur within the business, Legal Entity and EMEA-region risk oversight functions, as well as decision-making forums such as BRC and the RMC. Regional committees such as the EMEA Senior Risk and Controls Committee also monitor and incorporate the material risks of the Bank in forming its regional risk assessment.

10.2 Capital resource requirement

The Bank of New York Mellon (International) Limited calculates the Pillar 1 operational risk capital resource requirement under the standardised approach. The Bank of New York Mellon (International) Limited's business mainly falls under the Agency Services Basel business line which mandates a 15% beta factor to determine capital from gross income. During 2019 The Bank of New York Mellon (International) Limited's operational risk exposure amount increased slightly to £394m (2018: £393m) with the capital requirement calculated to be £32m (2018: £31m).

11 Article 445 CRR - Exposure to market risk



Market risk is the risk to a firm's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates, interest rates and equity and commodity prices.

BNY Mellon undertakes market risk within the boundaries of its risk appetite as approved by the Board of The Bank of New York Mellon Corporation. The subsidiaries that issue risk appetite statements approved by their Boards must undertake market risk within the boundaries of those statements as well.

BNY Mellon manages market risk using a Three Lines of Defense approach (i.e. by each business unit, by Market Risk, and by Internal Audit).

Market risk limits are set consistent with The Bank of New York Mellon (International) Limited's risk appetite statement and are jointly managed by the business units undertaking the risk and the Market Risk function (respectively, the First and Second Lines of Defense).

Market risk exposure is measured, monitored and analysed using both quantitative and qualitative methods by the Market Risk function.

BNY Mellon measures, monitors, and analyses market risk in a manner consistent with applicable law, regulations, and supervisory guidance.

The control framework elements addressing market risk limits include the following actions by the Market Risk Management function:

- monitoring of utilisation of market risk limits on a daily basis;
- reporting of limit utilisation and limit breaches;
- periodic limit reviews; and
- coordinating with business data providers to ensure the completeness and accuracy of data relating to market risk.

The current market risk mandate and limit schedule within this framework for The Bank of New York Mellon (International) Limited is simple and sets straightforward controls on the level of market risk exposure permitted in The Bank of New York Mellon (International) Limited's Treasury activities.

Market Risk Management independently monitors exposures against limits on a daily basis. Any breaches, depending on the level and type of limit that is breached, are escalated and notified to RCoB, ALCO, or to Senior Risk Management and Business Management.

Market risk is a systemic risk: movements in markets are beyond the control of The Bank of New York Mellon (International) Limited. Market risk to The Bank of New York Mellon (International) Limited is reviewed in two contexts: impact on balance sheet and impact on revenues as a result its profitability.

Market concentration risk can arise either from exposures to a single risk factor or exposures to multiple factors which are correlated. As The Bank of New York Mellon (International) Limited does not have a trading book, sources of market risk are limited to foreign exchange (FX translation) risk (long and short foreign exchange positions) due to revenue flows in different currencies.

Market liquidity risk is the risk that a position cannot easily be unwound or offset at short notice without significantly influencing the market price because of inadequate market depth or market disruption. Given the relatively small size of the foreign exchange ('FX') positions, this type of risk is considered immaterial.

The Corporate Treasury FX swap activity is performed for risk mitigating hedging purposes, but is classified as held-for-trading from an accounting perspective. There is no other trading activity in the Company.

The Bank of New York Mellon (International) Limited is currently exposed to two types of market risk: (a) foreign exchange risk and (b) interest rate risk.

a) Foreign exchange risk in The Bank of New York Mellon (International) Limited arises from operational flows in foreign currencies as non-UK clients are predominantly billed in US dollars. FX translation risk is the risk that a change in foreign exchange rates will create adverse impacts to the financial performance of the Company. The Bank of New York Mellon (International) Limited is naturally exposed to this type of risk where there is a currency mismatch between income and costs. In order to mitigate this, open foreign exchange positions on the balance sheet are closed out on a regular basis as they arise, and as a minimum at monthly intervals as set in the respective Corporate Accounting Policy.

b) The Bank of New York Mellon (International) Limited's interest income is subject to the risk that as market interest rates change, The Bank of New York Mellon (International) Limited cannot pass all of the interest rate change to its clients. Interest rate risk in the banking book will also arise from maturity or repricing mismatches and from products that include embedded optionality. The risk could crystallise with changes in interest rate risk/the shape of the yield curve.

Table 27:EU MR1 - Market risk

This table shows The Bank of New York Mellon (International) Limited (Consolidated) components of the capital requirements and risk-weighted assets for market risk using the standardised approach.

The Bank of New York Mellon (International) Limited’s market risk capital requirement consists solely of foreign exchange risk. (See section 12 Article 448 CRR - Interest rate risk in the banking book).

Outright products at 31 December 2019 (£m)	Risk-weighted assets	Capital requirements
Foreign exchange risk	14	1
Total	**14**	**1**

12 Article 448 CRR - Interest rate risk in the banking book

The Bank of New York Mellon (International) Limited is committed to ensuring a low appetite for Interest Rate Risk in its Banking Book ('IRRBB'), inherent to its business strategy and model. The Company recognises that its investment portfolio represents a source of market and interest rate risk, for which it has a conservative risk appetite. The approach to IRRBB management incorporates the risk appetite over both short-term and long-term time horizons, to maintain a balance between current income and long-term market value volatility.

Additional commentary is included under section 11 - Article 455 CRR Exposure to market risk of these disclosures.

Table 28:Net interest income sensitivity by currency

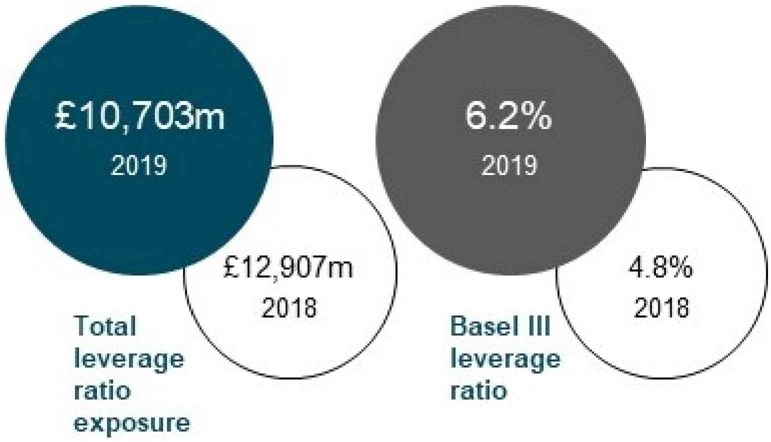
This table shows the net interest income sensitivity by The Bank of New York Mellon (International) Limited's major transactional currencies.

Currency (000s)	+ 100 basis points 31-Dec-19	- 100 basis points 31-Dec-19	+ 100 basis points 31-Dec-18	- 100 basis points 31-Dec-18
GBP	20,652	(20,652)	7,184	(7,184)
USD	(9,611)	9,611	(9,541)	9,541
EUR	(2,454)	2,454	11,305	(11,305)
Other currencies	(2,814)	2,814	(3,149)	3,149
Total	**5,773**	**(5,773)**	**5,799**	**(5,799)**
As percentage of net interest income	12 %	(12)%	12 %	(12)%

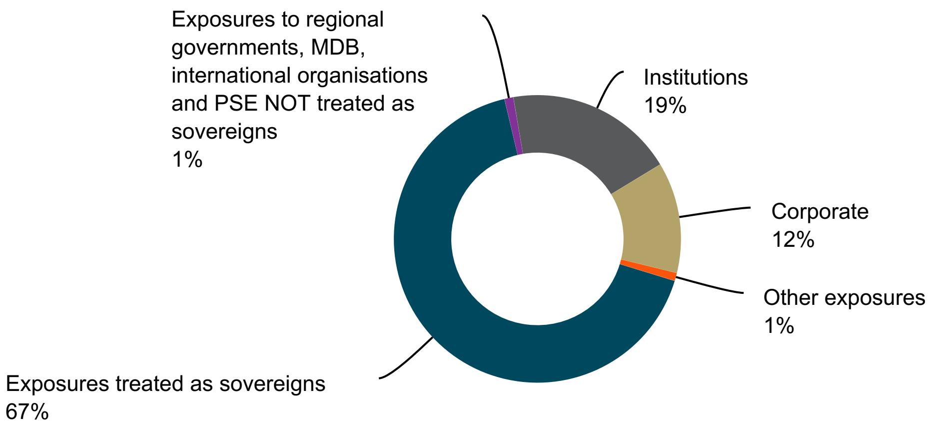
13 Article 449 CRR - Securitisation risk

Securitisation risk is the risk that the capital resources held in respect of assets that The Bank of New York Mellon (International) Limited has securitised is insufficient to cover associated liabilities. As at 31 December 2019 and during the reporting period The Bank of New York Mellon (International) Limited did not have any securitisation risk-weighted exposure.

14 Article 451 CRR - Leverage



CRR banking book leverage ratio exposures



The leverage ratio is defined as the capital measure (the numerator) divided by the total exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Basel III leverage ratio} = \frac{\text{Capital measure}}{\text{Exposure measure}}$$

In accordance with article 499 (2) and (3) of the CRR the leverage ratio is calculated based on Tier 1 capital and is the arithmetic mean of the monthly leverage ratios over the final quarter of the year. The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework, taking into account transitional arrangements. Total exposure measure is the sum of the following exposures:

- on-balance sheet exposures;
- derivate exposures;
- security financing transaction ('SFT') exposures; and
- off-balance sheet items.

Although the BNY Mellon Corporation manages its leverage ratio in line with US regulatory limits, The Bank of New York Mellon (International) Limited itself is not subject to a leverage ratio requirement in the UK.

Nevertheless The Bank of New York Mellon (International) Limited monitors its leverage position and reports accordingly. The table below is reflective of the standard EBA reporting format, but The Bank of New York Mellon (International) Limited is mindful of the exclusion for Bank of England reserves from the leverage exposure value that has been prescribed by the PRA, which would dramatically reduce this value and hence increase the leverage ratio itself.

Table 29:LR1 - Leverage ratio summary

This table shows The Bank of New York Mellon (International) Limited (Consolidated) summary reconciliation of accounting assets and leverage ratio exposures.

Leverage ratio exposures at 31 December 2019 (£m)	
Total assets as per published financial statements	9,761
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	—
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013 "CRR"	—
Adjustments for derivative financial instruments	13
Adjustments for securities financing transactions ('SFTs')	—
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	16
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	—
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	—
Other adjustments	913
Total leverage ratio exposure	**10,703**

Table 30:LR2 - Leverage ratio common disclosure

Regulatory leverage ratio exposures at 31 December 2019 (£m)	
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	10,786
Asset amounts deducted in determining Tier 1 capital	(112)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**10,674**
Derivative exposures	
Replacement cost associated with derivatives transactions	—
Add-on amounts for potential future exposure associated with derivatives transactions	13
Exposure determined under Original Exposure Method	—
Total derivative exposures	**13**
Securities financing transaction exposures	

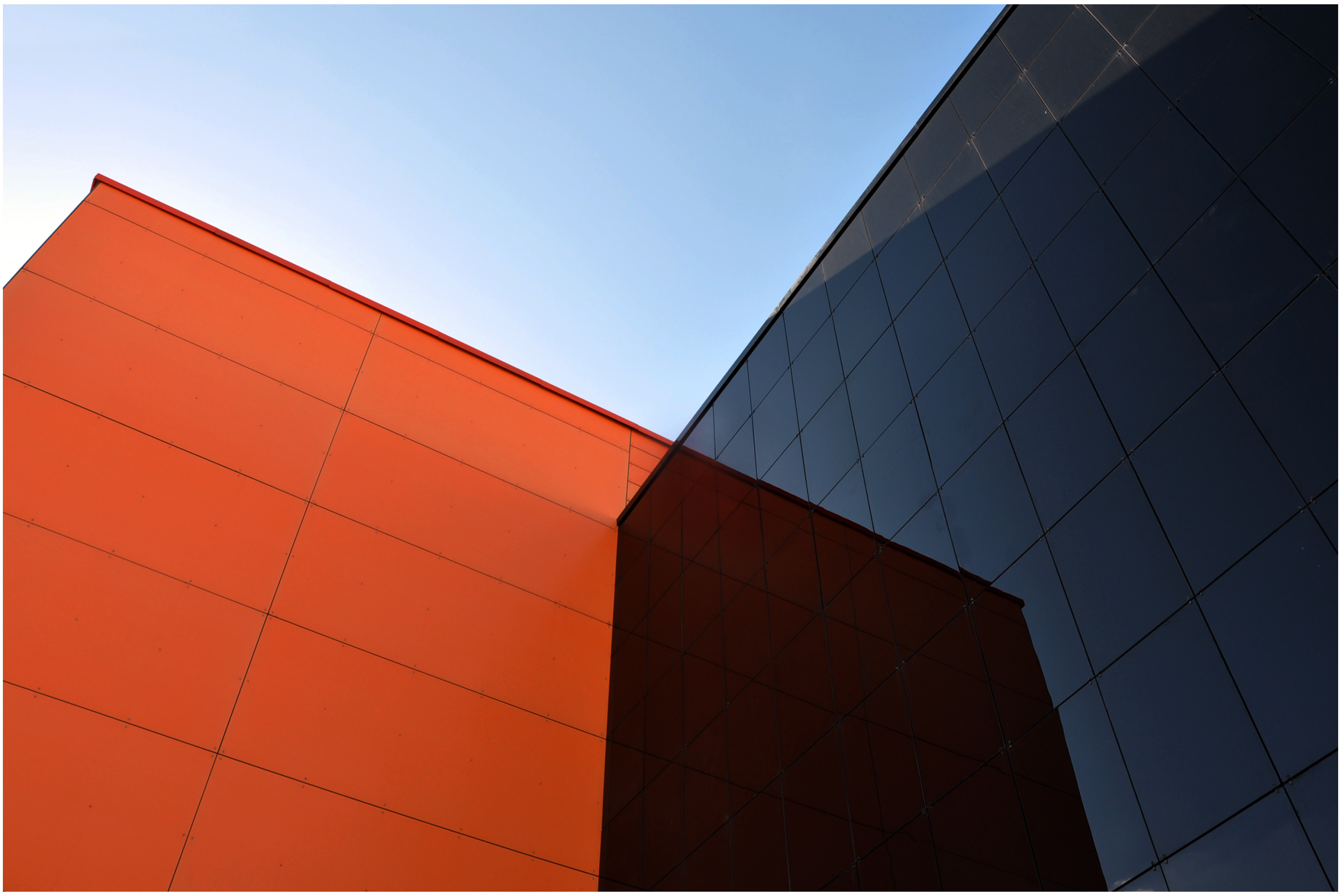
Regulatory leverage ratio exposures at 31 December 2019 (£m)	
SFT exposure according to Article 220 of CRR	—
SFT exposure according to Article 222 of CRR	—
Total securities financing transaction exposures	**—**
Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	159
Adjustments for conversion to credit equivalent amounts	(143)
Total off-balance sheet exposures	**16**
Capital and Total Exposures	
Tier 1 capital	659
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	—
Leverage Ratios	
Total Exposures	**10,703**
End of year leverage ratio	**6.2 %**
Leverage ratio (avg. of the monthly leverage ratios over the year)	5.9 %
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	—

Table 31:LR3 - Composition of on-balance sheet exposures

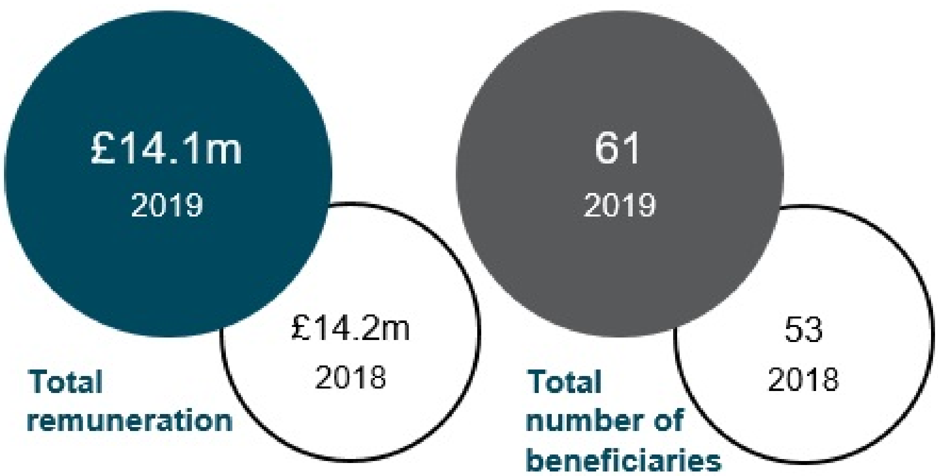
This table shows the composition of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures.

CRR leverage ratio exposures at 31 December 2019 (£m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**10,674**
Trading book exposures	—
Banking book exposures, of which:	10,674
Covered bonds	428
Exposures treated as sovereigns	6,823
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	103
Institutions	1,948
Secured by mortgages of immovable properties	—

CRR leverage ratio exposures at 31 December 2019 (£m)	
Retail exposures	—
Corporate	1,279
Exposures in default	—
Other exposures	93



15 Article 450 CRR - Remuneration policy



Staff support to The Bank of New York Mellon (International) Limited is provided by employees contracted with the London Branch of the Bank of New York Mellon under an outsourced service arrangement. The Bank of New York Mellon (International) Limited is not an employing entity however a small number of employees are employed by the Luxembourg Branch. The following information reflects the employment arrangements of the Bank of New York Mellon.

15.1 Governance

The governance of remuneration matters for BNY Mellon and its group entities, including The Bank of New York Mellon (International) Limited, is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNY Mellon ('HRCC') is responsible for overseeing BNY Mellon's employee compensation and benefits policies and programmes globally. It reviews and is responsible for the compensation plans, policies and programs in which the senior officers participate and has general oversight for the other incentive, retirement, welfare and equity arrangements for all employees globally. The members of the HRCC are non-executive members of BNY Mellon's Board, acting on behalf of the BNY Mellon Board.

Compensation Oversight Committee of BNY Mellon ('COC') is responsible for ensuring compensation plans are based on sound risk management. It provides governance and risk oversight and advises the "HRCC on any compensation risk issues. The members of the COC are senior members of BNY Mellon management, including the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer ('CFO') and the Head of Compensation & Benefits. The Chief Executive Officer ('CEO') is responsible for the funding and design of incentive plans. All new material incentive plans, material changes to existing incentive/sales plans and funding accrual decisions are subject to the review and approval of the CEO and CFO prior to the oversight by the HRCC.

EMEA Remuneration Governance Committee ('ERGC') is a regional governance committee that was established to ensure alignment of remuneration arrangements operated within BNY Mellon EMEA with local laws and regulations impacting on remuneration. The ERGC is responsible for ensuring that local BNY Mellon EMEA offices implement processes and practices that are consistent with the requirements of local regulators and also have oversight of the functioning and decisions taken by the Remuneration Committees of subsidiaries of BNY Mellon (excluding Investment Management), which are incorporated within the EMEA region, with the exclusion of oversight over individual award decisions.

Incentive Compensation Review Committee ('ICRC') is the coordinating body of senior executives responsible for the oversight of the process of evaluating and recommending compensation reductions for all employees. These decisions are based on feedback regarding risk, compliance, audit and legal outcomes as well as situations of an employee engaged in fraud or who has directly or indirectly contributed to a financial restatement or other irregularity. The ICRC is a management-level committee that reports its recommendations to the HRCC. Ex-ante adjustments are recommended by the employee's management for review and approval by the committee and ex-post adjustments are formulated by the committee. The Chief Human Resources Officer chairs the committee supported by the Global Head of Compensation and Benefits. Voting members include the Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Auditor, Chief Financial Officer and General Counsel.

The Bank of New York Mellon (International) Limited has delegated responsibility for overseeing the development and implementation of the Company's remuneration policies and practices in accordance with the relevant remuneration rules to the ERGC.

In accordance with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') regulatory remuneration requirements the responsibility for overseeing the development and implementation of the Company's remuneration policies and practices, in relation to prescribed PRA and FCA Senior Managers, is held by the Chairman of Europe. This accountability is accomplished through oversight of policies and practices and delegation of key control processes to the Head of International Compensation and Benefits.

BNY Mellon undergoes an annual attestation process to ensure that its remuneration practices comply with all local laws and regulations as well as best market practice. The implementation of its remuneration policies is subject to an annual independent internal review by the Internal Audit function.

15.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports our values, client focus, integrity, teamwork and excellence, which pays for performance, both at the individual and corporate level. Individual and team contributions are valued and rewarded based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

Through the compensation philosophy and principles, the interests of employees and shareholders are aligned by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that incentive compensation arrangements do not encourage employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders. The compensation structure is comprised of an appropriate mix of fixed and variable compensation that is paid over time. The aim is to ensure that both fixed and variable compensation are consistent with business and market practice, fixed compensation is sufficient to provide for a fully flexible variable compensation program, and variable compensation is in the form of annual and/or long-term incentives, and, where appropriate, granted over equity to align employee remuneration with that of shareholder growth.

15.3 Fixed remuneration

Fixed remuneration is composed of (i) salary and (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, including role-based allowances.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set, for all staff, at a rate to be at all times sufficient to provide for full flexibility with regards to any variable remuneration element, including zero variable remuneration.

Employees who are directors of one or more BNY Mellon group entities are not remunerated separately in their capacity as a director of those entities. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in the annual Proxy Statement to shareholders.

15.4 Ratio between fixed and variable pay

In respect of remuneration to material risk takers ('MRTs') as determined under the requirements of the PRA and FCA, the shareholder of The Bank of New York Mellon (International) Limited, The Bank of New York Mellon Corporation, approved an increase in the maximum ratio of variable to fixed pay from 100% to 200%. This increase was confirmed by the HRCC on 27 January 2014 on the grounds that the increased ratio would not affect the Company's ability to maintain a sound capital base, and allows for appropriate incentivisation and reward in accordance with our Pay for Performance philosophy.

15.5 Variable compensation funding and risk adjustment

Employees of The Bank of New York Mellon (International) Limited, including those classified as senior management and other MRTs, are eligible to be awarded variable compensation but have no entitlement to such awards which are discretionary in nature.

In general, the incentive pools for the business lines are based on the profitability of each business line, with the potential for adjustment by the COC based on a number of factors, including risk management.

Typically, the line of business incentive plans are determined primarily based on pre-tax income, which is a profit rather than revenue based measure. The plans are subject to discretionary adjustment by the business head, COC and HRCC based on factors in assessing the earnings including (but not limited to) significant non-recurring activity, market conditions, interest and currency rates.

The incentive pools for the Business Partner groups are based on a management approved fixed pool, adjusted for a number of factors, including corporate performance and risk management.

Variable compensation may consist of both cash and equity and both upfront and deferred components and is determined by the functional hierarchy of the business or Business Partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or Business Partner service.

For MRTs, the variable compensation portion of an award comprises four different parts: upfront cash, upfront equity, deferred cash and deferred equity, in order to comply with local regulations. The deferred compensation component awarded in the form of BNY Mellon restricted stock units aligns a portion of the variable compensation award with the management of longer-term business risk.

Variable compensation is determined by the business performance as outlined above and an individual's performance as measured against feedback on the following aspects:

- corporate goals;
- individual results-based performance;
- individual behaviours (including alignment to BNY Mellon's global competencies and values; adherence to risk, compliance and ethical obligations/competencies; and goals related to diversity and inclusion); and
- Regulatory Fitness and Propriety Assessment (applicable to MRTs).

MRTs are subject to an additional layer of performance assessment, referred to as the Risk Culture Summary Scorecard ('RCSS'). The RCSS score for each individual is based on separate ratings of five risk factor areas:

- compliance;
- reputation;
- operational risk;
- risk exposures; and
- audit.

To ensure effective risk adjustment, BNY Mellon requires employees who receive variable remuneration awards (both upfront and deferred) to agree to forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business and soliciting employees or clients. Where required by regulations, awards to MRTs are subject to more stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance or a material failure of risk management.

15.6 Deferral policy and vesting criteria

Corporate Policy (General): Awards are delivered to employees entirely in cash (payable shortly after the date of award), except where the employee's total incentive award exceeds a particular threshold (or where they are of a particular level of role). (This is set out in the table below). In this case, a portion of the annual incentive award is deferred over a period of at least four years - this portion vests in equal portions on the first, second, third and fourth anniversary of the date of award (subject to the employee remaining in employment on each of these dates).

	Total incentive award (US $000)				
Level	< 50.0	50.0 to 149.9	150.0 to 249.9	250.0 too 499.9	>=500.0
J, K and L	-	15.0%	20.0%	25.0%	30.0%
M	-	25.0%	30.0%	35.0%	40.0%
S	-	32.5%	40.0%	45.0%	50.0%

Regulatory Policy: For identified MRTs, in receipt of total remuneration of £500,000 or more, and variable remuneration greater than 33% of total remuneration, the Corporate Deferral Rules are superseded by the Regulatory Deferral Rules as follows:

a) At least 40% of variable remuneration is deferred unless the MRT is a Director (CF1) or where variable remuneration exceeds £500,000, in which case 60% of variable remuneration is deferred.

b) Variable remuneration is deferred for the following periods:

   i. seven years for individuals performing a PRA/FCA Senior Management Function ("Senior Managers");

   ii. five years for PRA designated "Risk Managers"; and

   iii. three years for other identified MRTs.

c) At least 50% of variable remuneration (upfront and deferred) is delivered in shares or equivalent instruments.

Each tranche of deferred vested equity is subject to a retention period post vesting before it may be sold, six months for Risk Managers and twelve months for Senior Managers and other MRTs.

40% Deferral Table		
	Upfront	Deferred
Cash	30.0%	20.0%
Equity	30.0%	20.0%

60% Deferral Table		
	Upfront	Deferred
Cash	20.0%	30.0%
Equity	20.0%	30.0%

15.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (e.g. audit, compliance and risk) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role that is independent of the activities they oversee. Remuneration is benchmarked against the market level and funded independently of individual business line results and adjusted based on BNY Mellon's overall annual financial performance.

15.8 Quantitative disclosures

The tables below provide details of the aggregate remuneration of senior management and MRTs for The Bank of New York Mellon (International) Limited for the year ending 31 December 2019.

The figures illustrate two sets of data:

- The Bank of New York Mellon (International) Limited (Consolidated) - which includes MRTs under BNY Mellon (International) Limited, BNY Mellon (International) Limited - Luxembourg Branch and BNY Mellon Trust and Depositary (UK) Limited; and
- The Bank of New York Mellon (International) Limited (Solo) - which includes MRTs under BNY Mellon (International) Limited and BNY Mellon (International) Limited - Luxembourg Branch.

Both sets of data also include staff who are contracted to the London Branch of the Bank of New York Mellon but have a material impact on The Bank of New York Mellon (International) Limited.

For completeness, this group of staff is limited to those identified as MRTs. The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of The Bank of New York Mellon (International) Limited to reflect the full reporting period.

Table 32:REM1 - Aggregate remuneration expenditure by business

This table shows the aggregate remuneration expenditure for MRTs in 2019 by business.

	Consolidated			Solo		
Expenditure (£m)	Investment Services	Other [2]	Total	Investment Services	Other [2]	Total
Total remuneration [1]	4.93	9.14	**14.07**	4.93	9.14	**14.07**

[1] Includes base salary and other cash allowances, plus any incentive awarded for full year 2019. Pension contribution is not included.

[2] Includes all support functions and general management positions.

Table 33:REM2 - Aggregate remuneration expenditure by remuneration type

This table shows the aggregate remuneration expenditure for MRTs by remuneration type.

	Consolidated			Solo		
	Senior management[3]	Other MRTs	Total	Senior management[3]	Other MRTs	Total
Number of beneficiaries	4	57	61	4	57	61
Fixed remuneration (£000s) [4]	1,049	8,512	9,561	1,049	8,512	9,561
Total variable remuneration (£000s)	**270**	**4,244**	**4,514**	**270**	**4,244**	**4,514**
Variable cash (£000s)	107	2,266	2,373	107	2,266	2,373
Variable shares (£000s)	163	1,978	2,141	163	1,978	2,141
Total deferred remuneration awarded during the financial year (£000s)	155	1,710	1,865	155	1,710	1,865
Total deferred remuneration paid out during the financial year (£000s)	158	2,796	2,954	158	2,796	2,954
Total deferred remuneration reduced through performance adjustments (£000s)	—	—	—	—	—	—

[3] Senior management is comprised of MRTs categorised as 'Senior Managers' who carry out a senior management function as determined by the relevant regulators.

[4] Fixed remuneration includes base salary and any cash allowances. Pension contribution is not included.

Table 34:REM3 - Deferred variable remuneration

This table shows the total deferred remuneration for MRTs outstanding from previous years.

	Consolidated			Solo		
	Senior management	Other MRTs	Total	Senior management	Other MRTs	Total
Number of beneficiaries	4	53	57	4	53	57
Total deferred variable remuneration outstanding from previous years (£000s)	**486**	**7,218**	**7,704**	**486**	**7,218**	**7,704**
Total vested (£000s) [(5)]	158	2,796	2,954	158	2,796	2,954
Total unvested (£000s) [(6)]	328	4,422	4,750	328	4,422	4,750

[5] Includes total vested cash and equity. Equity portion is valued as at the date the award vested.

[6] Total unvested equity is valued as at 1st February, 2020.

Table 35:New sign-on and severance payments

This table shows the number and value of severance payments made during 2019 for The Bank of New York Mellon (International) Limited.

	Consolidated			Solo		
	Senior management	Other MRTs	Total	Senior management	Other MRTs	Total
Number of severance payments awarded	—	9	9	—	9	9
Value of severance payments awarded (£000s)	—	937	937	—	937	937
Highest individual severance payment awarded (£000s)	—	185	185	—	185	185

In regards to 2019 awards, The Bank of New York Mellon (International) Limited did not award any sign-on payments. There were also no individuals remunerated GBP 1 million or more.

Appendix 1 - Other risks

Liquidity risk

The Bank of New York Mellon (International) Limited defines Liquidity risk as the inability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress, at a reasonable cost in order to meet its short-term (up to one year) obligations.

The Bank of New York Mellon (International) Limited's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, capital, daily operations, or the financial condition of the Company.

The Bank of New York Mellon (International) Limited seeks to ensure that the overall liquidity risk that it undertakes stays within its risk appetite. In managing the balance sheet, appropriate consideration is given to balancing the competing needs to maintain sufficient levels of liquidity and complying with applicable regulations and supervisory expectations while optimizing the balance sheet. The Bank of New York Mellon (International) Limited has a liquidity risk management framework consisting of a combination of regulatory and internal processes and controls allowing it to measure, monitor and manage liquidity risk.

The PRA in its **Policy Statement PS 11/15** has set out final rules to accommodate the European Commission's delegated regulation with regards to the liquidity coverage requirement ('LCR') for credit institutions. In relation to The Bank of New York Mellon (International) Limited these regulatory liquidity requirements, primarily include:

- OLAR - Adhering to the Overall Liquidity Adequacy Rule;
- ILAAP - Individual Liquidity Adequacy Assessment Process;

- LCR - Implementation of the LCR and specific aspects of liquidity risk management implementing CRD IV (including the Individual Liquidity Guidance ('ILG') or a Pillar 2 add-on);
- liquidity stress testing; and
- asset encumbrance.

In addition to adhering to the regulatory requirements pertaining to liquidity risk management, The Bank of New York Mellon (International) Limited has an internal liquidity risk management framework to measure, manage and monitor liquidity risk. The internal controls and liquidity risk monitoring tools The Bank of New York Mellon (International) Limited has in place are as follows:

- early warning indicators ('EWI');
- internal liquidity metrics;
- internal Liquidity Stress Testing including internally assessed liquid asset buffer; and
- live crisis simulations.

The Bank of New York Mellon (International) Limited aims to be self-sufficient for liquidity and seeks to maintain a very liquid balance sheet at all times. The Bank of New York Mellon (International) Limited’s balance sheet is liability-driven primarily due to deposits generated through its asset servicing and custody business activities. Liabilities and sources of funds consist mainly of third-party client deposits and intercompany deposits. Client deposit balances are operational in nature and exhibit a degree of stability.

The Bank of New York Mellon (International) Limited maintains ample liquidity for day-to-day changes in deposit funding. Apart from operational client overdrafts, The Bank of New York Mellon (International) Limited does not engage in extending loans to clients and therefore funding assets is not a significant use of liquidity. While sizeable overdrafts can periodically appear on The Bank of New York Mellon (International) Limited’s balance sheet, large deposits offset these amounts. The Bank of New York Mellon (International) Limited is currently not a participant in a payment or settlement system and does not have obligations to maintain collateral at financial market utilities ('FMUs').

Restitution risk

Restitution risk relates to the obligation imposed by the fund regulation (i.e. Alternative Investment Fund Managers Directive ('AIFMD')/Undertakings for the Collective Investments in Transferable Securities ('UCITs')) on the depositary. The Bank of New York Mellon (International) Limited may also opt to take on restitution liability electively for clients for whom restitution liability is not mandated. Restitution liability obliges the depositary/custodian to make good the client for the cost of loss of financial instruments, (the 'assets') held in custody by the depositary/custodian itself or its delegates. In this context, cash is deemed to be excluded from the obligation of restitution.

The risks are managed through exclusion of some sub-custodians and markets, full discharge of liability to Prime Brokers appointed as delegate in the case of AIFMD funds, and limiting appetite to act as depositary with restitution liability only where BNY Mellon is also the custodian.

Strategic risk

Strategic risk is defined as the risk arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or Business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions/divestitures/joint ventures and major capital expenditures/investments.

The Company seeks to minimise this risk by having a thorough understanding of the markets in which it participates, that a process of continuous improvement approach is followed and that programs exist and direct investments are made that encourage and create innovative outcomes.

Appendix 2 - Glossary of terms

The following acronyms may be used in this document:

Acronym	Description
ABS	Asset-Backed Securities
ACPR	Autorite de Controle Prudentiel et de Resolution
AFR	Available Financial Resources
AIF	Alternative Investment Fund
ALCO	Asset and Liability Committee
AML	Anti-Money Laundering
AS	Asset Servicing
AT1	Additional Tier 1
AUC	Assets Under Custody
BAC	Business Acceptance Committee
BAU	Business as usual
BaFin	Federal Financial Supervisory Authority / Bundesanstalt fur Finanzdienstleistungsaufsicht
BDAS	Broker-Dealer and Advisory Services
BDF	Banque De France
BEMCO	Belgium Management Council
BI	Banca D'Italia
BNY Mellon	The Bank of New York Mellon Corporation
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV
BNY Mellon TDUKL	BNY Mellon Trust and Depositary (UK) Limited
BNYIFC	BNY International Financing Corporation
BNY Mellon KG	BNY Mellon Service Kapitalanlage-Gesellschaft mbH
BRC	Business Risk Committee
CASS	Client Asset Sourcebook Rules
CBI	Central Bank of Ireland
CCF	Credit Conversion Factor
CEO	Chief Executive Officer
CEF	Critical Economic Function

Acronym	Description
CET1	Common Equity Tier 1
CGB	CASS Governance Body
CIS	Collective Investment Scheme
COC	Compensation Oversight Committee
COOC	CASS Operational Oversight Committee
COREP	Common Reporting
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CROC	Credit Risk Oversight Committee
CRR	Capital Requirements Regulation
CSD	Client Service Delivery
CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
CSSF	Commission de Surveillance du Secteur Financier
CSTC	Capital and Stress Testing Committee
CT	Corporate Trust
CTS	Client Technology Solutions
DB	Deutsche Bank
DNB	De Nederlandsche Bank
DVP	Delivery versus Payment
EAD	Exposure at default
EC	European Commission
ECL	Expected Credit Losses
ECAP	Economic Capital
ECB	European Central Bank
ECM	Embedded Control Management
EEC	EMEA Executive Committee
EHQLA	Extremely High Quality Liquid Assets
EMEA	Europe, Middle East and Africa
ERGC	EMEA Remuneration Governance Committee

Acronym	Description
ESRMC	EMEA Senior Risk Management Committee
EU	European Union
EUR	Euro
EWI	Early Warning Indicators
ExCo	Executive Committee
FCA	Financial Conduct Authority
FMUs	Financial market utilities
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
G-SIFI	Global Systemically Important Financial Institution
GCA	Global Custody Agreement
GSP	Global Securities Processing
HLA	High-level Assessment
HQLA	High Quality Liquid Assets
HRCC	Human Resources Compensation Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICA	Internal Capital Assessment
ICAAP	Internal Capital Adequacy Assessment Process
ICRC	Incentive Compensation Review Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets
IT	Information Technology
KRI	Key Risk Indicator
KYC	Know your customer
LCR	Liquidity Coverage Ratio
LERO	Legal Entity Risk Officer
LOB	Line of Business
LOD	Line of Defense
MiFID II	Markets in Financial Instruments Directive II
MNA	Master Netting Agreements
MRMG	Model Risk Management Group
MRT	Material Risk Taker
NAV	Net Asset Value
NBB	National Bank of Belgium
NoCo	Nomination Committee
NSFR	Net Stable Funding Ratio
O-SII	Other systemically important institution
OCI	Other Comprehensive Income
OEICs	Open-ended Investment Companies
ORMF	Operational Risk Management Framework
ORSA	Operational Risk Scenario Analysis
P/L	Profit and Loss
PFE	Potential Future Exposure
PRA	Prudential Regulatory Authority
RCoB	Risk Committee of the Board
RCSA	Risk and Control Self-Assessment
RM	Risk Manager
RMC	Risk Management Committee
RMP	Risk Management Platform
RRP	Recovery and Resolution Planning
RW	Risk-weight
RWA	Risk Weighted Assets
SA	Standardised Approach
SFT	Security Financing Transaction
SLD	Service Level Description

Acronym	Description
SREP	Supervisory review and evaluation process
SRO	Senior Risk Officer
T&D	Trust & Depositary
T1 / T2	Tier 1 / Tier 2
TCR	Total Capital Requirements
TIRC	Technology and Information Risk Council
TLAC	Total Loss-Absorbing Capacity
UCITS	Undertakings for Collective Investment in Transferable Securities
VaR	Value-at-Risk

The following terms may be used in this document:

Ad valorem: Method for charging fees according to the value of goods and services, instead of by a fixed rate, or by weight or quantity. Latin for, [according] to the value

Basel III: The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision ('BCBS') in 2010

BIPRU: Prudential sourcebook for banks, building societies and investment firms

Brexit: The United Kingdom's referendum decision to leave the EU

CRD IV: On 27 June 2013, the European Commission published, through the Official Journal of the European Union, its legislation for a Capital Requirements Directive ('CRD') and Capital Requirements Regulation ('CRR'), which together form the CRD IV package. Amendments published on 30 November 2013 were made to the Regulation. The package implements the Basel III reforms in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. CRD IV rules apply from 1 January 2014 onwards, with certain requirements set to be phased in

Capital Requirements Directive ('CRD'): A capital adequacy legislative package issued by the European Commission and adopted by EU member states

Capital Requirements Regulation ('CRR'): Regulation that is directly applicable to anyone in the European Union and is not transposed into national law

Common Equity Tier 1 capital: The highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments

Core Tier 1 capital: Called-up share capital and eligible reserves plus equity non-controlling interests, less intangible assets and other regulatory deductions

Credit risk mitigation ('CRM'): A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection

Derivatives: A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies

Exposure: A claim, contingent claim or position which carries a risk of financial loss

Exposure at default ('EAD'): The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon

Financial Conduct Authority ('FCA'): The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well

High-level Assessment ('HLA'): An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as high, moderate to high, moderate, moderate to low and low with direction anticipated

Institutions: Under the Standardised Approach, institutions are classified as credit institutions or investment firms

Internal Capital Adequacy Assessment Process ('ICAAP'): The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints

ISDA Master Agreement: A document that outlines the terms applied to a derivatives transaction between two parties. Once the two parties have agreed to the standard terms, they do not have to renegotiate each time a new transaction is entered into

Key Risk Indicator ('KRI'): Key Risk Indicators are used by business lines to evaluate control effectiveness and residual risk within a business process

Master Netting Agreement: An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract

Pillar 3: The part of Basel III that sets out information banks must disclose about their risks, the amount of capital required to absorb them and their approach to risk management. The aim is to encourage market discipline and improve the information made available to the market

Prudential Regulation Authority ('PRA'): The statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and major investment firms in the UK. The PRA is a subsidiary of the Bank of England

Residual maturity: The period outstanding from the reporting date to the maturity or end date of an exposure

Risk appetite: A definition of the types and quantum of risks to which the firm wishes to be exposed

Risk and Control Self-Assessment ('RCSA'): Risk and Control Self-Assessment is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls

Risk Governance Framework: The risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

- Formal governance committees, with mandates and defined attendees
- Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.)
- A clear business as usual process for identification, management and control of risks
- Regular reporting of risk issues

Risk Management Committee ('RMC'): A committee which meets monthly to provide governance on risk related items arising from the business of the group

Risk-weighted Assets ('RWA'): Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements

Standardised Approach ('SA'): Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

Tier 2 capital: A component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, related non-controlling interests and eligible collective impairment allowances

Value-at-Risk ('VaR'): A measure of the potential loss at a specified confidence level from adverse market movements in an ordinary market environment

Appendix 3 - CRD IV mapping reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures.	BNY Mellon publishes Pillar 3 disclosures	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	N/A	N/A
431 (3)	Institutions shall adopt a formal policy to comply with the disclosure requirements.	BNY Mellon has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request.	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450).	Refer to Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	Refer to Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information.	N/A	N/A
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements.	Refer to Pillar 3 policy	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively.	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate.	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies.	4 Article 435 CRR - Risk management objectives and policies	33
435 (1) (a)	Strategies and processes to manage those risks.	4 Article 435 CRR - Risk management objectives and policies	33
435 (1) (b)	Structure and organisation of the risk management. function	4.2 Risk governance	37
435 (1) (c)	Scope and nature of risk reporting and measurement systems.	Section 4.2 - 4.10	35
435 (1) (d)	Policies for hedging and mitigating risk.	Section 4.2 - 4.9	35
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements.	4 Article 435 CRR - Risk management objectives and policies	33
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy.	4 Article 435 CRR - Risk management objectives and policies	33
435 (2) (a)	Number of directorships held by directors.	4.1 Board of Directors	35
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	4.1 Board of Directors	35
435 (2) (c)	Policy on diversity of Board membership and results against targets.	4.1 Board of Directors	35
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	4 Article 435 CRR - Risk management objectives and policies	33
435 (2) (e)	Description of information flow on risk to Board.	4 Article 435 CRR - Risk management objectives and policies	33

Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply.	1 Article 431 CRR - Scope of disclosure requirements	6
436 (b) 436 (b) (i) 436 (b) (ii) 436 (b) (iii) 436 (b) (iv)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated; proportionally consolidated; deducted from own funds; or neither consolidated nor deducted	1 Article 431 CRR - Scope of disclosure requirements	6
436 (c)	Current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.	N/A	N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries.	N/A - Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9.	N/A	N/A
Own funds			
437 (1)	Requirements regarding capital resources table.	2 Article 437 CRR - Own funds	21
437 (1) (a)	Full reconciliation of Common Equity Tier 1 ('CET1') items.	Table 2: CC2 - Reconciliation of regulatory capital	22
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments.	Table 5: CC1 - Composition of regulatory capital	26
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments.	Table 5: CC1 - Composition of regulatory capital	26
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied. Each deduction made. Items not deducted.	Table 2: CC2 - Reconciliation of regulatory capital	22
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds.	N/A - no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds.	N/A - Capital ratios calculated on basis stipulated in the regulations	N/A
437 (2)	EBA to publish implementation standards for points above.	The Bank of New York Mellon (International) Limited follows the implementation standards	N/A
Capital requirements			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	3 Article 438 CRR - Capital requirements	30
438 (b)	Result of ICAAP on demand from authorities.	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each standardised approach exposure class.	Table 9:EU CRB-B - Total and average net amount of exposures	48
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each internal ratings based approach exposure class.	N/A - internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits.	Table 8:EU OV1 - Overview of RWAs	31
438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable.	Table 8:EU OV1 - Overview of RWAs	31
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	Table 8:EU OV1 - Overview of RWAs	31
Exposure to counterparty credit risk (CCR)			

439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	8 Article 439 CRR - Exposure to counterparty credit risk	60
439 (b)	Discussion of process to secure collateral and establishing reserves.	8 Article 439 CRR - Exposure to counterparty credit risk	60
439 (c)	Discussion of management of wrong-way exposures.	8 Article 439 CRR - Exposure to counterparty credit risk	60
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	N/A - a credit ratings downgrade is managed at the BNY Mellon Corp level	N/A
439 (e)	Derivation of net derivative credit exposure.	8 Article 439 CRR - Exposure to counterparty credit risk	60
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	8 Article 439 CRR - Exposure to counterparty credit risk	60
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	N/A - The Bank of New York Mellon (International) Limited does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A - The Bank of New York Mellon (International) Limited does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable.	N/A	N/A
Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures.	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1).	N/A	N/A
Indicators of global systemic importance			
441 (1)	Disclosure of the indicators of global systemic importance.	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1).	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired.	5.7 Analysis of past due and impaired exposures	50
442 (b)	Approaches for calculating credit risk adjustments.	5.7 Analysis of past due and impaired exposures	50
442 (c)	Disclosure of pre-CRM EAD by exposure class.	Table 9:EU CRB-B - Total and average net amount of exposures	48
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class.	Table 10:EU CRB-C - Geographical breakdown of exposures	49
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class.	Table 11:EU CRB-D - Concentration of exposures by counterparty types	49
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class.	Table 12:EU CRB-E - Maturity of exposures	49
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	Table 13:EU CR1-A - Credit quality of exposures by exposure class and instrument	50
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	Table 15:EU CR1-C - Credit quality of exposures by geography	52
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments.	5.7 Analysis of past due and impaired exposures	50
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	5.7 Analysis of past due and impaired exposures	50
Unencumbered assets			

443	Disclosures on unencumbered assets.	9 Article 443 CRR - Asset encumbrance	63
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of standardised approach RWAs, and reasons for any changes.	7 Article 444 CRR - External credit rating assessment institutions	56
444 (b)	Exposure classes associated with each ECAI.	Table 18:Credit quality steps and risk-weights	56
444 (c)	Explanation of the process for translating external ratings into credit quality steps.	Table 18:Credit quality steps and risk-weights	57
444 (d)	Mapping of external rating to credit quality steps.	7 Article 444 CRR - External credit rating assessment institutions	56
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step.	7 Article 444 CRR - External credit rating assessment institutions	56
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	11 Article 445 CRR - Exposure to market risk	68
Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	10 Article 446 CRR - Operational risk	65
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives.	N/A	N/A
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value.	N/A	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures.	N/A	N/A
447 (d)	Realised cumulative gains and losses on sales over the period.	N/A	N/A
447 (e)	Total unrealised gains/losses, latent revaluation gains/ losses, and amounts included within Tier 1 capital.	N/A	N/A
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models.	12 Article 448 CRR - Interest rate risk in the banking book. The Bank has no significant balance sheet interest rate risk because no maturity mismatch exists between client cash deposits and Bank's cash holdings. In addition, interest rates applicable to clients' cash	68
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency.	Table 28:Net interest income sensitivity by currency	70
Exposure to securitisation positions			
449	Exposure to securitisations positions.	N/A	N/A
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices.	15 Article 450 CRR - Remuneration policy	76
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy.	15.1 Governance	77
450 (1) (b)	Information on link between pay and performance.	15.2 Aligning pay with performance	78
450 (1) (c)	Important design characteristics of the remuneration system.	15 Article 450 CRR - Remuneration policy	76
450 (1) (d)	Ratios between fixed and variable remuneration.	15.4 Ratio between fixed and variable pay	78

450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based.	15.6 Deferral policy and vesting criteria	79
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits.	15.7 Variable remuneration of control function staff	80
450 (1) (g)	Aggregate quantitative information on remuneration by business area.	Table 32:REM1 - Aggregate remuneration expenditure by business	81
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile.	Table 33:REM2 - Aggregate remuneration expenditure by remuneration type	81
450 (1) (i)	Number of individuals being remunerated £1 million or more per financial year.	15.8 Quantitative disclosures	80
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority.	Available upon request	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public at the level of members of the management body of the institution.	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio.	14 Article 451 CRR - Leverage	72
451 (1) (b)	Breakdown of total exposure measure.	Table 30:LR2 - Leverage ratio common disclosure	73
451 (1) (c)	Derecognised fiduciary items.	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage.	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio.	Section 14 Leverage	72
451 (2)	EBA to publish implementation standards for points above.	BNY Mellon follows the implementation standards	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach.	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting.	6.1 Netting	54
453 (b)	How collateral valuation is managed.	6.2 Collateral valuation and management	55
453 (c)	Description of types of collateral used.	6.2 Collateral valuation and management	55
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A - BNY Mellon’s EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures.	6.4 Credit concentration risk	55
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral.	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives.	Table 16:EU CR3 - Credit risk mitigation techniques - overview	55
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models.	N/A	N/A

Commission Implementing Regulation (EU) No 1423/2013

Article 1	Specifies uniform templates for the purposes of disclosure.	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements.	2 Article 437 CRR - Own funds	21
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III).	Table 7:CCA - Main features of regulatory capital instruments	28
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V).	Table 6:TLAC1 - Total loss absorbing capacity	27
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII).	Table 6:TLAC1 - Total loss absorbing capacity	27
Article 6	Entry into force from 31 March 2014.	N/A	N/A

Appendix 4 - Capital instruments terms and conditions

BNY MELLON

Dated: 28 November 2011

(1) **MELLON INTERNATIONAL HOLDINGS S.AR.L. (AS LENDER)**

(2) **THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED**

(AS BORROWER)

SUBORDINATED LOAN AGREEMENT (LOWER TIER 2)

BNYMELLON
EMEA LEGAL DEPARTMENT One
Canada Square London
E14 SAL
Tel: +44 (0)20 7964 5716
Fax: +44 (0)20 7964 4826

The Bank of New York Mellon (International) Limited

THIS AGREEMENT is made on the Date of Agreement (as set out in schedule 1 to this Agreement) and is to be effective on that date unless a different Effective Date is specified in that schedule.

BETWEEN:

(1) **MELLON INTERNATIONAL HOLDINGS S.AR.L.** (the **"Lender"),** incorporated and registered in the Grand Duchy of Luxembourg, whose registered office is at13-15 avenue de la Liberte, L-1931 Luxembourg.

(2) T**HE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED** (the **"Borrower")** incorporated and registered in England and Wales with company number 03236121 whose registered office is at One Canada Square, London E14 SAL.

(In each case as defined in the Variable Terms set out in schedule 1 to this Agreement).

RECITALS:

The Borrower wishes to use the Loan (as that expression is defined in the Standard Terms at schedule 2 to this Agreement) as lower tier two capital in accordance with the applicable requirements of the General Prudential sourcebook of the FSA Handbook of rules and guidance ("GENPRU"), including in particular GENPRU 2.2.159R and has appropriately disclosed to the FSA the circumstances giving rise to the Loan and the effective Subordination of the Loan.

IT IS AGREED THAT this Agreement shall comprise this Front Page, the Variable Terms set out in schedule 1 to this Agreement and the Standard Terms set out in schedule 2 to this Agreement. Capitalised terms used in this Agreement shall, unless the context otherwise requires, have the meaning given in schedule 2 to this Agreement.

EXECUTION:

In agreement of the above:

MELLON INTERNATIONAL HOLDINGS S.AR.L.	**THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED**
By: Edward Kemp	By:
Title: Manager	Title:

SCHEDULE 1

VARIABLE TERMS

1.	**Date of Agreement**	28 November 2011
2.	**Effective Date**	30 November 2011
3.	**Lender**	Mellon International Holdings, S.ar.l., a private limited company *tsociete a responsibiiite limitee)* incorporated under the laws of the Grand Duchy of Luxembourg with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number 8117108
4.	**Address of Lender**	13-15 avenue de la Liberte, L-1931 Luxembourg
5.	**Borrower**	The Bank of New York Mellon (International) Limited, a limited company formed under the laws of England and Wales with registered number 03236121
6.	**Address of Borrower**	One Canada Square, London E14 5AL
7.	**The Loan**	With reference to paragraph 2 of the Standard Terms, an unsecured subordinated loan of Seventy-Five Million British Pounds Sterling (£75,000,000).
8.	**Interest**	With reference to paragraph 3 of the Standard Terms, Interest shall be calculated and paid as follows: • Each drawdown of the facility shall bear interest at a rate of Sterling 3-month LIBOR plus 300 basis points (3.00%). Borrower shall pay interest to the Lender quarterly in arrears. Interest shall be calculated by the Lender.
9.	**Repayment of principal and interest**	With reference to paragraph 4.2 of the Standard Terms and subject always to paragraphs 4.3 (restrictions on repayment) and 6 (Subordination) of the standard terms, the terms for repayment are: • the Borrower shall repay all outstanding amounts of principal and accrued interest on the Loan on the Repayment Date; or • the Borrower shall repay all outstanding amounts of principal and accrued interest on the Loan upon the Insolvency of the Borrower, but only after all Senior Liabilities shall have been discharged in full.

SCHEDULE 2

STANDARD TERMS

1. INTERPRETATION

1.1 In this Agreement:

"Borrower" means the person identified as such in the Variable Terms including its permitted successors and assigns;

"Capital Resources" has the meaning given in the Capital Rules;

"Capital Resources Requirement" has the meaning given in the Capital Rules;

"Capital Rules" means the rules in GENPRU;

"Date of Agreement" has the meaning given in schedule 1 to this Agreement;

"Effective Date" has the meaning given to it in schedule 1 to this Agreement;

"Excluded Liabilities" means subordinated debt other than the Subordinated Liabilities (as defined below) as permitted in accordance with GEN PRU;

"FSA Rules" means the rules and guidance set out in the FSA Handbook;

"GEN PRU" has the meaning given in the recitals to this Agreement;

"Insolvency" means any liquidation, winding up, bankruptcy, sequestration, administration, rehabilitation and dissolution (whichever term may apply to the Borrower) or the equivalent in any other jurisdiction to which the Borrower may be subject;

"Insolvency Officer" means (i) any person duly appointed to administer and distribute assets of the Borrower in the course of the Borrower's Insolvency; or (ii) if the Borrower is not Insolvent, the Borrower's auditors as appointed from time to time;

"Interest" has the meaning set out in paragraph 8 of the Variable Terms of this Agreement;

"Lender" means the person identified as such in the Variable Terms;

"Liabilities" means all present and future sums, liabilities and obligations payable or owing by the Borrower (whether actual or contingent, jointly or severally or otherwise);

"Loan" means the indebtedness of the Borrower to the Lender referred to in paragraph 2.1, as that indebtedness may be reduced from time to time by any repayment or prepayment permitted under this Agreement;

"Overall Financial Adequacy Rule" means the rule in GENPRU 1.2.26R;

"Repayment Date" means the 29th day of November 2018 anniversary after the Effective Date;

"Senior Liabilities" means all Liabilities except the Subordinated Liabilities and Excluded Liabilities;

"Subordinated Liabilities" means all Liabilities in respect of the Loan and all Interest payable thereon;

"**the FSA**" means The Financial Services Authority whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS or any successor regulatory body; and

"**Variable Terms**" means the terms set out at schedule 1 .

1.2 Any reference to the FSA Handbook or any other rules of the FSA is a reference to them as in force from time to time, including as amended or replaced.

1.3 Any reference in this Agreement to obtaining the prior approval or consent of the FSA includes the giving of requisite notice as required by the rules of the FSA and the expiry of any prescribed notice period without the FSA having objected,

1.4 Reference to any gender includes a reference to all other genders.

1.5 Reference to a paragraph is to a paragraph of these Standard Terms, unless otherwise indicated.

2. THE LOAN

2.1 The Lender hereby agrees to make available to the Borrower on the Borrower's written demand the sum stated in paragraph 7 of the Variable Terms as an unsecured subordinated loan upon and subject to the terms and conditions of this Agreement.

2.2 The Lender and the Borrower undertake to provide the FSA, immediately upon request, with details in writing of all principal and Interest in respect of the Loan outstanding for the time being and all payments of any amount made in the period specified by the FSA in the request.

3. INTEREST

Subject to the provisions of paragraphs 4.3 and 4.4, until repayment of the Loan in full, the Borrower shall pay to the Lender the Interest on the Loan calculated and payable in the manner set out in the Variable Terms.

4. REPAYMENT

4.1 The provisions of this paragraph are subject in all respects to the provisions of paragraph 6 (Subordination)

4.2 The terms concerning repayment are set out in the Variable Terms but are subject to paragraph 4.3.

4.3 Except where the FSA otherwise permits, for as long as the Loan is being used by the Borrower to meet part of the Borrower's Capital Resources Requirement, no repayment of the Loan or Interest may be made, in whole or in part other than as provided in paragraph 9 of the Variable Terms or at a time when following the payment of principal or Interest the Borrower's Capital Resources would be less than its Capital Resources Requirement.

4.4 The Borrower must notify the FSA one month in advance of any repayment of principal.

5 EVENTS OF DEFAULTS AND REMEDIES

5.1 In the event that the Borrower fails to pay any amount falling due under the terms of this Agreement, the Lender may petition for winding-up of the Borrower or prove for the debt owing in the Insolvency of the Borrower.

5.2 Except where the Lender is subject to the laws of a jurisdiction where it is impossible to restrict the Lender's remedies for non-payment to those set out in paragraph 5.1, the Lender shall have no other remedy for enforcing any of its rights whatsoever under this Agreement.

6 SUBORDINATION

6.1 Notwithstanding the provisions of paragraph 4, the rights of the Lender in respect of the Subordinated Liabilities are subordinated to the Senior Liabilities and accordingly payment of any amount (whether principal, Interest or otherwise) of the Subordinated Liabilities is conditional upon:

(i) (if an order has not been made or an effective resolution passed for the Insolvency of the Borrower and, being a partnership, the Borrower has not been dissolved) the Borrower being in compliance with its Capital Resources Requirement immediately after payment by the Borrower and accordingly no such amount which would otherwise fall due for payment shall fall due except to the extent that:

(i) paragraph 4.3 has been complied with; and

(ii) the Borrower could make such payment and still be in compliance with such Capital Resources Requirement; and

(ii) the Borrower being solvent at the time of, and immediately after, the payment by the Borrower and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Borrower could make such payment and still be solvent.

6.2 For the purposes of paragraph 6.1 (b) above, the Borrower shall be "solvent" if it is able to pay its Liabilities (other than the Subordinated Liabilities) in full disregarding:

(a) obligations which are not payable or capable of being established or determined in the Insolvency of the Borrower; and

(b) the Excluded Liabilities, and "solvency" in paragraph 6.4 shall be construed accordingly.

6.3 Interest will continue to accrue at the rate specified pursuant to paragraph 3 on any payment which does not become payable under this paragraph 6.

6.4 A report given at any relevant time as to the solvency of the Borrower by its Insolvency Officer, in a form and substance acceptable to the FSA, shall in the absence of proven error be treated and accepted by the Lender and the Borrower as correct and sufficient evidence of the Borrower's solvency or Insolvency.

6.5 Subject to the provisions of paragraphs 6.6, 6.7 and 6.8 below, if the Lender shall receive from the Borrower payment of any sum in respect of the Subordinated Liabilities:

(a) when any of the terms and conditions referred to in paragraph 6.1 above is not satisfied; or

(b) where such payment is prohibited under paragraph 43, the payment of such sum shall be void.

6.6 Any sum referred to in paragraph 6.5 above shall be received by the Lender upon trust to return it to the Borrower.

6.7 Any sum so returned shall then be treated for the purposes of the Borrower's obligations hereunder as if it had not been paid by the Borrower and its original payment shall be deemed not to have discharged any of the obligations of the Borrower hereunder.

6.8 A request to the Lender for return of any sum referred to in paragraph 6.5 shall be in writing and shall be made by or on behalf of the Borrower or, as the case may be, its Insolvency Officer.

7. REPRESENTATIONS AND UNDERTAKINGS OF BORROWER

7.1 From and after the Date of Agreement (or the Effective Date if earlier), the Borrower shall not:

(a) secure all or any part of the Subordinated Liabilities;

(b) amend any document evidencing or providing for the Subordinated Liabilities unless at least one month before the amendment is due to take effect the Borrower has notified the FSA in writing in accordance with GENPRU 2.2.17 IR (1) and (2) of the proposed amendment and the FSA has not objected to such proposed amendment;

(c) repay any of the Subordinated Liabilities otherwise than in accordance with the terms of this Agreement; or

(d) take or omit to take any action whereby the subordination of the Subordinated Liabilities or any part thereof to the Senior Liabilities might be terminated, impaired or adversely affected; and the Borrower represents that it has not done so before the Date of Agreement.

8. REPRESENTATIONS AND UNDERTAKINGS OF LENDER

8.1 From and after the Date of Agreement (or the Effective Date if earlier), the Lender shall not:

(i) assign, transfer, dispose of or encumber the whole or any part of the Subordinated Liabilities or purport to do so in favour of any person;

(ii) to the fullest extent permitted under the law purport to retain or set off at any time any amount payable by it to the Borrower against any amount of the Subordinated Liabilities;

(iii) otherwise than following the Borrower's compliance with paragraph 7.1(b) amend or waive the terms of any document evidencing or providing for the Subordinated Liabilities;

(iv) attempt to obtain repayment of any of the Subordinated Liabilities otherwise than in accordance with the terms of this Agreement;

(e) take or omit to take any action whereby the subordination of the Subordinated Liabilities or any part of them to the Senior Liabilities might be terminated, impaired or adversely affected; or

(f) take or enforce any security, guarantee or indemnity from any person for all or any part of the Subordinated Liabilities, and

the Lender represents that it has not done so before the Date of Agreement (or the Effective Date if earlier).

8.2 The Lender shall immediately pay an amount equal to any retention or set off in breach of paragraph to the Borrower and such retention or set off shall be deemed not to have occurred.

8.3 The Lender shall, upon obtaining or enforcing any security, guarantee or indemnity in breach of its undertaking in paragraph 8. I(f), hold the same (and any proceeds thereof) on trust for the Borrower.

9. PARTIAL INVALIDITY

If any of the provisions of this Agreement is or becomes invalid, illegal or unenforceable under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

10. THE FSA

10.1 Although not a party to the Agreement, the FSA may in its own right enforce a term of the Agreement to the extent that it purports to confer upon the FSA a benefit.

10.2 The FSA shall not, by virtue of having rights under this Agreement, be taken to be a trustee or other fiduciary for, or have any obligations to, any person to whom some or all of the Senior Liabilities are owed.

11. ADDITIONAL TERMS

11.1 If there is any inconsistency between the Variable Terms and the Standard Terms, the Standard Terms shall prevail.

11.2 On or around the date the Loan is advanced to the Borrower, the Borrower has obtained a properly reasoned legal opinion (at the Borrower's own cost) stating that the applicable requirements of GENPRU 22.159R are satisfied in this Agreement.

12. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Subject to paragraph 10.1, a person who is not a party to this agreement cannot enforce or enjoy the benefit of any term of this agreement under the Contracts (Rights of Third Parties) Act 1999.

13. ENTIRE AGREEMENT

This Agreement forms the entire agreement between the parties as to the Subordinated Liabilities.

14. AMENDMENTS

14.1 1 Any amendments to this Agreement made or purported to be made without compliance with the obligation to notify the FSA or which if made would disqualify the Loan for treatment as eligible capital for purposes of computing the Borrower's Capital Resources Requirement shall be void. For the avoidance of doubt nothing in this paragraph requires the FSA to be a party to this Agreement.

14.2 Any permitted amendments to this Agreement shall be in writing and shall be subject to the issue of a properly reasoned legal opinion (at the Borrower's own cost) confirming that the applicable requirements in GENPRU 22.159R, will continue to be satisfied in an amended Agreement.

15. LAW

This Agreement is governed by the law of England and Wales.

16. JURISDICTION

The Borrower and the Lender each irrevocably submits to the jurisdiction of the English courts. Such jurisdiction shall be non-exclusive except to the extent that non-exclusivity prejudices the submission to the jurisdiction.

DATED 16 DECEMBER 2014

DEED OF AMENDMENT

BNY MELLON

WAIVER

AND

ASSIGNMENT OF LOAN

between

BNY MELLON INVESTMENT MANAGEMENT APAC LP (ACTING THROUGH ITS GENERAL PARTNER BNY MELLON INVESTMENT MANAGEMENT HOLDINGS LLC)

and

BNY MELLON INVESTMENT MANAGEMENT (JERSEY) N0.2 LIMITED

and

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

CONTENTS

CLAUSE

THIS DEED is dated 16 December 2014

PARTIES

(1) BNY Mellon Investment Management APAC LP (acting through its general partner BNY Mellon Investment Management Holdings LLC), a limited partnership registered in England and Wales with number LP015595 whose principal place of business is at 160 Queen Victoria Street, London, United Kingdom, EC4V 4LA (the 'Assignor');

(2) BNY Mellon Investment Management (Jersey) No.2 Limited, a private limited company incorporated and registered in Jersey with number 113697 whose registered office is Ogier House, The Esplanade, St Helier, Jersey JE4 9WG ('Assignee'); and

(3) The Bank of New York Mellon (International) Limited, a private limited company incorporated and registered in England and Wales with company number 03236121 whose registered office is at One Canada Square, London, United Kingdom, E14 5AL (the 'Borrower').

BACKGROUND

(A) The Assignor is the lender under the Loan Agreement as defined below.

(B) The monies were originally advanced to the Borrower under the Original Loan Agreement as defined below.

(C) The Original Loan Agreement was amended pursuant to the First Deed of Amendment, Waiver and Assignment of Loan as defined below, pursuant to which the Original Loan Agreement and the receivable in respect of the Debt were assigned by MIH Sari to the Assignor.

(D) The Assignor has agreed to assign all its legal and beneficial right, title and interest in the Debt and the Loan Agreement to the Assignee on the terms and conditions set out below.

(E) The Borrower has agreed to enter into this Deed to waive certain provisions of the Loan Agreement and to consent to, and acknowledge, the assignment of the Debt and the Loan Agreement.

(F) The Assignor, the Assignee and the Borrower have agreed to make certain amendments to the Loan Agreement on the terms set out below.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this Deed.

'Assignment Date' means the date of this Deed or any later date agreed in writing by the parties to this Deed;

'Business Day' means a day (other than a Saturday or a Sunday) on which banks are open for business in London;

'Debt' means any present or future liability (actual or contingent) payable or owing by the Borrower to the Assignor under or in connection with the Loan Agreement being as at the date of this Deed the sum of £75,000,000 (together with accrued and outstanding interest);

'First Deed of Amendment, Waiver and Assignment of Loan' means the deed of assignment, waiver and assignment of loan dated as at the Assignment Date between: (1) MIH Sari; (2) the Assignor; and (3) the Borrower a copy of which is attached as Appendix 2;

'Loan Agreement' means the £75,000,000 Subordinated Loan Agreement (Tier 2) dated 28 November 2011 between: (1) the Assignor; and (2) the Borrower;

'MIH Sari' means Mellon International Holdings S.a r.l (in liquidation), a private limited liability company *(soctete a responsabilite limitee)* incorporated and registered in the Grand-Duchy of Luxembourg with the Luxembourg Trade and Companies Register (R.C.S. Luxembourg) under company number B.117.108 whose registered office is at 13-15 Avenue de La Liberte, L-1931, Luxembourg, Grand-Duchy of Luxembourg; and

'Original Loan Agreement' means the loan agreement dated 28 November 2011 between: (1) MIH Sari; and (2) the Borrower.

1.2 Clause headings shall not affect the interpretation of this Deed.

1.3 A reference to **'this Deed'** (or any provision of it) or any other document shall be construed as a reference to this Deed, that provision or that document as it is in force for the time being and as amended, varied or supplemented from time to time in accordance with its terms, or with the agreement of the relevant parties,

1.4 A **'person'** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors or permitted assigns.

1.5 A reference to a **'company'** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.6 Unless the context otherwise requires, words in the singular shall include the plural and in the plural include the singular.

1.7 A reference to any party shall include that party's personal representatives, successors, permitted transferees and permitted assigns.

1.8 A reference to writing or written includes faxes but not e-mail.

1.9 References to clauses are to the clauses of this Deed.

1.10 Any phrase introduced by the terms **'including', 'include'** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

2. WAIVER OF PROVISIONS OF LOAN AGREEMENT AND CONSENT OF BORROWER TO ASSIGNMENT

The Borrower hereby:

(a) waives the provisions of clause 8.1(a) *(Representations and Undertakings of Lender)* of the Loan Agreement solely so that the Debt and the Loan Agreement may be assigned as contemplated by this Deed; and

(b) consents to the assignment of the Debt and the Loan Agreement as contemplated by this Deed.

3. ASSIGNMENT

3.1 Subject to the terms of this Deed, the Assignor unconditionally, irrevocably and absolutely assigns to the Assignee all the Assignor's legal and beneficial rights, title, interest and benefits in and to:

(a) the Debt; and

(b) the Loan Agreement,

with effect from the Assignment Date.

3.2 The Assignee agrees that it shall accept the assignment referred to in clause 3.1.

3.3 The Borrower agrees and acknowledges that with effect from the Assignment Date:

(a) the Assignee shall be entitled to all the Assignor's legal and beneficial rights, title, interest and benefits in and to the Loan Agreement and the Debt; and

(b) that all future correspondence, dealings, deliveries and payments in respect of the Loan Agreement or the Debt should be made to the Assignee.

3.4 The Assignor and the Assignee agree that, if the Assignment Date is not an interest payment date:

(a) the Assignor retains the rights to receive all accrued and unpaid interest and/or fees under the Loan Agreement up to but excluding the Assignment Date and the assignment referred to in clause 3.1 will not include such amounts which will continue to be payable to the Assignor; and

(b) on or after the Assignment Date any amounts of accrued and unpaid interest and/or fees under the Loan Agreement up to but excluding the Assignment Date in respect of the Debt are paid to the Assignee and the Assignee shall promptly after receipt, and in any event within three Business Days of receipt, pay a corresponding amount to the Assignor to an account nominated by the Assignor or as the Assignor otherwise directs.

4. AMENDMENTS TO LOAN AGREEMENT

4.1 The Assignor, the Assignee and the Borrower agree to make the following amendments to the terms of the Loan Agreement with effect from the Assignment Date:

(a) In the Section of the Loan Agreement headed "Between", the text in (1) shall be deleted and replaced with **"BNY MELLON INVESTMENT MANAGEMENT (JERSEY) N0.2 LIMITED** registered in Jersey with number 1113697, whose registered address is at Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG.";

(b) In the Section of the Loan Agreement headed "RECITALS", the following should be inserted as a new paragraph,

"(F) The Loan was assigned by the Original Lender to BNYM IM APAC LP to the Lender pursuant to a deed of amendment, waiver and assignment (the "Second Deed of Assignment") entered into on or around [] between; (1) the Original Lender; (2) BNYM IM APAC LP; and (3) the Borrower." And the existing paragraphs shall be renumbered accordingly;

(c) In the Section of the Loan Agreement headed "RECITALS", the words" and the grandfathering provisions under Article 484 of the CRR" shall be deleted;

(d) In the Section of the Loan Agreement headed "RECITALS", the following should be inserted as a new paragraph

"(H) The parties wish to extend the maturity date of the Loan to modify the Loan Agreement to ensure the continued compliance with applicable prudential requirements for Tier 2 loans under CRD IV.";

(e) In the section of the Loan Agreement headed "RECITALS", the words "(as amended and restated by the First Deed of Assignment and as further amended and restated by the second Deed of Assignment)" shall be inserted in place of "(as amended and restated by the Deed of Assignment)" after the words "IT IS AGREED THAT this Agreement."

(f) In the Section of the Loan Agreement headed "EXECUTION", "BNY MELLON INVESTMENT MANAGEMENT APAC LP (ACTING THROUGH ITS GENERAL PARTNER BNY MELLON INVESTMENT MANAGEMENT HOLDINGS LLC)" shall be replaced by "BNY MELLON INVESTMENT MANAGEMENT (JERSEY) NO.2 LIMITED";

(g) In schedule 1 of the Loan Agreement, the words "and as further amended and restated on 16 December 2014)" shall be inserted after "2014" in the brackets in the definition of" 1. Date of the Agreement";

(h) In schedule 1 of the Loan Agreement, the definition of "3. Lender" shall be deleted and replaced with the following:

"BNY Mellon Investment Management (Jersey) No.2 Limited registered under the laws of Jersey under number 113697";

(i) In schedule 1 of the Loan Agreement, the definition of "4. Address of Lender" shall be deleted and replaced with the following: "Ogier House, The Esplanade, St. Helier, Jersey JE4 9WG."

j) In schedule 1 of the Loan Agreement, the words "as further amended by a Deed of amendment, waiver and assignment of loan dated December 2014 made between (1) BNY Mellon Investment Management APAC LP (acting through its general partner BNY Mellon Investment Management Holdings LLC) as assignor; (2) BNY Mellon Investment Management (Jersey) No.2 Limited as assignee and; (3) The Bank of New York Mellon (International) Limited as borrower." shall be inserted at the end of the sentence in the definition of "7. Deed of Amendment, Waiver and Assignment of Loan"; and

(k) In clause 1.1 of schedule 2 of the Loan Agreement, "2018" should be replaced with "2024" in the definition of "Repayment Date";

4.2 The Assignor, the Assignee and the Borrower agree that, with effect from the Assignment Date, the amendments in clause 4.1 shall be deemed to be incorporated into the Loan Agreement and references in the Loan Agreement to "this Agreement" shall be read and construed as references to the Loan Agreement as amended in accordance with the terms of this Deed.

4.3 The provisions of the Loan Agreement shall, save as amended by this Deed, continue in full force and effect. No waivers are given and the Assignor expressly reserves all rights and remedies in respect of any breach of the Loan Agreement, save as expressly set out in this Deed.

5. WARRANTIES OF ASSIGNOR

5.1 On the date of this Deed, the Assignor warrants to the Assignee that:

(a) it is a private limited liability company duly incorporated and validly existing under the laws of Delaware;

(b) it has the power to own:

(i) the Debt; and

(ii) the rights and benefits under or in respect of the Loan Agreement and carry on business as it is being conducted;

(c) it has the power and authority to execute, deliver and perform its obligations under this Deed the Loan Agreement and the transactions contemplated by them;

(d) it is the legal and beneficial owner and has good title to:

(i) the Debt; and

(ii) the rights and benefits under or in respect of the Loan Agreement and no security interest or other encumbrance (including any rights of set off) exists, or may exist as a result of any arrangement or agreement, over the Debt or the rights and benefits of the Assignor under or in respect of the Loan Agreement;

(e) no event of default (under clause 5 (Events of Defaults and Remedies) of the Loan Agreement) has occurred, is continuing or will occur as a result of the assignment to be effected by this Deed and no decision has been taken by the Assignor to accelerate or enforce its rights under the Loan Agreement;

(f) subject to clause 3.3, no amount of principal, interest, fees or other amounts is due and unpaid under the Loan Agreement;

(g) it is not in breach of any of its obligations in relation to the Loan Agreement; and

(h) all legal and beneficial rights and benefits which the parties have agreed to assign or transfer to the Assignee under this Deed are capable of being assigned or transferred.

6. RELEASE

The parties agree that from the Assignment Date the Assignor no longer has any rights in relation to the Debt and the Loan Agreement other than those expressly granted in this Deed including under clause 3.4.

7. COSTS AND EXPENSES

7.1 Subject to clause 7.2, each party shall pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Deed (and any documents referred to in it).

7.2 The Assignee shall pay any stamp duty and other similar duties and taxes (if any) to which this Deed (and any documents referred to in it) may be subject or may give rise or which may otherwise be payable in connection with the assignment of the legal and beneficial rights, title, interest and benefits in and to the Loan Agreement.

8. FURTHER ASSURANCE

Each party shall do, or procure the doing of, all acts and things and execute, or procure the execution of, all documents as may reasonably be required to give full effect to this Deed.

9. THIRD PARTY RIGHTS

A person who is not a party to this Deed (other than a permitted successor or assign) has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Deed.

10. GOVERNING LAW AND JURISDICTION

10.1 This Deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales.

10.2 The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Deed or its subject matter or formation (including non-contractual disputes or claims).

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Executed as a deed by
BNY Mellon Investment Management APAC LP (acting through its general partner BNY Mellon Investment Management Holdings LLC) by its duly authorised signatory

....
Authorised Signatory

in the presence of:

Signature...

Name Susans Cathem

Occupation Admin Asst

Address 301 Bellevue Parkway, 3rd floor
Wilmington DE 19809

Executed as a deed by
The Bank of New York Mellon (International) Limited
acting by its duly authorised signatory

....
Director

in the presence of:

Signature...

Name ....

Occupation ....

Address ....

....

Executed as a deed by
BNY Mellon Investment Management APAC LP (acting through its general partner BNY Mellon Investment Management Holdings LLC) by its duly authorised signatory

....
Authorised Signatory

in the presence of:

Signature...

Name ....
Occupation ....
Address ....
....

Executed as a deed by
The Bank of New York Mellon (International) Limited
acting by its duly authorised signatory

....
Director

in the presence of:

Signature...

Name ..LAURA..RAYNOR.........
Occupation ..SOLICITOR..............
Address .160..QUEEN..VICTORIA.STREET
LONDON....EC4V..4LA..........

Executed as a deed by
BNY Mellon Investment Management APAC LP (acting through its general partner BNY Mellon Investment Management Holdings LLC) by its duly authorised signatory

....
Authorised Signatory

in the presence of:

Signature..

Name ....
Occupation ....
Address ....
....

Executed as a deed by
BNY Mellon Investment Management (Jersey) No.2 Limited
acting by its duly authorised signatory

....
Director

in the presence of:

Signature..

Name ..KERRY SUNTER..............
Occupation .DIRECTOR.............
Address 86 DON FARM, ST. BRELADE JERSEY,
....

The Bank of New York Mellon (International) Limited
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Canary Wharf, London E14 5AL
United Kingdom
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