



The Bank of New York Mellon S.A./N.V.

Pillar 3 Disclosure

December 31, 2020

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1 Article 431 CRR - Scope of disclosure requirements

These Pillar 3 disclosures are published for The Bank of New York Mellon SA/NV ('BNY Mellon SA/NV' or the 'Company'), in line with the disclosure principles of the National Bank of Belgium¹ ('NBB'), the Capital Requirements Directive² ('CRD IV') and the Capital Requirements Regulation³ ('CRR'), complementing the annual disclosures of the financial statements.

These disclosures cover The Bank of New York Mellon SA/NV, its subsidiary undertaking and branches as at 31 December 2020.

These disclosures were approved by the BNY Mellon SA/NV Board of Directors (the 'Board') on 22 April 2021.

¹ NBB Circular 2015_25: Orientations relatives à la publication d'informations (Pilier III, CRD IV), 3 September 2015.

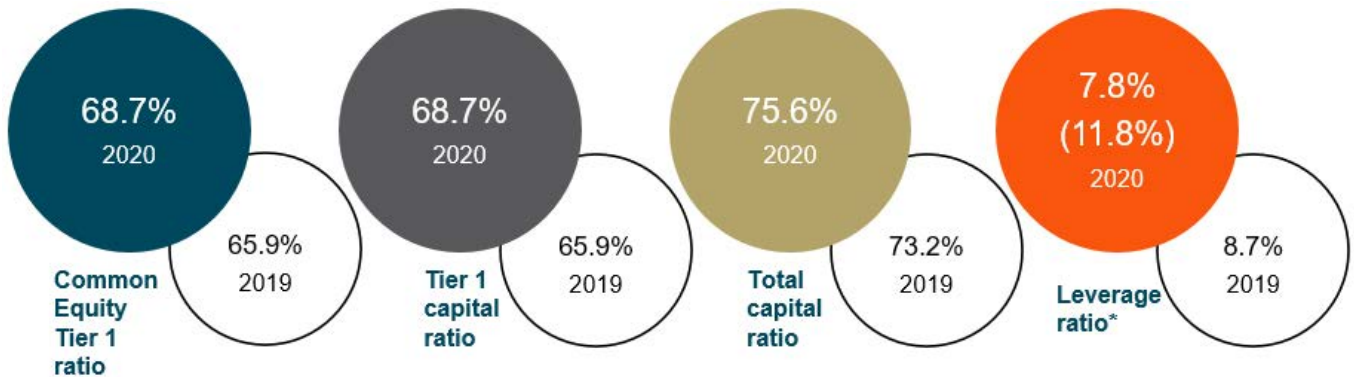
² Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, 26 June 2013.

³ Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, 26 June 2013.

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, BNY Mellon SA/NV has ensured adherence to the following principles of:



The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. BNY Mellon SA/NV has adopted this approach with information presented at a fully consolidated level.



*This ratio is for information only. BNY Mellon SA/NV is not subject to a binding leverage requirement. The percentage in brackets represents the leverage ratio excluding central bank exposures, calculated in accordance with the Regulation EU/2020/873 Article 1(9) 'article 500b'.

CET1 ratio	= CET1 capital / Pillar 1 RWAs
Tier 1 ratio	= Tier 1 capital / Pillar 1 RWAs
Total capital ratio	= Total capital / Pillar 1 RWAs
Leverage ratio	= Tier 1 capital / Leverage exposure measure

1.1 Purpose of Pillar 3

The aim of the Pillar 3 disclosures is to provide market participants with accurate and comprehensive information regarding the risk profile of BNY Mellon SA/NV, including key information around on the scope of application, capital, risk exposures, risk assessment processes, enabling users to better understand and compare its business, its risks and capital adequacy.

To that end, Pillar 3 principles require disclosure of risk management objectives and policies for each of the following categories of risk and relevant quantitative risk assessment disclosures:



These disclosures focus only on those risk categories that are relevant to BNY Mellon SA/NV.

Where appropriate, the disclosures also include comparatives for the prior periods and an analysis of the more significant movements to provide greater insight into the risk management practices of BNY Mellon SA/NV and its risk profile.

In addition, Pillar 3 disclosures include detailed information on remuneration policies and practices for members of staff whose activities have a material impact on BNY Mellon SA/NV's risk profile.

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

Pillar 3 disclosures for BNY Mellon SA/NV and its only subsidiary, BNY Mellon Service Kapitalanlage-Gesellschaft mbH ('BNY Mellon KAG'), are published at a fully consolidated level.

Pillar 3 disclosures are approved by The Bank of New York Mellon SA/NV's Board of Directors (the 'Board'), that has verified that they are consistent with formal policies adopted regarding production and validation.

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP ('Internal Capital Adequacy Assessment Process') content, e.g. disclosure about risk management practices and capital resources at year-end. Unless indicated otherwise, information contained within the Pillar 3 disclosure has not been subject to external audit.

Disclosure will be made for each calendar quarter and will be published in conjunction with the date of publication of the financial statements. BNY Mellon SA/NV will reassess the need to publish some or all of the disclosures more frequently 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.

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

[BNY Mellon Investor Relations - Pillar 3](#)

See the Additional Country Disclosures section.

Pillar 3 disclosures are prepared solely to meet Pillar 3 disclosure requirements and for no other purpose. These disclosures do not constitute any form of financial statement on the business nor do they constitute any form of contemporary or forward looking record or opinion about the business.

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

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 BNY Mellon SA/NV 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 BNY Mellon SA/NV's competitive position or the competitive position of the BNY Mellon group. It may include information on products or systems which, if shared with competitors, would render investment in BNY Mellon SA/NV or the BNY Mellon group 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 proprietary or confidential.

BNY Mellon SA/NV 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.

1.4 Governance: approval and publication

Pursuant to the BNY Mellon EMEA Pillar 3 disclosure policy, these disclosures were approved for publication by the Board on 22 April 2021. The Board approved the adequacy of BNY Mellon SA/NV's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to BNY Mellon SA/NV's profile and strategy.

1.5 Article 436 CRR - Scope of application

The Pillar 3 disclosures have been produced for BNY Mellon SA/NV on a consolidated basis, including its branches and (fully) consolidated subsidiary. BNY Mellon SA/NV is a credit institution incorporated in Belgium. It is a subsidiary of The Bank of New York Mellon, a New York banking corporation with trust powers, having its principal office in New York, which is itself a subsidiary of The Bank of New York Mellon Corporation ('BNY Mellon'), the ultimate parent company of the BNY Mellon Group.

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 2020, BNY Mellon had \$41.1 trillion in assets under custody and/or administration, and \$2.2 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](https://twitter.com/BNYMellon) or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

BNY Mellon SA/NV is subject to dual supervision in Belgium: for market conduct matters, supervision is exercised by the Financial Services and Markets Authority (the 'FSMA') while for prudential matters, supervision is exercised by the European Central Bank (the 'ECB') together with the National Bank of Belgium (the 'NBB'), acting as National Competent Authority, as BNY Mellon SA/NV has been identified as a significant bank within the Single Supervisory Mechanism. BNY Mellon SA/NV also qualifies as a Belgian custodian bank and is directly supervised by the NBB in this respect. Its eight branches and consolidated subsidiary ('BNY Mellon KAG') are also subject to local supervision by the following national regulators:

Name	Type	Regulator
Amsterdam Branch	Branch	De Nederlandsche Bank ('DNB')
Dublin Branch	Branch	Central Bank of Ireland ('CBI')
Frankfurt Branch	Branch	Deutsche Bundesbank ('DB') & Federal Financial Supervisory Authority / Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin')
London Branch	Branch	Prudential Regulatory Authority ('PRA') Financial Conduct Authority ('FCA')
Luxembourg Branch	Branch	Commission de Surveillance du Secteur Financier ('CSSF')
Copenhagen Branch	Branch	Danish Financial Supervisory Authority
Paris Branch	Branch	Autorité De Contrôle Prudentiel ('ACPR'), Banque De France ('BD')

Name	Type	Regulator
Milan Branch	Branch	Banca D'Italia ('BI')
BNY Mellon KAG	Subsidiary	Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin')

1.6 Organisational structure

BNY Mellon SA/NV is a corporation with a Banking License, recognized as a custodian bank. BNY Mellon SA/NV has its head quarter in Brussels and is a wholly owned subsidiary of The Bank of New York Mellon (99.9999% of share capital) and BNY International Financing Corporation (0.0001% of share capital).

BNY Mellon SA/NV provides services on a passported basis through its headquarters in Brussels and its branches in Amsterdam, Dublin, Frankfurt, London, Luxembourg, Milan, Copenhagen and Paris. BNY Mellon SA/NV also has a subsidiary in Frankfurt, BNY Mellon KAG. Pursuant to the EU single market directives, BNY Mellon SA/NV's operations are passported in the following 11 territories: Iceland, Finland, Sweden, Denmark, Norway, Spain, Greece, Cyprus, Austria, Portugal and Italy. Some of those countries apply restrictions to passporting rights, in accordance with the local transpositions of the EU directives. BNY Mellon SA/NV complies with these restrictions and adapts its operations accordingly.

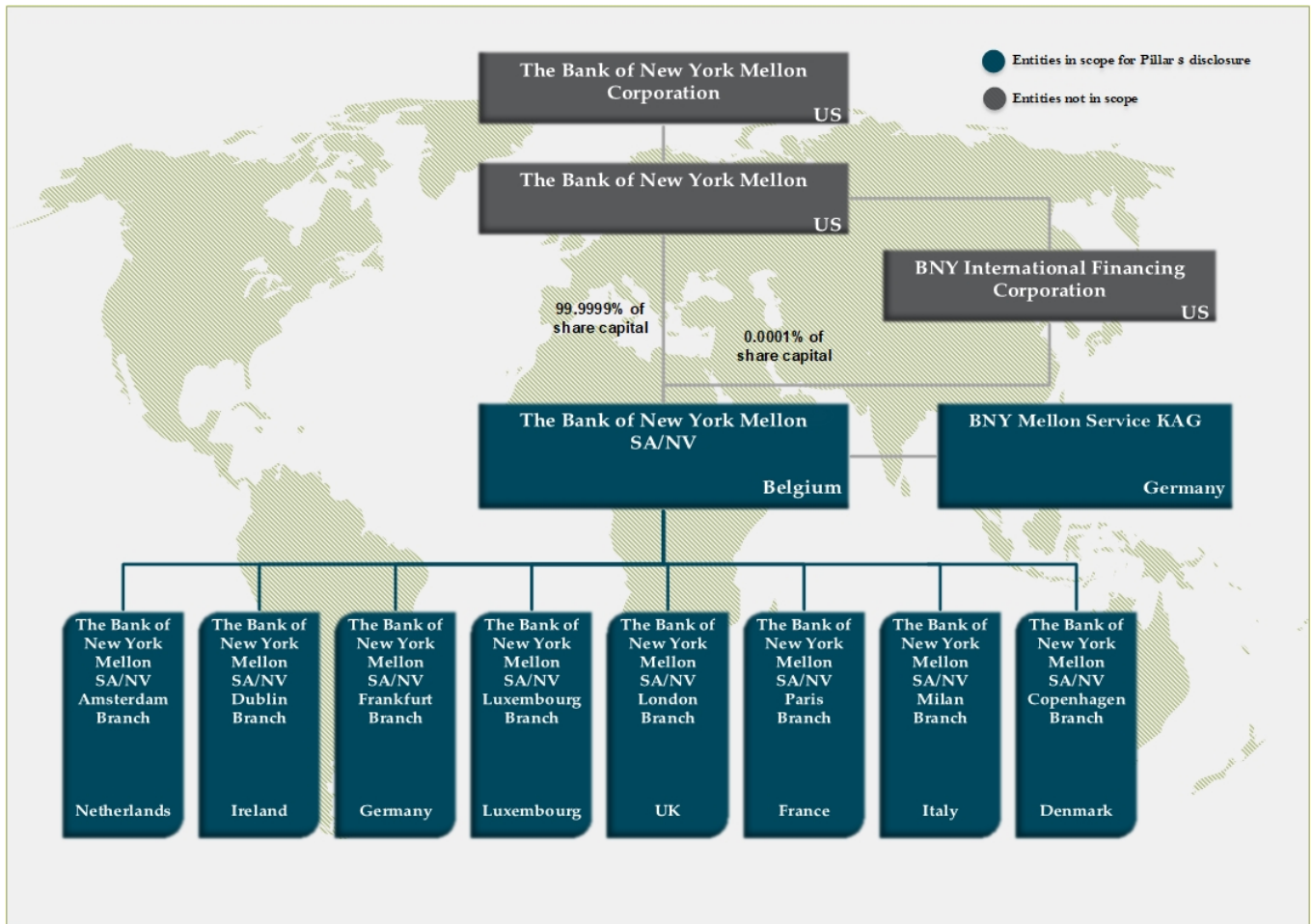
BNY Mellon SA/NV was established in 2008 with the aim of becoming BNY Mellon's main banking subsidiary in Continental Europe. During 2009, part of the business of the Brussels Branch of BNY Mellon was integrated into BNY Mellon SA/NV, forming the current Brussels Head Office. As part of BNY Mellon's strategy to consolidate its legal entity structure in Europe, BNY Mellon SA/NV acquired branches in Amsterdam, London, Frankfurt and Luxembourg further to the merger with BNY Mellon GSS Acquisition Co. (Netherlands) BV on October 1, 2009. On June 1, 2011, further to the merger with The Bank of New York Mellon's acquired German subsidiary, BNY Mellon Asset Servicing GmbH, BNY Mellon SA/NV significantly expanded the activities of its Frankfurt branch and Frankfurter Service KapitalverwaltungsGesellschaft mbH became BNY Mellon SA/NV's fully owned subsidiary under the name of BNY Mellon Service Kapitalanlage-Gesellschaft mbH ('BNY Mellon KAG'). On December 1, 2011, BNY Mellon SA/NV opened a branch in Paris. On February 1, 2013, BNY Mellon SA/NV opened a new branch in Dublin as a result of the cross-border merger with The Bank of New York Mellon (Ireland) Limited. An additional branch in Milan was created on April 1, 2017 as a result of the merger of The Bank of New York Mellon (Luxembourg) S.A. into BNY Mellon SA/NV. On 29 November 2019 BNY Mellon SA/NV merged with BNY Mellon Trust Company (Ireland) Limited. On 1 December 2020 the Copenhagen representation office was converted into the BNY Mellon SA/NV Copenhagen Branch to provide an enhanced level of service and support to clients in Denmark and the wider Nordics, by offering innovative solutions and providing access to BNY Mellon's global capabilities.

Effective November 4, 2014, the ECB as part of Single Supervisory Mechanism ('SSM') became the principal regulator for BNY Mellon SA/NV along with the NBB. BNY Mellon SA/NV is also supervised by the FSMA which is responsible for the integrity of the financial markets and fair treatment of financial consumers in Belgium pursuant to the Act of 2 August 2002 on the supervision of the financial sector and on financial services.

On November 20, 2015, BNY Mellon SA/NV was designated as a domestic systemically important institution (referred to in the CRD IV as an "other systemically important institution" or "O-SII") in Belgium.

The legal entity structure of BNY Mellon SA/NV is set out below in figure 1.

 Figure 1: BNY Mellon SA/NV legal entity structure at 31 December 2020



Basis of consolidation

Entity name	Consolidation basis	Services provided
BNY Mellon SA/NV	Fully consolidated	Belgian credit institution and is also recognized as a Belgian custodian bank who's services include; Asset servicing, Issuer services, Clearing, Markets and Client Management.
BNY Mellon KAG	Fully consolidated	A capital investment company which is an independent provider of fund administration services.
BNY AIS Nominees Limited	Fully consolidated	Acts as a nominee shareholder on behalf of clients of its parent and sole shareholder the Bank of New York Mellon SA/NV Dublin Branch

Subsidiaries are consolidated from the date on which control is transferred to BNY Mellon SA/NV until the date BNY Mellon SA/NV ceases to control the subsidiary. Control is achieved when BNY Mellon SA/NV is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, BNY Mellon SA/NV controls an investee if, and only if, BNY Mellon SA/NV has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; or
- the ability to use its power over the investee to affect its returns.

The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control of BNY Mellon SA/NV over another entity. BNY Mellon SA/NV re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

1.7 Operating model

The Operating Model refers to how BNY Mellon collaborates, organises and manages its business with a focus on optimising the balance sheet, driving efficiencies and enabling growth. It also describes the operations and technology which enables businesses to serve clients. The model has evolved and covers 5 key areas: Banking and other entities (which includes the EMEA Operating Model Programme or Three-Bank-Model), Governance & Accountability, Booking and Solicitation Practices, Resilience - Operations and Technology, and People and Real Estate. The evolution of the operating model considers the impact of Brexit on the BNY Mellon SA/NV. Furthermore, regulatory change has been a large component of the change agenda and will continue to be so with a large number of regulatory change initiatives in execution mode as well as on the horizon. Digital and data initiatives are also key to BNY Mellon SA/NV's strategy.

Banking and other Entities (EMEA Operating Model Programme) - This has been a major strategic initiative for BNY Mellon in the EMEA region over the past few years rationalising our legal entity structure to a three bank model, establishing a dual sub-custody network and aligning clients to the appropriate legal entity and network.

Governance & Accountability - In close consultation with the European Central Bank, we have been particularly focused on strengthening the governance and accountability within the BNY Mellon SA/NV. Senior leadership has been engaged in a governance and accountability review related to the reporting line structure, aimed at meeting regulatory expectations as well as those of our clients and other stakeholders.

Booking and Solicitation Practices - Booking Principles are BNY Mellon's approach to guide the booking of business to the appropriate legal entity for each client's domicile and product considering local rules, licenses, permissions and product infrastructure. BNY Mellon SA/NV is guided as the main booking entity (where possible) for EU domiciled clients. Any proposed booking for non-EU jurisdictions would be subject to the relevant conditions and restrictions from the applicable third country regime for regulated activity. Booking Principles are maintained by the lines of business and centrally coordinated through a First Line of Defense Controls Framework.

Resilience – Operations and Technology - The BNY Mellon SA/NV's is documenting its detailed Technology Strategy in a distinct document and this will be developed alongside and in close alignment with the BNY Mellon SA/NV's Business Strategy and the Enterprise Technology Strategy.

People and Real Estate - Talent attraction, retention and development are an integral part of the BNY Mellon SA/NV growth strategy. Our ability to deliver on growth strategy and plans is largely based on the talent that is acquired, retained and developed. Diverse panels and short lists together with greater familiarity of the talent pipeline is key for the strategy.

Brexit - We have established a robust global Brexit Programme with strong governance, which focuses on continuity of service and support for our clients and employees. The implementation phase of the programme commenced on 1 June 2017, and additional work streams referred to as "Day 2" were initiated in Q4 2019 and Q1 2020 to deliver additional capabilities in Foreign Exchange, Corporate Trust and Treasury Services to BNY Mellon SA/NV, by 1 January 2021.

FX Trading - "ECB supervisory expectations on booking models" requires that a percentage of the risk generated from the 27 European Union countries (the 'EU27') client FX flow be risk managed within BNY Mellon SA/NV, i.e. The European Bank (the 'EB'); and that the EB can no longer rely on a 100% back to back booking model to the BNYM Institutional Bank (the 'BNYM IB'). Pursuant to this, our Brexit programme agreed with the Joint Supervisory Teams to set up an FX trading desk within the BNY Mellon SA/NV Frankfurt branch and end the reliance on a 100% back to back IB booking model.

 **The Bank of New York Mellon SA/NV**

On 16 November 2020 within the EB an FX trading desk was established that is pricing EU27 clients in collaboration with the established FX Sales desk implemented as part of the Brexit day 1 project. This FX Trading desk is risk managing the majority of the EU27 client flow within EB entity.

1.8 Core business lines

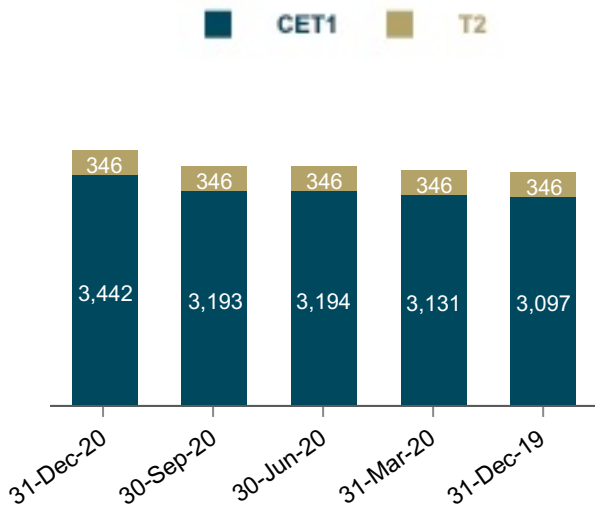
BNY Mellon SA/NV has a number of core business lines including Asset Servicing, Corporate Trust, Depository Receipt Services, Foreign Exchange, Collateral Management and Segregation, Liquidity Services and Segregation, Broker-Dealer Services and Securities Financing.

Line of business	Description
Asset Servicing ('AS')	Asset Servicing primarily comprises Custody Services but also includes Trustee & Depository Services, Institutional Accounting, Fund Accounting, Transfer Agency Services, Investment Operations, Alternative Investments Services and Global Risk Solutions.
Treasury Services	Treasury Services market and sell USD, GBP & EUR Correspondent Bank Clearing Services including supplementary products (e.g. FX and Multi-Currency) to eligible European domiciled clients.
Issuer Services	
Corporate Trust ('CT')	BNY Mellon SA/NV offers Corporate Trust Services, acting in a broad range of agency roles including, but not limited to: trustee, registrar, issuing and paying agent, common depository, exchange agent, custodian and collateral / portfolio administration.
Depository Receipt Services	BNY Mellon SA/NV Dublin Branch performs certain operational activities relating to Depository Receipts, predominantly issuance and cancellation. Depository Receipts facilitate cross-border investment solutions for companies and investors. They are negotiable financial securities issued by a bank to represent foreign companies' publicly traded securities, allowing them to have their stocks traded in foreign markets.
Clearance, Markets and Collateral Management	
Foreign Exchange ('FX')	BNY Mellon SA/NV provides Foreign Exchange Services that enable clients to achieve their investment, financing and cross-border objectives.
Collateral Management and Segregation	BNY Mellon SA/NV mainly acts as a servicing entity providing services contracted by BNY Mellon acting as tri-party agent for transactions related to securities lending and repurchase ("repo") agreements, or acting as an administrator, providing Segregation Services for any type of transaction requiring segregation of collateral. BNY Mellon SANV has also provided this range of services to its own client base since the end of Q1 2019.
Liquidity Services and Segregation	BNY Mellon SA/NV provides sales and client services enabling clients to view, transact and generate reporting for their daily liquidity activities via an on-line platform.
Global Clearance	Global Clearance provides Settlement and Custody services for fixed- income and equity securities.
Securities Finance	BNY Mellon SA/NV provides Securities Lending Agent Services which include third party lending, cash reinvestment and agency cash investment products.

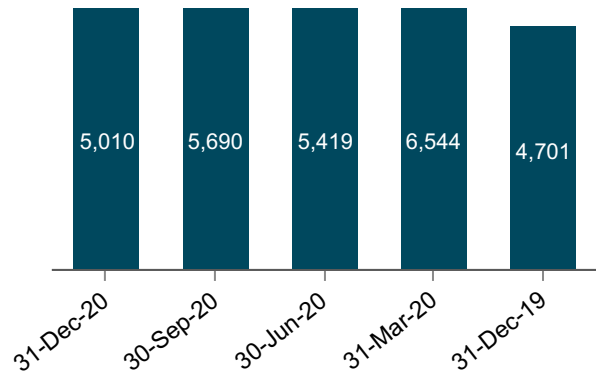
1.9 Key metrics

The following risk metrics reflect BNY Mellon SA/NV's risk profile:

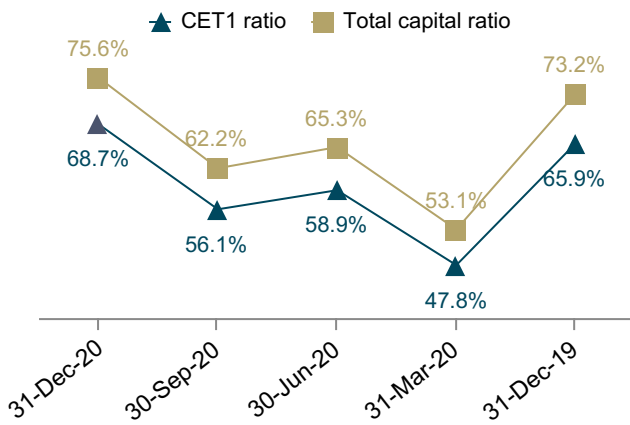
 Regulatory capital (€m)



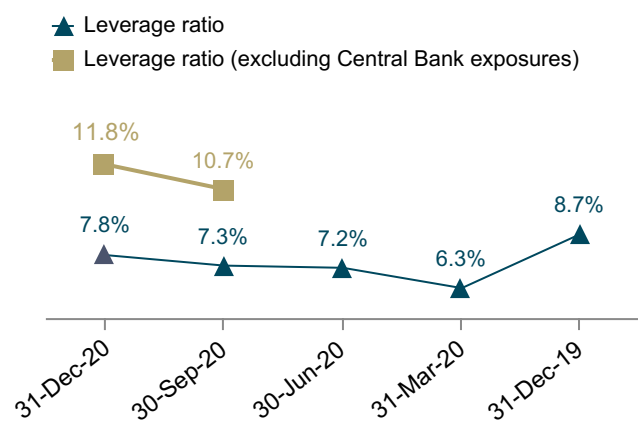
 Risk-weighted assets (€m)



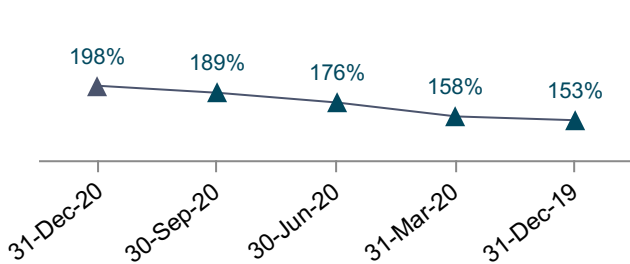
 Capital ratios



 Leverage ratio



 Liquidity coverage ratio



 Net stable funding ratios

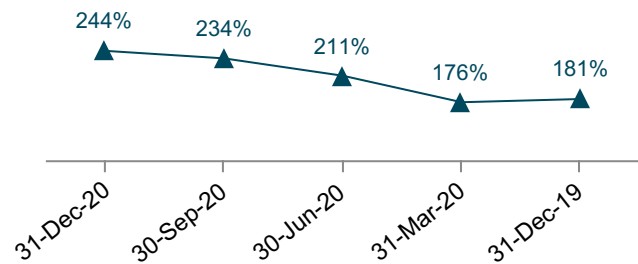



Table 1: KM1 - Key metrics

Own funds	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19
Available capital (€m)					
Common Equity Tier 1 ('CET1')	3,442	3,193	3,194	3,131	3,097
Tier 1 capital	3,442	3,193	3,194	3,131	3,097
Tier 2 capital	346	346	346	346	346
Total capital	3,788	3,539	3,540	3,477	3,443
Risk-weighted assets (€m)					
Total risk-weighted assets ('RWA') (€m)	5,010	5,690	5,419	6,544	4,701
Risk-based capital ratios as a percentage of RWA					
CET1 ratio	68.7 %	56.1 %	58.9 %	47.8 %	65.9 %
Tier 1 ratio	68.7 %	56.1 %	58.9 %	47.8 %	65.9 %
Total capital ratio	75.6 %	62.2 %	65.3 %	53.1 %	73.2 %
Additional CET1 buffers requirements as a percentage of RWA					
Capital conservation buffer requirement	2.500 %	2.500 %	2.500 %	2.500 %	2.500 %
Countercyclical buffer requirement	0.043 %	0.032 %	0.031 %	0.200 %	0.185 %
Other systemically important institution buffer	0.750 %	0.750 %	0.750 %	0.750 %	0.750 %
Leverage ratio*					
Total leverage ratio exposure measure (excluding Central Bank exposures) (€m)	29,132	29,927			
Total leverage ratio exposure measure (€m)	44,193	43,605	44,213	49,487	35,510
Leverage ratio (excluding Central Bank exposures)	11.8 %	10.7 %			
Leverage ratio	7.8 %	7.3 %	7.2 %	6.3 %	8.7 %
Liquidity Coverage Ratio ('LCR')					
Total HQLA (€m)	24,162	22,646	21,851	21,393	20,250
Total net cash outflow (€m)	12,391	12,240	12,680	13,625	13,322
LCR	197.9 %	188.7 %	175.9 %	157.6 %	152.6 %
Net Stable Funding Ratio ('NSFR') **					
Total available stable funding (€m)	13,984	13,947	13,707	12,887	10,008
Total required stable funding (€m)	5,734	5,961	6,493	7,310	5,544
NSFR	243.9 %	234.0 %	211.1 %	176.3 %	180.5 %
Total loss-absorbing capacity ('TLAC') requirements					
Total risk exposure amount ('TREA') (€m)	721	819	780	942	676
Leverage ratio exposure measure ('LREM') (excluding Central Bank exposures) (€m)*	1,748	1,796			

Own funds	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19
Leverage ratio exposure measure ('LREM') (€m)*	2,652	2,616	2,653	2,969	2,131
Own funds / TREA	525.4 %	432.1 %	453.8 %	369.1 %	509.3 %
Own funds/ LREM (excluding Central Bank exposures)*	216.7 %	197.0 %			
Own funds/ LREM*	142.8 %	135.3 %	133.4 %	117.1 %	161.6 %
Capital requirements					
Total SREP capital requirement ('TSCR')	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
of which: CET1 capital	5.6 %	5.6 %	5.6 %	5.6 %	6.5 %
of which: T1	7.5 %	7.5 %	7.5 %	7.5 %	8.0 %
Overall capital requirement ('OCR')	13.3 %	13.3 %	13.3 %	13.4 %	13.4 %
of which: CET1 capital	8.9 %	8.9 %	8.9 %	9.1 %	9.9 %
of which: T1	10.8 %	10.8 %	10.8 %	11.0 %	11.4 %
OCR and Pillar 2 guidance ('P2G')	16.8 %	16.8 %	16.8 %	16.9 %	16.9 %
of which: CET1 capital	12.4 %	12.4 %	12.4 %	12.6 %	13.4 %
of which: T1	14.3 %	14.3 %	14.3 %	14.5 %	14.9 %

Note: Capital and leverage ratios include yearly profit at December reporting points.

* Leverage ratios presented in accordance with the Regulation EU/2020/873 Article 1(9) 'article 500b'.

** BNY Mellon SA/NV is not subject to a binding NSFR requirement.

Pillar 1 CET1 ratio (4.5%) plus Pillar 2 requirement CET1 ratio (1.1%).

Pillar 1 Tier1 ratio (6%) plus Pillar 2 requirement Tier 1 ratio (1.5%).

TSCR CET1 ratio (5.6%) plus the combined buffer (3.3%).

TSCR Tier 1 ratio (7.5%) plus the combined buffer (3.3%).

OCR CET1 ratio (8.9%) plus Pillar 2 guidance (3.5%).

OCR T1 ratio (10.8%) plus Pillar 2 guidance (3.5%).

Key External Factors Influencing BNY Mellon SA/NV

None has marked 2020 more than the COVID-19 global pandemic causing a swift crash, widespread economic disruption, and high volatility on capital market activities, followed by a record fast recovery of the stock exchange.

Despite this adverse scenario, the Company continued to operate business as usual without disruption to business continuity or its outsourced operations. From a financial perspective, the Company experienced an increase in balance sheet obligations during the first quarter of 2020. This was driven by changes in customer behaviour; where customers placed higher cash balances with the Company during the turbulent market conditions.

Nevertheless, the Company continued to maintain a strong balance with high levels of capital, liquid assets and low levels of leverage. This demonstrates the Company's resilience against short (i.e. ongoing Covid-19 pandemic) to medium term financial shocks which may otherwise impact the Company's business and further illustrates that the Company is a low risk institution for our clients and regulators.

Interest rates have continued to remain at a low level in 2020. The ECB maintained its deposit facility rate at -0.50%, unchanged for 2020. The Bank of England and US Federal Reserve significantly cut their rates during the first half of 2020 in the context of the global pandemic.

Despite the difficult market conditions, the Company returned a modest increase on its Net Interest Margin. This was mainly due to negative interests re-charge to clients along with active management of the balance sheet along, with strong yield on the securities portfolio which had not yet been fully impacted by the USD rate cut.

The value of USD depreciated significantly during the second half of 2020, and was 1.22 at year-end compared to an average of 1.15. However, the impact of the depreciation had a limited impact on the net results.

“Brexit” is another key external factor that influenced the Company. The bank took the necessary steps in 2020 to prepare for the impact of these changes and has expanded its product and services which were previously only offered from the UK.

BNY Mellon is well-positioned against competition thanks to BNY Mellon Group’s legal entities rationalization strategy. BNY Mellon has a unique selling proposition that fits the needs of our clients, with the Company positioned as the “European Bank”.

Business Evolution in 2020

On 1 December 2020, the Company converted its representative office in Denmark into a Branch in order to further support its clients in the Nordic region.

In preparation of Brexit, the Company continued to execute its strategic plan in terms of additional product offerings and operating capabilities particularly for Foreign Exchange business with the set-up of an FX trading desk during the fourth quarter in Germany.

The Company did not run a trading book for the majority of the year 2020, however on 16 November 2020 trading book activity commenced. The Corporate Treasury FX swap activity is classified as held for trading from an accounting perspective. Prior to commencement, the Markets FX trading and sales activity had been operating on a full back-to-back model (on a trade by trade basis) with BNYM London Branch. Until this point in time, no market risk resided in the trading book of the Company for this activity. The back-to-back model has been replaced to warehouse risk for non-optional derivatives (FX Spot/Forward/Swap, NDF) in the trading book of the Company since the aforementioned live date.

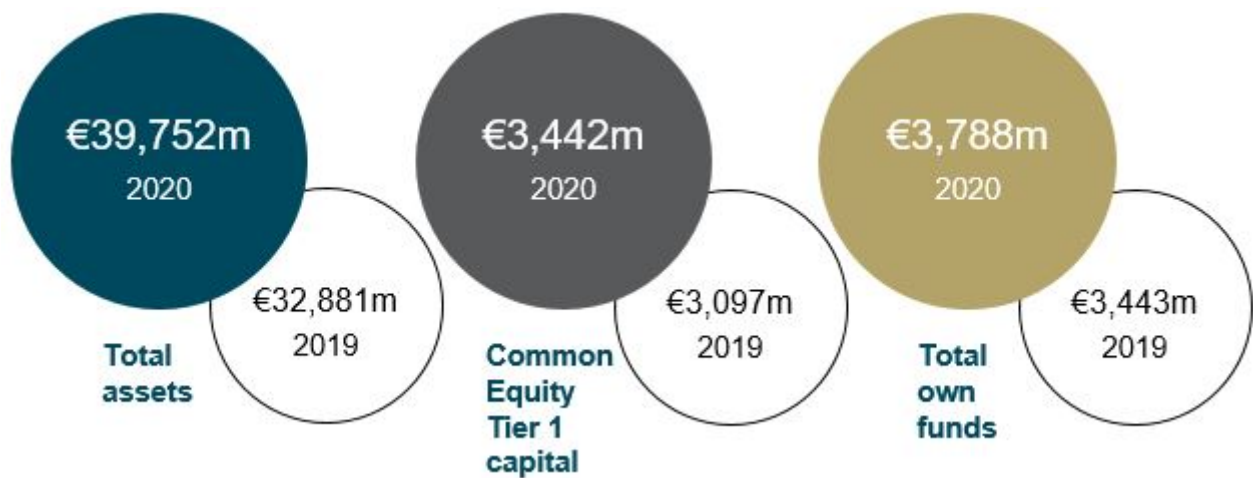
The net profit after tax of BNY Mellon SA/NV amounted to €245.2 million in 2020, up by 483% compared to net income of €42.1 million in 2019, resulting in a favourable 8% return on equity in 2020 (2019: 1%). Notably, the reported net profit in 2019 was impacted by a one-off "cum-ex" provision relating to Withholding Tax Claims of €149.6 million; after considering the effect of this, the profit before tax is up 26% in 2020. The net results after tax resulted in a positive return on assets of 0.6% in 2020 (2019: 0.1%).

The main drivers were higher net interest income and securities servicing fees, with Asset Servicing positively impacted by the BNY Mellon SA/NV merger with BNY Mellon Trust Company Ireland Limited, effective on December 1st 2019. This resulted in additional income into the BNY Mellon SA/NV Dublin Branch through 2020. Increases in income from Clearance and Collateral Management and Securities Lending is driven by the strategic offering of new products following the exit of UK from the European Union (Brexit).

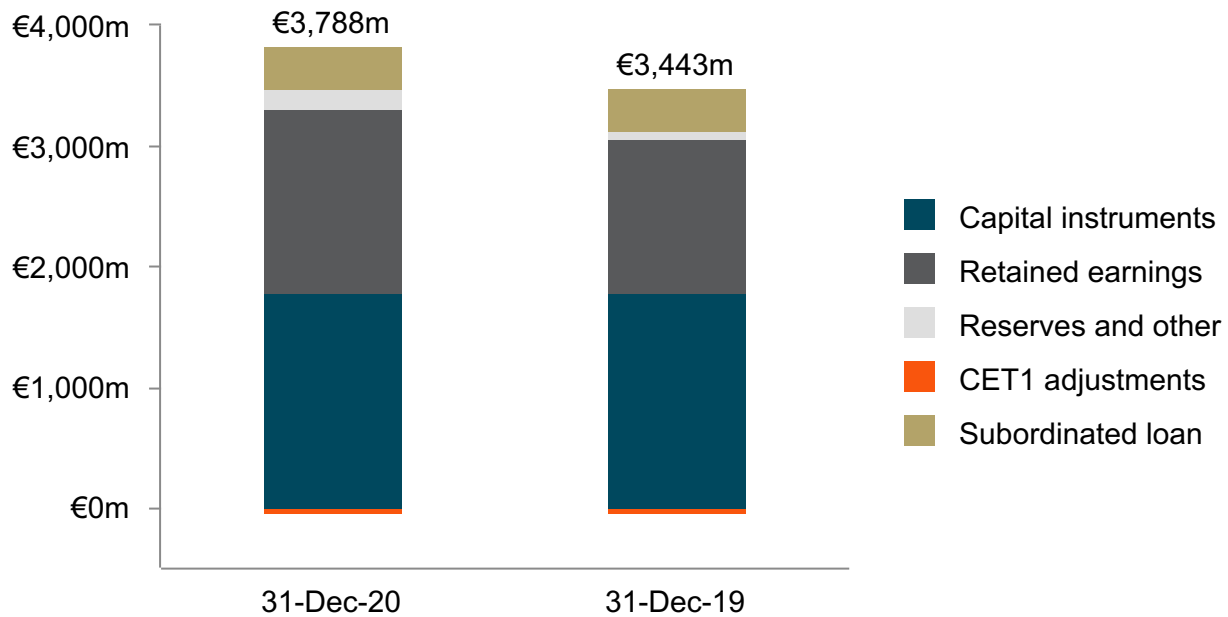
The balance sheet at spot has increased at year-end 2020 by 21% compared to December 2019. The movement is mainly as a result of increases in third party deposits of €6.8 billion, largely reflected in higher central bank placements and intercompany deposits. Notably, at the end of March 2020 the spot balance sheet of BNY Mellon SA/NV stood at €46 billion, an increase of €13 billion from December 2019. This 41% movement was largely driven by increased third party deposits as a byproduct of the COVID-19 pandemic, however by September 2020 the spot balance sheet had stabilised from the volatility earlier in the year and stood at €40 billion, a decrease of €6 billion from the first quarter.



2 Article 437 CRR - Own funds



 **Composition of regulatory capital**



This section provides an overview of the regulatory balance sheet and composition of BNY Mellon SA/NV'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.

BNY Mellon SA/NV'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, comprising qualifying subordinated loan capital.

 **Table 2: CC2 - Reconciliation of regulatory capital**

This table shows a reconciliation of BNY Mellon SA/NV's balance sheet prepared in accordance with International Financial Reporting Standards ('IFRS') and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements.

At 31 December 2020 (€m)	Consolidated balance sheet	Adjustments due to transitional provisions	Regulatory adjustments	Regulatory balance sheet
Assets				
Cash and cash balances with central banks	17,562	—	—	17,562
Derivative financial instruments	500	—	596	1,096
Loans and advances to customers	7,903	—	3,862	11,765
Investment securities	13,389	—	—	13,389

At 31 December 2020 (€m)	Consolidated balance sheet	Adjustments due to transitional provisions	Regulatory adjustments	Regulatory balance sheet
Other assets	307	—	16	323
Repurchase agreements	—	—	—	—
Property and equipment	42	—	—	42
Current tax assets	17	—	—	17
Deferred tax assets	3	—	—	3
Goodwill and other intangible assets	29	—	(29)	—
Total assets	39,752	—	4,445	44,197
Liabilities				
Derivative financial instruments	583	—	596	1,179
Deposits by credit and other financial institutions	34,090	—	3,862	37,952
Deposits by central banks	491	—	—	491
Customer accounts (non-banks)	187	—	—	187
Subordinated loan	358	—	(346)	12
Current tax	35	—	—	35
Deferred tax	51	—	(1)	50
Provision for defined benefit obligation and other liabilities	435	—	16	451
Repurchase agreements	—	—	—	—
Provision for restructuring	1	—	—	1
Other financial liabilities	35	—	—	35
Total liabilities	36,266	—	4,127	40,393
Shareholders' equity				
Called up share capital	1,788	—	—	1,788
Retained earnings, reserves and other comprehensive income	1,453	—	—	1,453
Deductions from capital	—	—	(41)	(41)
Tier 2 capital	—	—	346	346
Profit and loss account	245	—	—	245
Total equity	3,486	—	305	3,791
Not in scope items	—	—	13	13
Total liabilities and equity	39,752	—	4,445	44,197

BNY Mellon SA/NV'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 CRD IV comprising common shares issued and related share premium, retained earnings and other reserves, less specified regulatory adjustments : and
- **Tier 2 capital** which is a component of regulatory capital under CRD IV, comprising qualifying subordinated loan capital.

Regulatory adjustments:

Derivatives exposure value includes the add-on and takes into account the effect of the contractual netting for the netting agreements where this effect is not material.

Loans and advances to customers are shown as gross exposures in the regulatory balance sheet.

Additional value adjustments to assets measured at fair value are deducted from CET1 in accordance with Articles 34 and 105 of CRR. Prudent valuation adjustment is currently not deducted from credit risk exposure value.

In accordance with articles 36 and 37 of CRR, amounts of intangible assets, net of their related deferred tax liabilities, are deducted from the CET1.

In accordance with article 62 of CRR, subordinated loans meeting conditions of article 63 are considered as Tier 2 capital.

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 as reported in published financial statements	Carrying values of items					Not subject to capital requirements or subject to deduction from capital
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Subject to the position risk framework	
Assets							
Cash and cash balances with central banks	17,562	17,562	—	—	—	—	—
Derivative financial instruments	500	—	500	—	333	29	—
Loans and advances to customers	7,903	7,903	—	—	7,665	—	—
Investment securities	13,389	13,265	—	124	7,653	—	—
Other assets	307	307	—	—	153	—	—
Property and equipment	42	42	—	—	2	—	—
Goodwill and other intangible assets	29	—	—	—	6	—	29
Tax assets	20	20	—	—	2	—	—
Total assets	39,752	39,099	500	124	15,814	29	29
Liabilities							
Derivatives financial instruments	583	—	583	—	514	—	—
Deposits measured at amortized cost	35,161	—	—	—	19,680	—	15,481
Other liabilities	280	—	—	—	162	—	118
Provisions	156	—	—	—	—	—	156
Tax liabilities	86	—	—	—	45	—	1
Total liabilities	36,266	—	583	—	20,401	—	15,756
Total equity	3,486	—	—	—	—	—	3,486
Total liabilities and equity	39,752	—	583	—	20,401	—	19,242

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. A three-level hierarchy for fair value measurements is utilized based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Fair value focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. The fair value for financial instruments traded in active markets at the consolidated statement of financial position date is based on their quoted market price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

BNY Mellon SA/NV has only level 1 and level 2 financial instruments. As such BNY Mellon SA/NV does not use any internal valuation models with unobservable data for the determination of the fair value.

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

	Items subject to					
	Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework	Position risk framework
Assets carrying value amount under the scope of regulatory consolidation	55,537	39,099	500	124	15,814	29
Liabilities carrying value amount under the regulatory scope of consolidation	(20,984)	—	(583)	—	(20,401)	—
Total net amount under the regulatory scope of consolidation	35,136	39,099	500	124	(4,587)	29
Off-balance-sheet amounts	47	47	—	—	—	—
Differences due to different netting rules, other than those already included in row 2	(4,414)	(4,416)	—	—	2	—
Difference in valuation of derivative exposures*	598	—	598	—	—	—
Other adjustments	15	15	—	—	—	—
Exposure amounts considered for regulatory purposes	36,100	34,745	1,098	124	133	29

*Difference relates to the potential future credit exposure following the use of the Mark-to-market method as per Article 274 of EU Regulation N 575/2013 ('CRR') and taking into account the effect of the contractual netting applied in accordance with Article 298 of CRR.


Table 5: CC1 - Composition of regulatory capital

This table shows the composition of BNY Mellon SA/NV's regulatory capital including all regulatory adjustments.

Own funds (€m)	31-Dec-20	31-Dec-19
Common Equity Tier 1 ('CET1') capital		
Capital instruments	1,788	1,788
Retained earnings	1,523	1,278
Reserves and other	172	74
CET1 adjustments	(41)	(43)
Total CET1 capital	3,442	3,097
Additional Tier 1 ('AT1') capital		
Total AT1 capital	—	—
Total Tier 1 capital	3,442	3,097
Tier 2 ('T2') capital		
Subordinated loan	346	346
Total T2 capital	346	346
Total own funds	3,788	3,443


Table 6: TLAC1 - Transitional own funds

The table below shows the transitional own funds disclosure at 31 December 2020.

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	1,788
of which: ordinary shares	1,788
Retained earnings	1,523
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	172
Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	—
CET1 capital before regulatory adjustments	3,483
CET1 capital: regulatory adjustments	
Goodwill and intangible asset deductions	(27)
Additional value adjustments (prudent valuation)	(14)
Losses for the current financial year	—
Total regulatory adjustments to CET1	(41)

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
CET1 capital	3,442
AT1 capital	—
Tier 1 ('T1') capital	3,442
Tier 2 ('T2') capital	346
Total capital	3,788
Total risk-weighted assets	5,010
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	68.7 %
T1 (as a percentage of risk exposure amount)	68.7 %
Total capital (as a percentage of risk exposure amount)	75.6 %
Capital conservation buffer requirement	2.500 %
Countercyclical capital buffer requirement	0.043 %
Other Systemically Important Institution ('O-SII') buffer	0.750 %
Amounts below the thresholds for deduction (before risk-weighting)	
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)	3

In accordance with article 48 and following the respect of all conditions laid down in this article, deferred tax assets arising from temporary differences that are equal to or less than 10% of the CET1 are exempted from deduction from CET1. BNY Mellon SA/NV deferred tax assets amount of €3 million is below the thresholds for deduction and is subject to 250% RW. Deferred tax assets arising from temporary differences are the only items exempted from own funds deduction at BNY Mellon SA/NV.

Table 7: CCA - Main features of regulatory capital instruments

This table provides a description of the main features of regulatory instruments issued and included as Tier 2 capital in [Table 5](#) at 31 December 2020. 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. There is no collateral required as per loan agreements for the two loans.

Capital instruments main features ⁽¹⁾	Loan 1	Loan 2
Legal entity issuer	BNY Mellon SA/NV	BNY Mellon SA/NV
Governing law(s) of the instrument	Belgian law	Belgian law
Regulatory treatment		
Capital classification	Tier 2	Tier 2
Type	Subordinated debt	Subordinated debt
Capital amount (€)	92,500,000	253,000,000
Issue price (€)	92,500,000	253,000,000
Accounting classification	Other financial liabilities	Other financial liabilities
Original date of issuance	October 1st, 2009	July 23rd, 2010

Capital instruments main features⁽¹⁾	Loan 1	Loan 2
Perpetual or dated	Perpetual	Dated
Maturity date	No maturity	July 22nd, 2040
Coupons / dividends		
Fixed or floating dividend/coupon	Fixed	Fixed

Note ⁽¹⁾: this table is based on Annex II of ITS Regulation (EU) No. 1423/2013, not applicable lines are omitted.

Subordinated liabilities

BNY Mellon SA/NV is the borrower of a perpetual loan from a related party of €92.5 million (31 December 2019: €92.5 million) to be used for general corporate purposes. Interest accrues on the loan at the rate of 8.18% per annum based on the actual number of days elapsed and a year of 360 days. BNY Mellon SA/NV is also the borrower of a loan maturing on 22 July 2040 from a related party of €253 million (31 December 2019: €253 million) to be used for general corporate purposes. Interest accrues on the loan at the rate of 8.75% per annum and is calculated on the basis of the actual number of days elapsed and a year of 360 days.

As at 31 December 2020 both loans are considered as Tier 2 capital for regulatory purposes, however, towards the end of 2020 BNY Mellon SA/NV formally requested permission from the competent authority to reduce own funds by redeeming the two Tier 2 subordinated loans. Permission was granted on 19 January 2021 with the immediate deduction of the €345.5 million from own funds. The two subordinated loans were actually repaid on 26 February 2021.

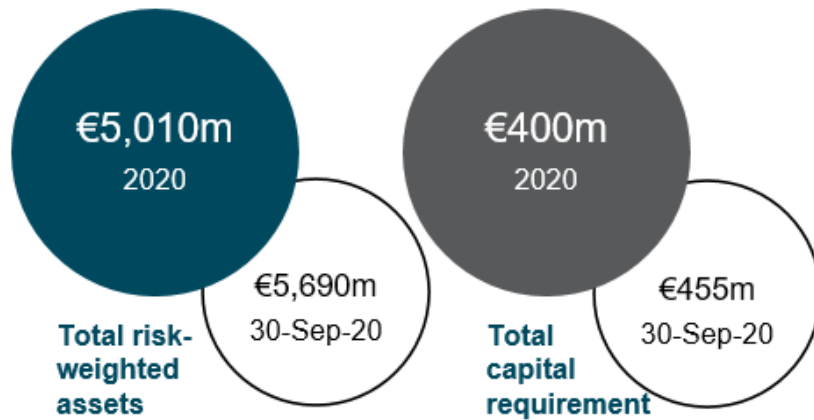
Issued capital and reserves

Authorised, issued and fully paid (€000s)	2020	2019
Ordinary shares of €1,038.5 each (2019: €1,038.5)	1,689	1,689
Percentage convertible preference shares	—	—

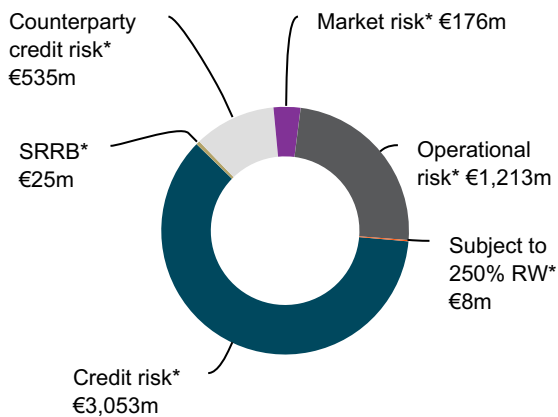
BNY Mellon has share option schemes under which options to subscribe for the BNY Mellon's shares have been granted to certain executives and senior employees of the Company.



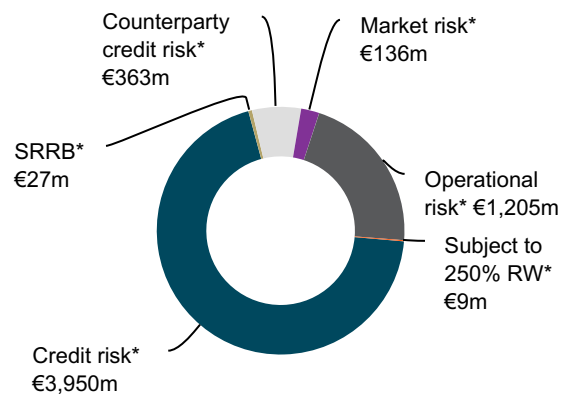
3 Article 438 CRR - Capital requirements



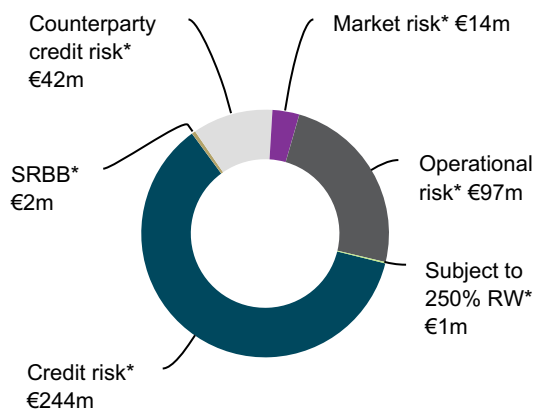
Risk exposure by risk type at 31 December 2020



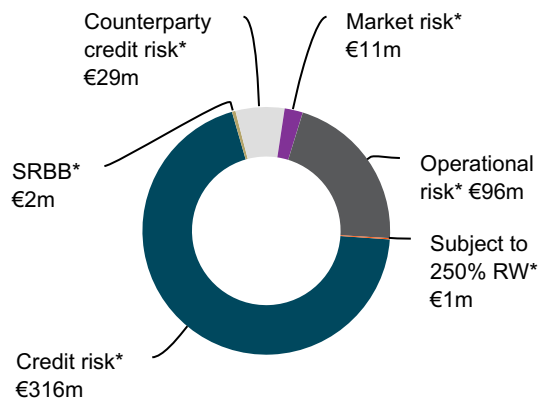
Risk exposure by risk type at 30 September 2020



Capital requirements by risk type at 31 December 2020



Capital requirements by risk type at 30 September 2020



* Standardised approach

SRBB: Securitisation risk in banking book

BNY Mellon SA/NV's capital plan aims to ensure that it holds an appropriate amount of capital 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 BNY Mellon SA/NV'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, BNY Mellon SA/NV 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 BNY Mellon SA/NV'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 Committee ('ExCo') and Board approval (upon recommendation of the Risk Committee of the Board) and the performance metrics are reviewed by the BNYM Asset and Liability Committee ('BNYM SANV ALCO').

3.1 Calculating capital requirements

CRR allows for different approaches for calculating capital requirements. BNY Mellon SA/NV applies the standardised approach under Pillar 1 where risk-weights are based on the exposure class to which the exposure is assigned and its credit quality. These risk-weights are used to assess the requirements against credit exposures and are consistent across the industry. 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 using the standardised approach and their respective capital requirements.

Type of risk (€m)	Risk exposure amount		Capital requirements	
	31-Dec-20	30-Sep-20	31-Dec-20	30-Sep-20
Credit risk*	3,053	3,950	244	316
Counterparty credit risk*	535	363	42	29
of which: Mark-to-market	379	292	30	23
of which: Credit Valuation Adjustment	156	71	12	6
Securitisation risk in the banking book	25	27	2	2
Market risk*	176	136	14	11
of which: Traded debt instruments	42	—	3	—
of which: Foreign exchange position risk	134	136	11	11
Operational risk	1,213	1,205	97	96
of which: Standardised approach	1,213	1,205	97	96
Amounts below the thresholds for deduction (subject to 250% risk weight)	8	9	1	1
Total	5,010	5,690	400	455
Total capital			3,788	3,539
Surplus capital			3,388	3,084

*Standardised approach

The decrease in RWAs for credit risk was primarily driven by lower RWAs on corporate exposures, down €910 million and mainly represented by a reduction in overdraft exposures of €720 million. Placements at credit institutions under the scope of Article 107(3) also reduced by €140m with additional reductions in derivatives and securities of €27 million and €25 million respectively.

The Credit Valuation Adjustment RWA has doubled as a result of a €571 million increase in derivative exposures. There is also first time recognition of a €42m RWA for traded debt instruments under market risk in respect of exposures stemming from activity in the Company's trading book which went live in November 2020.

The RWA for operational risk has remained flat. Generally the RWA for operational risk is re-calculated annually in Q1 once the prior year's profits are recognized following the audit.

BNY Mellon SA/NV largely exceeds the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. BNY Mellon SA/NV 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 a BNY Mellon group level as an imperative. Clients and market participants need to have confidence that all of the BNY Mellon's legal entities will remain strong, continue to deliver operational excellence and maintain an uninterrupted service. Therefore, BNY Mellon SA/NV and the BNY Mellon group as a whole are committed to maintaining a strong balance sheet and, as a strategic position, assumes less risk than many financial services companies.

Whilst BNY Mellon assumes less balance sheet risk than most financial services companies, it does assume a significant amount of operational risk as a result of its business model. As a consequence, BNY Mellon has developed an enterprise risk management programme 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;

The Bank of New York Mellon SA/NV

- 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 BNY Mellon SA/NV 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, readily access to external funding sources at competitive rates, and a robust capital structure whilst delivering operational excellence to meet stakeholders' expectations.

Risk statement

In accordance with the Committee for Systemic Risks and System-relevant Financial Institutions ('CSRFSI') circular 2010-1¹ (NBB circular to SIFIs 26 October 2010), BNY Mellon SA/NV has been identified as a Systemically Important Financial Institution ('SIFI') in Belgium, making it a high priority to manage risks appropriately to reflect its significant status.

BNY Mellon SA/NV has adopted a conservative capital 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 strong capital structure whilst delivering operational excellence to meet stakeholders' expectations. Any changes to the risk profile are typically a result of new business and growth with risks mitigated through the internal governance, controls and risk management practices.

BNY Mellon SA/NV is mainly exposed to credit, market and operational risks from its investment servicing and custodian services as well as its investment portfolio. These risks are managed through a risk management framework, consistent with the BNY Mellon Group framework, through BNY Mellon SA/NV's own risk management function, organization and governance. Any capital requirements allocated for these risks have been assessed through modeling, stress testing and sensitivity analysis or through qualitative assessment.

BNY Mellon SA/NV monitors its capital adequacy in accordance with Basel Framework on the basis of Pillar 1 as well as Pillar 2 (Economic Capital) requirements. Both concepts are subject to risk appetite metrics.

Pillar 1 capital requirement is calculated according to the Basel standardized approach for credit, market, operational risks and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components. Pillar 1 capital requirement is compared to the own funds and in particular the CET1, Tier 1 and Total Capital, and monitored (daily) against regulatory thresholds triggered by the Supervisory Review and Evaluation Process ('SREP') and risk appetite. BNY Mellon SA/NV ensures it maintains sufficient capital to cover Capital requirements and all necessary buffers. The risk appetite establishes a twenty percent buffer on top of the regulatory requirements.

The Economic Capital uses BNY Mellon SA/NV methodologies (most being BNY Mellon methodologies) which follow an approval process including yearly independent validation by BNY Mellon's Model Risk Management Group ('MRMG'). These methodologies are presented to and approved by BNY Mellon SA/ NV Capital and Stress Testing Committee ('CSTC'), a committee assisting the Executive Committee with Economic Capital Adequacy related subjects. The Economic Capital is calculated for all material risks, which are summed (to form the total Economic Capital) and added to the applicable Pillar 1 regulatory buffers.

¹ Committee for Systemic Risks and System-relevant Financial Institutions ('NBB'), Circular to SIFIs, CSRFSI, 26 October 2010.

Materiality is based on both quantitative and qualitative criteria. The qualitative criteria rely on a number of factors and the risk register plays there a key role. The risk register is a management tool that provides a high level view of an entity's risk landscape. It is instrumental in forming the risk strategy of the entity and defining risk appetite in the context of the broader organization. Applied to BNY Mellon SA/NV, the risk register enables management to focus on the key risks to which the brand is exposed. The materiality and significance of risks in the Risk Register are based on an assessment of expected frequency and impact magnitude for each risk, both from an inherent (before controls) perspective and from a residual (after controls) perspective. The materiality and significance of risks in the ICAAP on the other hand is based on tail losses.

Given the capital adequacy ratios and capital surplus, BNY Mellon SA/NV concludes that the capital is sufficient at 31 December 2020 to face the risks of the entity. At 31 December 2020:

- the Pillar 1 capital requirement was €400 million (31 December 2019: €377 million), CET1 was €3,442 million (31 December 2019: €3,097 million); as a result, the CET1 ratio was 68.7% (31 December 2019: 65.9%); and
- the Pillar 2 capital requirement was €1,602 million (31 December 2019, €1,701 million) compared to available resources of €3,541 million (31 December 2019: €3,395 million) (comprised of AFR and fraction of Tier 2 allowed in the ratio); this results in a capital ratio of 16.0% (31 December 2019: 14.6%) and a capital surplus of €1,420 million (31 December 2019: €1,158 million).

Internal capital adequacy is calculated quarterly, and approximations are applied in order to estimate the capital needs on a monthly basis. The three-year base case financial forecast is then used in order to project the capital requirements. The base case financial forecast includes projections of the balance sheet and profit and loss elements. The evolution of the balances and profitability, combined with a macro-economic assessment of the evolution of the risk profile were used in order to determine the evolution of the capital ratios. The macroeconomic assessment was performed in baseline and stressed conditions, whereby the impact on the accounting elements (balances and profitability) were deducted and combined with the deterioration of the risk profile.

BNY Mellon SA/NV internal capital assessment covers risks to its current business as well as known planned activities. The strategic initiatives are included in the financial plan, and so, assessed by capital assessment and stress testing.

BNY Mellon SA/NV conducts stress tests and capital planning analysis. This provides an avenue for macroeconomic scenarios, new activities or strategic plans to be assessed. The stress tests results show the resilience of BNY Mellon SA/NV to macro- and micro-economic adverse circumstances. Available mitigant actions were activated to prove the resilience of BNY Mellon SA/NV to severe stress scenarios combining different shocks, including a strategic risk.

BNY Mellon SA/NV's business model implies that its revenues are mainly driven by the fees and commissions it perceives, and less on the net interest income, and this ensures more stability in case of a macro-economic event. In addition, BNY Mellon SA/NV is usually perceived as a safe haven which will limit the deposits outflow and as such keep the balance sheet liquid. The strategy has a favorable impact on the capital adequacy by its effect on reducing the balance sheet, including the securities portfolio.

4.1 Risk objectives

The identification, measurement, monitoring and management of risk are essential elements for the success of operations undertaken by BNY Mellon SA/NV, specifically:

- the Board recognises that in defining a risk appetite it must consider the views of a number of different stakeholders while accounting for business strategy and risk profile;
- the Board sees embedding risk appetite into the business strategy as essential;

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- the Board recognises that it cannot fully mitigate all risks. The risk framework includes standard risk management self-assessment tools that take into account loss history and stress testing to measure and monitor whether or not risk controls in place continue to remain effective; and
- the Board will seek input from its own and group wide risk committees on a regular basis in its reassessment of appetite and sources of major risks.

The Board adopts a prudent appetite to all elements of risk to which BNY Mellon SA/NV is exposed.

4.2 Risk governance

Risk oversight and management are structured to cover regional level, legal entity and lines of business ('LOB'). A formal governance hierarchy is in place to ensure that all areas of the business can effectively escalate issues through the regional and global structure.

4.2.1 Board of Directors

The Board is composed of a majority of non-executive directors, some of whom are representatives of The Bank of New York Mellon senior management. At least two of the non-executive directors are independent directors (as defined in the Belgian Companies Code). All members of the ExCo also sit on the Board in compliance with Article 24 of the Banking Act. All directors are natural persons.

The Board meets formally once a quarter or more frequently if deemed appropriate. Board meetings can be called whenever the specific needs of the business require it.

The primary responsibilities of the Board are to define the strategy and risk policy of BNY Mellon SA/NV and to supervise BNY Mellon SA/NV's management.

The main duties and responsibilities of the Board of BNY Mellon SA/NV include, but are not limited to:

- defining the general business strategy, objectives and values of the Company in line with those of The Bank of New York Mellon;
- plan and monitor the implementation of the general business strategy, objectives and values within the Company;
- fixing the Company's risk tolerance level and regularly reviewing and approving the strategies and policies relating to the taking, management, follow-up and mitigation of risks;
- supervising the management of the Company's significant risks and ensuring adequate resources are allocated to it;
- approving the capital adequacy position and ensuring changes in the Company consider capital impacts;
- approving the recovery plan;
- approving the liquidity recovery plan;
- supervising effectively the Executive Committee and the decisions taken by the Executive Committee;
- drawing up annual and interim reports and accounts;
- assessing regularly (at least once per year) the efficiency of the internal organization and system of internal control of the Company and its compliance with applicable laws and regulations;
- assessing the proper functioning of the Company's independent control functions (risk, internal audit and compliance); ensuring the integrity of the accounting and financial reporting systems and assessing regularly (at least once per year) the efficiency of the internal control structure, in particular regarding the financial reporting process;

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- ensuring that the Company's internal governance - as translated into its Internal Governance Memorandum - is appropriate to its business, size and organization;
- approving the Internal Governance Memorandum and ensuring it is kept up-to-date and submitted to the supervisory authority;
- approving and reviewing regularly (at least once per year) the Company's remuneration policy, and supervising its implementation;
- selecting and evaluating the members of the Executive Committee and reviewing the process for the selection, evaluation, and development of other key managers (in particular the Chief Risk Officer, Chief Compliance Officer, Chief Internal Auditor);
- ensuring the succession planning for key managers;
- reviewing the Company's processes for protecting the Company's assets and reputation;
- approving policies and procedures as may be required by law or otherwise appropriate;
- reviewing the Company's processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct; and
- overseeing the process of external disclosure and communications.

The table below shows the members of the Board and its committees as of 31 December 2020.

Board member	Function at BNY Mellon SA/NV	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 SA/NV (Y/N)
Non-Executive Directors							
Olivier Lefebvre	Independent Chair of the Board, Independent Member of the Audit Committee, Independent Chair of the Nomination and Remuneration Committees	An Other Look To Efficiency SPRL	Belgium	Management company	N	Administrator	N
		Climact SA	Belgium	Environmental consultancy	N	Chairman of the Board	N
		Ginkgo Management SARL	Luxembourg	Real Estate Fund Management	N	Independent Director	N
		Ginkgo Management II SARL	Luxembourg	Real Estate Fund Management	N	Independent Director	N
Marie-Hélène Cretu	Independent Chair of the Audit Committee, Independent member of the Remuneration and Risk Committees	Perma-Project SPRL	Belgium	Support to starters in Permaculture	N	Director	N
		CoDiese	France	Management company	N	President	N
		Global Reporting Company	United Kingdom	Finance consultancy	N	Director	N
		PREF-X SAS	France	Finance consultancy	N	Director	N
Marcia Cantor-Grable	Independent Chair of the Risk Committee, Independent member of the Audit Committee	Montpensier Finance	France	Assets Management company	N	Independent Director	N
		Modulr FS Ltd.	United Kingdom	E-money Institution	N	Independent Director	N
		Societe Generale International Ltd.	United Kingdom	Execution only Prime Broker	N	Independent Director	N
		Institute and Faculty of Actuaries	United Kingdom	Professional body regulating actuaries	N	Lay Member Regulation Board	N

Board member	Function at BNY Mellon SA/NV	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 SA/NV (Y/N)
Roderick Munsters	Independent Chair of the Remuneration Committee, Independent member of the Risk and Nomination Committees	Unibail-Rodamco-Westfield SE *	France	Real Estate company	N	Independent Director	N
		Moody's Investors Service	UK/ France / Germany	Credit Ratings company	N	Independent Director (UK & FR) Member of the Beirat in Germany	N
		PGGM Asset Management	The Netherlands	Management & Asset Services to pensions funds	N	Independent Director	N
Susan Revell	Member of the Audit and Nomination Committees	Sweetwater Training LLP	United Kingdom	Leisure	N	LLP Designated Member	N
Hani Kablawi	Member of the Remuneration and Risk Committees	Arab Bankers Association London, UK	United Kingdom	Financial services	N	Board Member	N
		OMFIF Advisory Council	United Kingdom	Independent financial think tank for central banks and public investment	N	Deputy Chairman	N
Senthilkumar Santhanakrishnan	Member of the Risk Committee						
Executive Directors							
Leonique van Houwelingen	Chief Risk Officer and Chair of the Executive Committee	Foreign Bankers' Association (FBA)	The Netherlands	Trade Association	N	Non-executive Chair	N
		American Chamber of Commerce	Belgium / The Netherlands	Trade association	N	Board Member	N
Hedi Ben Mahmoud	Chief Risk Officer and Member of the Executive Committee						
Annik Bosschaerts	Chief Operations Officer and Member of the Executive Committee						
Eric Pulinx	Chief Financial Officer, Deputy Chief Executive Officer and Member of the Executive Committee	Delen Private Bank	Belgium	Credit Institution	N	Independent Director	N
		Finax	Belgium	Financial Holding	N	Independent Director	N
Marnix Zwartbol	Head of Operations and Member of the Executive Committee						

As of 6 February 2020, Thomas (Todd) Gibbons resigned from his directorship mandate.

As of 30 September 2020, Carol Sergeant resigned from her directorship mandate.

The appointments of Marcia Cantor-Grable, Roderick Munsters, Susan Revell, Senthilkumar Santhanakrishnan and Marnix Zwartbol have been approved by the Belgian National Bank/Central European Bank in 2021.

No director has declared a personal conflict of interest that would give rise to the application of article 523 of the Belgian Companies Act.

BNY Mellon SA/NV is committed to diversity and inclusion. This commitment is not only important to BNY Mellon SA/NV's culture and to each director as individuals, it is also critical to BNY Mellon SA/NV's ability to serve its clients and grow its business. BNY Mellon SA/NV 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 skill, ability, experience, training, performance, and other valid role-related requirements. The Terms and Reference of the Board state that at least one third of each gender shall be represented on the Board and on the ExCo.

The Nomination Committee (the 'NoCo') 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 Board member's appointment. In identifying suitable candidates for a particular appointment, the NoCo considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

4.2.2 Legal Entity Risk Management

The ExCo has been established by the Board in accordance with Article 24 of the Banking Act and Article 524bis of the Belgian Companies Code and has been entrusted with the general management of BNY Mellon SA/NV with the exception of (i) the determination of the strategy and general policy of BNY Mellon SA/NV and (ii) the powers reserved to the Board by law or the articles of association. The ExCo meets formally at least once a month, and reports to the Board.

The ExCo is responsible for running the general management of BNY Mellon SA/NV within the strategy and the general policy as defined by the Board and for ensuring that the culture across BNY Mellon SA/NV facilitates the performance of business activities with integrity, efficiency and effectiveness.

The ExCo reviews 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 BNY Mellon SA/NV, its branches or subsidiary.

As described in detail in the ExCo Terms of Reference, the responsibilities of the ExCo in carrying out the general management of the Company mainly relate to corporate responsibilities, control environment, regulatory, stress testing and ICAAP.

The ExCo reports its activities, advises, and makes recommendations to the Board regularly. At least annually, the ExCo assesses the efficiency of the Company's internal organisation and internal controls together with the measures taken to remediate to any identified deficiencies, and reports the same to the Board, the NBB and the external auditor.

The ExCo has established the following committees to assist it in the performance of its duties:

- The Risk Management Committee ('RMC');
- The BNYM Asset and Liability Committee ('BNYM SANV ALCO');
- The Technology and Information Risk Committee ('TIRC');
- The Capital and Stress Test Committee ('CSTC'); and
- The Credit Risk Oversight Committee ('CROC').

The ExCo has established the following committees to assist in the performance of its duties.

Risk Management Committee ('RMC')

The key purpose of the BNY Mellon SA/NV Risk Management Committee is to provide oversight of the risk management process for the underlying businesses, subsidiary and branches, to ensure that risks are identified, monitored and reported and to ensure that appropriate actions and activities are in place to manage the identified risks. The RMC also plays a central role in ensuring that material change that has the potential to affect the BNY Mellon SA/NV is identified in a timely manner and managed in an appropriate fashion.

The aim of the RMC is to establish and maintain a capable and effective forward-looking risk organization that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The RMC provides risk-based challenge to the Business (first line of defense) establishes and maintains a risk culture, advises the ExCo as second line of defense on risk matters. The Committee is responsible for ensuring that risk and compliance activities undertaken by BNY Mellon SA/NV, its underlying branches, subsidiary and businesses are executed in accordance with internal policies and all relevant regulations.

Asset and Liability Committee ('ALCO')

The BNYM SANV ALCO is responsible for overseeing the asset and liability management activities on the balance sheet of BNY Mellon SA/NV and its branches and subsidiary, and for ensuring compliance with all liquidity, interest rate risk and capital related regulatory requirements.

Technology and Information Risk Committee ('TIRC')

The key purpose of the TIRC is to provide oversight of the Technology risks supported by the BNY Mellon SA/NV head office and its branches, to ensure that Technology risks are identified, monitored and reported and to ensure that appropriate actions and activities are in place to manage the identified risks. The Committee also plays a central role in ensuring that any material change that has the potential to affect the BNY Mellon SA/NV is identified in a timely manner and managed in an appropriate fashion.

The aim of the Committee is to establish and maintain a capable, effective forward looking.

Technology risk organisation that is well placed to identify and manage emerging risks for the BNY Mellon SA/NV including its branches. The Committee provides risk-based challenge to the Technology 1st line of defence, establishes and maintains a risk culture, and advises and escalates to the BNY Mellon SA/NV ExCo on risk matters.

The Committee is responsible for ensuring that Technology related risk and compliance activities undertaken by the BNY Mellon SA/NV ExCo including its branches and service providers are executed in accordance with risk appetite, policies and regulations.

Capital and Stress Testing Committee ('CSTC')

The purpose of the CSTC is to ensure adequate governance and understanding of, and ownership for the processes and documentation pertaining to, BNY Mellon SA/NV's capital requirements (economic, regulatory, adequacy and allocation), the risk economic capital model methodologies and stress testing. This is achieved in accordance, where applicable, with the ICAAP governance, BNY Mellon SA/NV Stress Testing policies and framework whilst taking into consideration the Group's over-arching capital, profit and strategic plans.

The CSTC is an empowered decision making body under authority delegated by BNY Mellon SA/NV ExCo and subject to corporate policy, legislation and external regulation.

Credit Risk Oversight Committee ('CROC')

The key purpose of the CROC is to oversee all forms of credit risk, to oversee controls of credit risk associated with BNY Mellon SA/NV banking business and to ensure compliance with BNY Mellon SA/NV credit policies. The activities of the CROC are reported to the ExCo as well as to the RMC where relevant.

Business Acceptance Committee ('BAC')

The BAC is responsible for the acceptance, oversight and guidance of new and existing businesses and clients for each of the following business lines for all BNY Mellon legal entities across EMEA: Asset Servicing and Alternative Investment Strategies, Corporate Trust, Depository Receipt, Markets, and Broker-Dealer and Advisory Services.

BNY Mellon SA/NV representatives, selected by the ExCo for their expertise, sit at BACs when BNY Mellon SA/NV deals have to be approved.

Councils assisting the ExCo

In addition to the above committees, the ExCo has mandated the following council to assist them:

- the Belgium Management Council ('BEMCo'), with the purpose to provide leadership for BNY Mellon employees in Belgium, regardless of legal entity, functional, or business affiliation. The BEMCo is responsible for overseeing, informing, supporting and involving other local bodies, as well as ensuring employee engagement within the Brussels location and the company in Belgium. It shall also decide or escalate matters discussed with the employee relations bodies.

Branch and Subsidiary Management

In each branch, a Branch Manager and a Deputy Branch Manager have been appointed to ensure the proper running of the branch's activities under the supervision of the ExCo. Each branch has at least a designated local manager who performs an oversight role in respect of that branch, including but not limited to, liaising with local regulators. In order to strengthen the management structure of the local branches, a Branch Management Committee with heads of different functional units of the branches is established and meets at least on a monthly basis. The management of the BNY Mellon SA/NV foreign branches acts under the supervision of the ExCo. Branches regularly report on their activities and provide the minutes of their meetings to the ExCo member(s) who is (are) responsible for the branches.

4.2.3 Business Unit Risk Management

The oversight of risk management within business units at a regional level is governed via five risk management committees, namely:

EMEA Asset Servicing Business Acceptance Committee which is responsible for channeling new/renewal business into lines of business and subsequently legal entities, including BNY Mellon SA/NV, approving all new clients prior to commencing a relationship with them and approving new business arrangements with existing clients. Risk is assessed and reviewed as part of the approval process.

EMEA Asset Servicing Business Risk Committee which is responsible for ensuring that the risk profile of EMEA Asset Servicing is well 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 Head of BNY Mellon Asset Servicing 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.

Markets APAC/EMEA Business Acceptance Committee provides governance over new and modified direct business relationships for Markets. The committee is focused on reviewing and approving nonstandard relationships.

Broker-Dealer Services Global Business Acceptance Committee ('BDS Global BAC') is responsible for performing due diligence when accepting, on-boarding, monitoring and off-boarding client relationships and business. BDS Global BAC members will review and approve new and incremental business opportunities. BNY Mellon SA/NV ExCo has delegated authority for business acceptance to the "BNY Mellon SA/NV Business Acceptance Committee ('BAC') Delegates" (members of the BNY Mellon SA/NV Executive Committee and Branch Managers). A BNY Mellon SA/NV BAC delegate must approve each BNY Mellon SA/NV client acceptance and each business opportunity BAC

proposal which is to be booked to the Company. A BNY Mellon SA/NV Compliance representative will attend all BDS Global BAC meetings and will be accountable to the Company's Compliance Officer in respect of all BNY Mellon SA/NV business opportunity acceptances.

Broker-Dealer Services Business Risk Committee ('BDSBRC') meetings are the point of review and approval for all new or materially modified products or process changes and services as well as the venue for review and approval of all potential off-boarding of products and services as well as status updates of any major project initiative including touch-points to BNY Mellon SA/NV. The BDSBRC shall consider a variety of issues including: potential or actual conflicts of interest or sensitive business practices, errors and service delivery failures, especially with impact to clients and/or to legal and regulatory obligations; client communications and disclosure; financial losses; unsubstantiated gains; and potential reputation damage. BDSBRC meetings are designed to enhance transparency of the key risk and control issues facing the business and to provide a forum for escalation and discussion of these issues. Impact to BNY Mellon SA/NV will be escalated to its Risk Committee for review and approval, as appropriate.

4.3 Risk management framework

As a global and systemically important financial institution, BNY Mellon SA/NV holds itself to an industry leading standard of risk management. Effective management of risk is at the core of everything BNY Mellon SA/NV does.

From the perspective of BNY Mellon SA/NV, as with other regulated banking entities, a strong risk governance and a robust risk culture are achieved through close and continuous co-operation between business lines, risk and compliance teams and internal audit. Taken together, these enable BNY Mellon SA/NV to effectively identify, assess, manage and report the risks that are inherent to operating its business.

BNY Mellon SA/NV Risk Management Framework is organized around the three lines of defense and BNY Mellon SA/NV has, in accordance with the Banking Act requirements, put in place the following independent control functions: internal audit, compliance and risk management.

The ExCo is responsible for the implementation of these independent control functions. Annually, it reports to the NBB, the statutory auditor and the Board on the compliance with this requirement and on the measures taken in this respect. These functions are considered as independent as they operate independently from the other business functions.

The Heads of the independent control functions must be fit and proper for carrying out such a role and approved by the NBB.

BNY Mellon SA/NV has adopted a 'three lines of defense' model as part of the risk management framework. The First Line of Defense ('1LOD') consists of managers and employees at the business or, in some cases, business partner level. They own the risk associated with the business activities, and they manage 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. This also includes Corporate Security, Business Continuity, Financial Management and Analysis within finance. The Third Line of Defense ('3LOD') is Internal Audit, which independently provides the Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

 **Figure 3: Managing Three Lines of Defense**



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

4.4 High-level assessment

The High-level Assessment is a management tool that provides a high-level view of an entity's risk landscape. It is instrumental in forming the risk strategy of the entity and defining risk appetite in the context of the broader organization. Applied to BNY Mellon SA/NV, the High-level Assessment enables management to focus on the key risks to which BNY Mellon SA/NV is exposed. The BNY Mellon SA/NV High-level Assessment, which is governed by the Policy "Legal Entity Risk Register", should be read in conjunction with, and be complementary to, BNY Mellon SA/NV ICAAP and ILAAP ('Internal Liquidity Adequacy Assessment Process'), the business-level risk and control self-assessments ('RCSA's') and other Risk MI including the specific BNY Mellon SA/ NV Risk Dashboard.

The BNY Mellon SA/NV High-level Assessment is coordinated by Risk Management. Senior Risk Officers of each Line of Business ('LOB SROs'), Risk function heads (e.g. credit risk) and key representatives from the Lines of Business/Legal Entities will be consulted as part of the assessment process. The High-level Assessment, which is approved by the ExCo, is a living document and will be updated regularly as needed.

4.5 Risk appetite

BNY Mellon defines Risk Appetite as “the level of risk it is normally willing to accept while pursuing the interests of our major stakeholders, including our clients, shareholders, employees and regulators”. The Risk Appetite Statement ('RAS') defines metrics and controls to measure and monitor risks relative to the risk appetite. These metrics establish risk thresholds through qualitative and quantitative expressions of risk appetite to monitor risk-taking activities.

The Risk Appetite of BNY Mellon SA/NV constitutes the risk limiting perimeter within which the head office, branches and subsidiary must operate.

The Board owns and defines the RAS, is responsible for annually reviewing it and approves any amendment. The Risk Appetite Metrics Report is actively monitored and managed by the BNY Mellon SA/NV ExCo through a defined governance and set of delegated controls to ensure that the performance of business activities remains within risk appetite levels. The Risk Appetite is reviewed if the risk profile changes or, at least, annually. It is governed by a Group Policy.

The Board adopts a prudent appetite to all elements of risk to which it is exposed. Business activities are managed and controlled in a manner consistent with the Board’s stated tolerances using defined quantitative and qualitative measurements. The Board has sought to establish a clear set of tolerances for its business and has articulated its appetite through a series of statements and metrics.

4.6 Risk assessment methodology and reporting systems

Risk identification and monitoring occurs in the business (operational areas) and within focused risk departments. Several processes are in place in order to ensure that risks are correctly and timely identified and monitored. Monitoring and controlling risk is primarily performed based on limits established by BNY Mellon SA/NV. These limits reflect the business strategy and market environment of BNY Mellon SA/NV as well as the level of risk that BNY Mellon SA/NV is willing to accept. In addition, BNY Mellon SA/NV’s policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all business areas is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Risk Management Committee ('RMC'), the ExCo and the Board.

Risk identification and reporting is made using a series of tools and information systems. Each risk type is assessed and reported by risk experts to BNY Mellon SA/NV RMC.

BNY Mellon SA/NV benefits from multiple data gathering, risk monitoring and escalation flows. BNY Mellon SA/NV generally does not build its own risk infrastructure, data aggregation or reporting tools. In that sense, all the tools used by the risk experts are corporate tools, of which the building and maintenance is framed by policies and service level agreements. One notable exception is the large exposure tool (Concentration Risk System - CRS). This tool was developed by and is tailored to the needs of BNY Mellon SA/NV.

Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP')

BNY Mellon SA/NV monitors its capital adequacy in accordance with Basel Framework on the basis of Pillar 1 and Pillar 2 (Economic Capital) requirements.

Pillar 1 capital requirement is calculated according to the Basel standardized approach for credit, market and operational risks, and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components. Pillar 2 capital requirement is based on an internal risk assessment of the components of the balance sheet and of the business activities; it uses BNY Mellon SA/NV methodologies (most being BNY Mellon methodologies) which follow an approval process including independent validation by BNY Mellon’s model validation team.

These methodologies are approved by BNY Mellon SA/NV Capital and Stress Testing Committee and by BNY Mellon SA/NV Board as part of the annual ICAAP approval. BNY Mellon SA/NV also conducts stress tests in order to assess the resilience of the capital base in the future. This provides an avenue for micro- and macro-economic scenarios, new activities or strategic plans to be assessed from a capital perspective.

The ILAAP process reflects a strong liquidity risk management culture and efficient governance regime in place within the firm. Throughout the ILAAP preparation cycle the content, findings and conclusions set out in this process have been reviewed and challenged by the relevant stakeholders and governance committees.

The ILAAP is a living document updated on a regular basis and no less frequently than annually. It includes liquidity stress testing proving the resilience of the firm in case of market or idiosyncratic liquidity events.

New and modified businesses / products assessment process

New or modified products or businesses need to be reviewed and approved by the corresponding Business Acceptance Committee ('BAC'). In addition to the BAC acceptance and in order to ensure full compliance towards Legal Entity specific concerns, the RMC must approve the business or product.

Significant new client process

Significant new clients are reviewed and approved by the corresponding BAC (Line of Business).

The BAC uses a checklist in order to assess the potential impact the new client will have on the Pillar 2 capital requirement. If the impact is deemed potentially material, the BNY Mellon SA/NV BAC delegate will be responsible for contacting BNY Mellon SA/NV Risk Management in order to obtain a Pillar 2 assessment.

Risk and Control Self-Assessment

The Risk and Control Self-Assessment ('RCSA') is a tool used by the business to identify risks associated with their key processes. High or Moderate to high residual risks form part of a regular risk management report to the RMC. This ensures that although the RCSA process is owned by the line of business in conjunction with the business risk managers, the RMC has oversight of the key exception items relating to BNY Mellon SA/NV on an ongoing basis.

Operational risk events

All operational losses and fortuitous gains exceeding US\$10k are captured in the Risk Management platform with completeness being verified by reconciliation to the General Ledger. Risk events are categorized by causal category. Operational Loss Events reporting forms part of the standard risk management report to the RMC.

Credit risk monitoring process

All counterparties leading to credit risk exposures are assessed and allocated a borrower rating in accordance with the BNY Mellon's credit rating system. Monitoring and control is conducted via a number of real-time systems to ensure that approved exposure levels are not exceeded, or are pre-approved by a suitable credit officer in the light of individual circumstances. Post event monitoring is also conducted by both Client Service areas and the Credit function as well as the Large Exposure function. Issues arising from these are reported to the RMC and the CROC.

Large exposure process

Compliance with the large exposure (including Shadow Banking) regulatory requirements is controlled daily by the Large Exposure function in BNY Mellon SA/NV. Mitigants are applied as needed.

Market risk monitoring process

The FX and FX derivative positions are monitored against a limit discussed at the BNYM SANV ALCO.

Interest rate risk monitoring process

The interest rate sensitivities (DV01) are monitored against the risk appetite limit, as well as the compliance with the investment guidelines.

Liquidity risk management process

BNY Mellon SA/NV'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 a material adverse impact on earnings, daily operations, or on the financial condition of BNY Mellon SA/NV. In this context, BNY Mellon SA/NV has set certain practices, metrics, and limits to measure and manage liquidity risk. Through these measures, it seeks to ensure that the overall liquidity risk undertaken stays within its risk tolerance.

Top risk process

The RMC maintains the list of top risks for BNY Mellon SA/NV. The RMC also receives the list of top risks from EMEA and Group level. The RMC holds monthly meeting to discuss the top risks for BNY Mellon SA/NV, which are reviewed on a quarterly basis, and discusses progress to mitigate them.

Risk dashboard

The BNY Mellon SA/NV Risk dashboard aims to provide a high-level view on the risk appetite metrics and their evolution over a given period and also a high-level view over a given period on the evolution and status, at consolidated level, of the main risk categories. It is produced on a monthly basis.

Key Risk Indicators

Key Risk Indicators ('KRIs') are used by business lines to evaluate control effectiveness and residual risk within a business process. Material risks are monitored by appropriate KRIs. The business lines utilise the corporate-wide KRI process to monitor the extent to which the probability of the high inherent risks materialising is changing and to ensure that appropriate actions are being taken. KRI reporting and monitoring is performed monthly at a minimum using a red/amber/green rating system.

Stress testing

Capital stress testing is undertaken by BNY Mellon SA/NV to monitor and quantify risk exposures and capital requirements to ascertain whether or not there are sufficient capital resources on a forward-looking basis. The process involves developing stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to BNY Mellon SA/NV's risk profile and business activities. BNY Mellon SA/NV's stress testing programme assesses the capital strength and enhances the resilience to external shocks. It also helps senior management understand and mitigate risks, and informs decision about capital levels. The stress testing programme is overseen by the Capital and Stress Testing Group with results reported, where appropriate, to the ExCo and the Board.

4.7 Escalation of risks and issues

A robust framework exists for monitoring and escalation of issues and risks. If a material risk issue occurs, the EMEA Governance Guide for reporting and escalation of material issues and risks is followed. Business management is required to notify senior management, which includes BNY Mellon SA/NV Board members, soon after determination. 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 the root causes and implementing corrective actions;

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- 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 BNY Mellon SA/NV 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.

4.8 Recovery and resolution planning

BNY Mellon SA/NV updates its recovery plan annually in accordance with regulatory guidance. The recovery plan is designed to ensure that the BNY Mellon SA/NV group has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises.

Every two years, BNY Mellon submits its Title I Resolution Plan as prescribed by supervisory policy, which includes BNY Mellon SA/NV as a material entity of BNY Mellon.

BNY Mellon SA/NV is working collaboratively with the resolution authorities in the context of our multi-year resolvability programme to support supervisory efforts in establishing a resolution plan for BNY Mellon SA/NV.

4.9 Environmental, social and governance approach

At BNY Mellon, we're committed to putting the *Future First*SM by using our global reach, influence and resources not just to power success today, but to help safeguard the future. Central to our environmental, social and governance ('ESG') approach is to *Consider Everything*SM, starting with our own enterprise-wide practices addressing the business impacts of global issues and contributing to opportunities that help communities thrive. We expand our actions by providing leading products and services, which empower our clients to meet their own goals. This way, we accelerate the evolution of ESG – on behalf of clients, investors, communities and all stakeholders – to make a positive impact on people and the planet.

BNY Mellon has a strong policies framework in relation to social, environmental, human rights and anti-corruption matters. BNY Mellon's initiatives flow across the entire group, including BNY Mellon SA/NV, to reinforce its trusted brand, allow clients to work with a group whose values match their own, enable employees to feel good about where they work and improve lives in communities around the world. BNY Mellon publishes annually a report covering corporate social responsibility ('CSR') and ESG topics. This year's report is entitled 2020 Enterprise ESG (formerly the CSR Annual Report). This report is not just about our social and environmental impact, but also how our views and integrates ESG considerations across our operations. This is the 12th report using the Global Reporting Initiative's ('GRI') framework, the world's most widely used sustainability reporting framework. BNY Mellon prepared the report according to GRI Standards Comprehensive option.

BNY Mellon's policies framework, Enterprise ESG strategy and CSR goals are fully applicable to BNY Mellon SA/NV and its personnel. Detailed information, including the Enterprise ESG Report 2020 is available on www.bnymellon.com.

We draw attention to the fact that the content of the *Enterprise ESG Report* may not entirely disclose information on the results of the policies in place, the main risks associated with the issues and the non-

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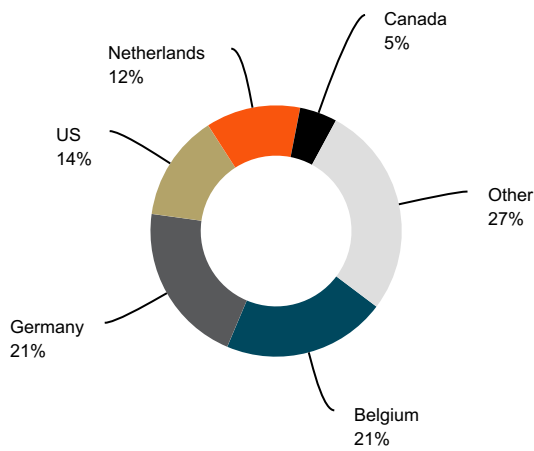
financial key performance indicators for the specific activities in relation to social and personal issues, environmental issues and respect for human rights and the fight against corruption as required by article 3:32, §2 (or 3:6, §4 for the annual report) of the Belgian Code on Companies and Associations (BCCA). BNY Mellon SA/NV continues to assess what best actions still need to be taken in the future to meet the requirements set forth by this article.



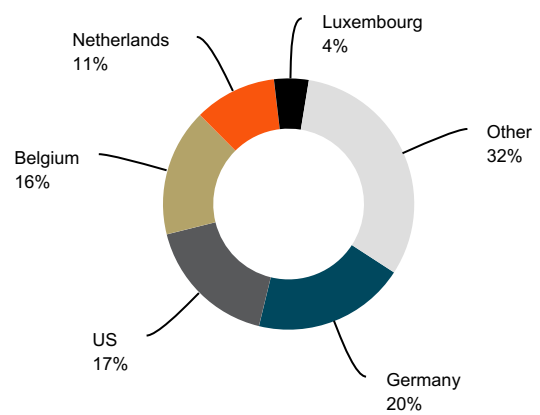
5 Article 442 CRR - Credit risk adjustments



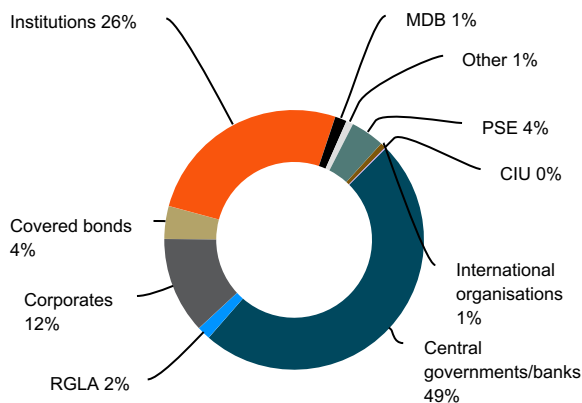
Standardised Credit Exposure by Country at 31 December 2020



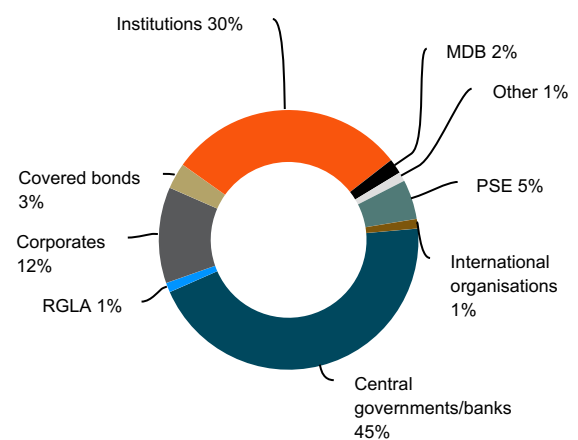
Standardised Credit Exposure by Country at 31 December 2019



Standardised net credit exposure by counterparty at 31 December 2020



Standardised net credit exposure by counterparty at 31 December 2019



MDB: Multilateral development Banks, PSE: Public sector entities, RGLA: Regional governments/local authorities, CIU: Collective investments undertakings

5.1 Definition and identification

Understanding, identifying and managing Credit risk is a central element of BNY Mellon's successful risk management approach. BNY Mellon SA/NV's Credit risk is managed in line with the BNY Mellon's Risk Appetite to minimise losses whilst identifying future potential risks. BNY Mellon SA/NV's business model creates Operational and Intraday Credit risks. This section describes the effective governance of Credit risk exposures in BNY Mellon SA/NV.

The principles, methodologies, and process 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. BNY Mellon SA/NV has a liability-driven balance sheet and typically engages in the provision of Custody Services to its clients. BNY Mellon SA/NV generates the following forms of credit exposure:

- BNY Mellon SA/NV provides significant **intraday credit facilities** to clients in order to settle transactions settling in a wide variety of global markets. These facilities are generally secured, unadvised and uncommitted. Although end of day balances (overdrafts) are relatively small, intraday exposures can be extensive, albeit spread across a very wide portfolio of clients;
- **client overdrafts**, resulting from unfunded intraday activity (trade purchases, FX and payment activity, etc);
- **placement to central banks and money market**: credit risk assumed by BNY Mellon SA/NV in placing funds with banks for a fixed term or overnight. This may be by way of cash placement or through the purchase of certificates of deposits issued by these banks;
- **investment in securities** (government bonds, corporate bonds, covered bonds and bonds issued by other issuers): BNY Mellon SA/NV has a large securities portfolio;
- **intercompany exposure** (placements, mitigated by application of Master Netting Agreements); and
- **derivatives in the banking book**: FX swaps used to manage liquidity and FX swaps coming from the FX client activity.

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 to determine the client's suitability for the products offered and BNY Mellon SA/NV's Risk Appetite for the name. Once it is agreed that the relationship can be entered into and suitable 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 Defence, 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. Credit risk assists in that assessment as the Second Line of Defence.

BNY Mellon's Credit Risk Management function operates a global model to maximise efficiency and to leverage the SME resources that are available to the best advantage for all BNY Mellon legal entities. Credit risk 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 Credit risk management

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 banks 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 intraday credit can lead to an overnight overdraft to a client which in turn could contribute to a large exposure breach. To mitigate this risk, BNY Mellon SA/NV make use of CRR art. 390§6c ("next business day exclusions"). Though lien and/or pledge language in the custody contract is considered to being effective economic risk mitigation, this is not taken into account for regulatory risk mitigation. Where BNY Mellon SA/NV have signed an on-balance netting agreement with the customer, its overdrawn balance(s) in a given currency will be netted off with its long balances in the same currency;
- a Master Netting Agreement is in place to cover intragroup exposure to The Bank of New York Mellon (International) Limited and The Bank of New York Mellon; 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. BNY Mellon SA/NV 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 BNY Mellon SA/NV'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 transactions' systems: the Global Securities Processing ('GSP') system for securities settlement activity and electronic payment handling ('EPH'), the bank's money transfer processing hub. Real-time balance information is input via the International Money Management System ('IMMS'), which is BNY Mellon's proprietary Demand Deposit Account platform.

Post-event monitoring is conducted by the client service area, with secondary oversight from the Credit Risk function.

5.5 Governance

Governance of Credit risk oversight as a second line of defence function is described and controlled through the Tier 1 BNY Mellon Global Credit Risk Policy with the Tier 2 BNY Mellon SA/NV Credit Risk Policy and day-to-day procedures supported by a detailed SLD to ensure SA/NV oversight as follows:

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- Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and required 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 is through the Board approved BNY Mellon SA/NV's Credit Risk Policy; and
- overdraft monitoring is a daily task and conducted within each legal entity - significant overdrafts are chased on a daily basis in line with BNY Mellon SA/NV'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

Credit risk exposure is computed under the standardised approach which uses external credit assessment, institutional ratings and supervisory risk weights supplied by external credit assessment agencies. The following credit risk exposure tables summarise the credit exposure for BNY Mellon SA/NV in accordance with the CRD IV requirements.

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)** - Exposures in default 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. BNY Mellon SA/NV has no exposures in default;
- **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. This function is used to calculate the exposure at default;
- **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 BNY Mellon SA/NV using the standardised approach.

At 31 December 2020 (€m)	Net value at the end of the period	Average net value over the period
Central government/banks	21,053	19,075
Collective investments undertakings (CIU)	44	11
Corporates	5,172	5,604
Covered bonds	1,762	1,586
Institutions	11,159	13,841
International organisations	295	495
Multilateral development banks	633	626
Other	375	425
Public sector entities	1,815	2,029
Regional governments/local authorities	714	366
Total	43,022	44,058


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

This table shows the BNY Mellon SA/NV pre-CRM exposures by class and by country of the counterparty. The top five geographical locations are presented below.

At 31 December 2020 (€m)	Belgium	Germany	US	Netherlands	Canada	Other	Total
Central governments/banks	8,498	6,807	1,009	1,222	—	3,517	21,053
Collective investments undertakings (CIU)	—	44	—	—	—	—	44
Corporates	—	16	420	3,507	22	1,207	5,172
Covered bonds	53	265	—	—	—	1,444	1,762
Institutions	93	249	4,336	602	1,629	4,250	11,159
International organisations	—	—	—	—	—	295	295
Multilateral development banks	—	—	—	—	—	633	633
Other	302	6	58	—	—	9	375
Public sector entities	—	968	—	—	239	608	1,815
Regional governments/local authorities	—	477	—	—	157	80	714
Total	8,946	8,832	5,823	5,331	2,047	12,043	43,022

Note: Other geographical areas includes multilateral development banks and international organisations which operate across multiple regions.


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

This table shows the exposure pre-CRM classified by class and by counterparty type.

At 31 December 2020 (€m)	General governments	Credit institutions	Other financial corporations	Various balance sheet items	Total
Central governments/banks	21,053	—	—	—	21,053
Collective investments undertakings (CIU)	—	—	44	—	44
Corporates	—	—	5,172	—	5,172
Covered bonds	—	1,762	—	—	1,762
Institutions	—	11,159	—	—	11,159
International organisations	295	—	—	—	295
Multilateral development banks	—	633	—	—	633
Other	—	—	—	375	375
Public sector entities	1,815	—	—	—	1,815
Regional governments/local authorities	714	—	—	—	714
Total	23,877	13,554	5,216	375	43,022

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 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 BNY Mellon SA/NV does not expect to collect all the contractual cash flows when they are due.

As at 31 December 2020, BNY Mellon SA/NV had no impaired financial assets for which a specific or general provision was required. There were no assets past due greater than 90 days. BNY Mellon SA/NV did not incur any write-offs of bad debts or make any recovery of amounts previously written-off during the year.


Table 12: EU CRB-E - Maturity of exposures

This table provides a comprehensive picture of the credit quality of on- and off-balance sheet exposures pre-CRM using the IFRS methodology.

At 31 December 2020 (€m)	On demand	Less than 1 year	Less than 5 years	More than 5 years	No stated maturity	Total
Central governments/banks	—	17,563	1,162	2,111	217	21,053
Collective investments undertakings (CIU)	44	—	—	—	—	44
Corporates	—	4,233	422	411	106	5,172
Covered bonds	—	—	212	1,215	335	1,762
Institutions	—	5,268	2,911	2,662	318	11,159
International organisations	—	—	—	295	—	295
Multilateral development banks	—	—	375	226	32	633
Other	375	—	—	—	—	375
Public sector entities	—	—	721	1,012	82	1,815
Regional governments/local authorities	—	—	151	445	118	714
Total	419	27,064	5,954	8,377	1,208	43,022

By the nature of its business, BNY Mellon SA/NV finds itself in very large positive liquidity position. The liability side consists mostly of the customer cash deposits with mostly very short term maturities held on the sight accounts and linked to their activities in the global securities markets.

On the asset side of the balance sheet, overdrafts occur on specific client accounts and are mainly of technical nature and very short duration. They do not influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.


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

This table provides a comprehensive picture of the BNY Mellon SA/NV (Consolidated) credit quality of on- and off-balance sheet exposures.

At 31 December 2020 (€m)	Gross exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Central governments/banks	—	21,053	—	—	—	—	21,053
Collective investments undertakings (CIU)	—	44	—	—	—	—	44
Corporates	—	5,173	1	—	—	1	5,172
Covered bonds	—	1,762	—	—	—	—	1,762
Institutions	—	11,160	1	—	—	1	11,159
International organisations	—	295	—	—	—	—	295
Multilateral development banks	—	633	—	—	—	—	633
Other	—	375	—	—	—	—	375
Public sector entities	—	1,815	—	—	—	—	1,815
Regional governments/local authorities	—	714	—	—	—	—	714
Total	—	43,024	2	—	—	2	43,022

At 31 December 2019 (€m)	Gross exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Central governments/banks	—	15,306	—	—	—	—	15,306
Corporates	—	4,272	—	—	—	—	4,272
Covered bonds	—	1,164	—	—	—	—	1,164
Institutions	—	10,585	—	—	—	—	10,585
International organisations	—	427	—	—	—	—	427
Multilateral development banks	—	664	—	—	—	—	664
Other	—	412	—	—	—	—	412
Public sector entities	—	1,760	—	—	—	—	1,760
Regional governments/local authorities	—	499	—	—	—	—	499
Total	—	35,089	—	—	—	—	35,089

As at 31 December 2020, there are no past due exposures on investment securities, overdrafts, cash or cash balances with Central Banks. BNY Mellon SA/NV has not recorded any material impairment provision for financial assets in 2020 (2019: € nil).

 **Table 14: EU CR1-B - Credit quality of exposures by counterparty types**

This table shows the credit quality of BNY Mellon SA/NV (Consolidated) on- and off-balance sheet exposures by industry type.

At 31 December 2020 (€m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Agriculture, forestry and fishing	—	3	—	—	—	—	3
Mining and quarrying	—	46	—	—	—	—	46
Manufacturing	—	197	—	—	—	—	197
Electricity, gas, steam and air conditioning supply	—	30	—	—	—	—	30
Water supply; sewage; waste management and remediation activities	—	1	—	—	—	—	1
Construction	—	2	—	—	—	—	2
Wholesale and retail trade; repair of motor vehicles and motorcycles	—	59	—	—	—	—	59
Transport and storage	—	31	—	—	—	—	31
Accommodation and food service activities	—	1	—	—	—	—	1
Information and communication	—	100	—	—	—	—	100
Financial and insurance activities	—	37,586	2	—	—	2	37,584
Administrative and support service activities	—	2	—	—	—	—	2

At 31 December 2020 (€m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Public administration and defence; compulsory social security	—	4,851	—	—	—	—	4,851
Human health and social work activities	—	—	—	—	—	—	—
Other service activities	—	115	—	—	—	—	115
Total	—	43,024	2	—	—	2	43,022
Of which: Loans	—	42,977	2	—	—	2	43,022
Of which: Off-balance sheet exposures	—	47	—	—	—	—	—

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			
Agriculture, forestry and fishing	—	3	—	—	—	—	3
Mining and quarrying	—	49	—	—	—	—	49
Manufacturing	—	280	—	—	—	—	280
Electricity, gas, steam and air conditioning supply	—	43	—	—	—	—	43
Water supply; sewage; waste management and remediation activities	—	4	—	—	—	—	4
Construction	—	2	—	—	—	—	2
Wholesale and retail trade; repair of motor vehicles and motorcycles	—	67	—	—	—	—	67
Transporting and storage	—	32	—	—	—	—	32
Accommodation and food service activities	—	1	—	—	—	—	1
Information and communication	—	89	—	—	—	—	89
Financial and insurance activities	—	28,847	—	—	—	—	28,847
Administrative and support service activities	—	2	—	—	—	—	2
Public administration and defence; compulsory social security	—	5,528	—	—	—	—	5,528
Human health and social work activities	—	—	—	—	—	—	—
Other service activities	—	142	—	—	—	—	142
Total	—	35,089	—	—	—	—	35,089
Of which: Loans	—	35,089	—	—	—	—	35,089
Of which: Off-balance sheet exposures	—	—	—	—	—	—	—


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

This table shows an analysis of BNY Mellon SA/NV (Consolidated) past due, impaired exposures and allowances by country using the IFRS methodology. The top five geographical locations are presented below.

At 31 December 2020 (€m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Belgium	—	8,946	—	—	—	—	8,946
Germany	—	8,832	—	—	—	—	8,832
United States	—	5,823	—	—	—	—	5,823
Netherlands	—	5,331	—	—	—	—	5,331
Canada	—	2,047	—	—	—	—	2,047
Other	—	12,045	2	—	—	2	12,043
Total	—	43,024	2	—	—	2	43,022


Table 16: EU CR1-D - Aging of past-due exposures

This table shows the aging analysis of accounting on-balance sheet past-due exposures regardless of their impairment status using the IFRS methodology.

Gross carrying values at 31 December 2020 (€000s)	> 30 days ≤					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1year	> 1year
Loans	—	—	—	—	—	—
Total standardised approach	—	—	—	—	—	—

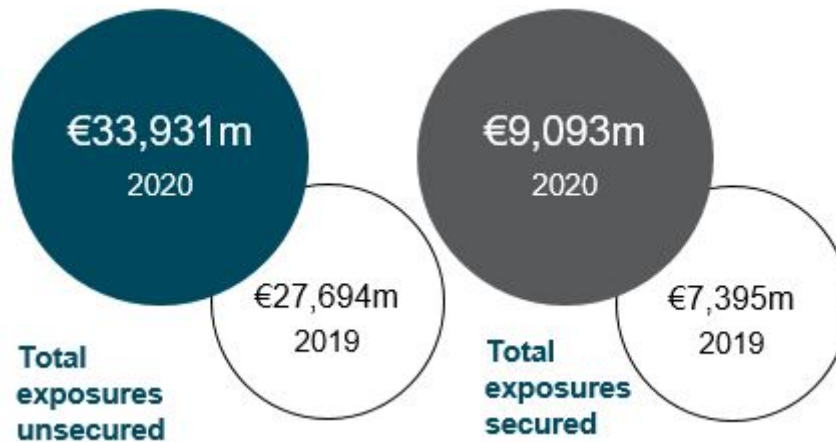
Non-performing and forborne exposures: BNY Mellon SA/NV did not incur any non-performing or forborne exposures during the year to 31 December 2020.

Changes in the stock of general and specific credit risk adjustments: BNY Mellon SA/NV did not incur any materially impaired exposures during the year to 31 December 2020 with no general and only a moderate increase in specific credit risk adjustments were noted.

Changes in the stock of defaulted and impaired loans and debt securities: BNY Mellon SA/NV did not incur any materially impaired loans or debt securities during the year to 31 December 2020.



6 Article 453 CRR - Credit risk mitigation



BNY Mellon SA/NV manages credit risk through a variety of credit risk mitigation strategies including collateral and master netting agreements and netting arrangements.

6.1 Netting

BNY Mellon SA/NV 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.

BNY Mellon SA/NV also has master netting agreements ('MNAs') with other BNY Mellon entities that allow it to net eligible intercompany balances with individual intergroup entities and their branches. Currently, two such agreements are in place, one with the Bank of New York Mellon Corporation and one with BNY Mellon International Limited. The agreements meet the requirements of the CRR for regulatory credit risk mitigation purposes. Derivatives and other "Qualified Financial Contracts" are excluded from the MNA calculations. To establish the aggregated exposure to BNY Mellon Corp as a connected group of counterparties, the net result of each MNA is added to the exposures that are not eligible to an MNA. The result is subject to the 75% intergroup exemption under the Belgian Royal Decree.

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 customize the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters.

6.2 Collateral valuation and management

BNY Mellon SA/NV can receive collateral from a counterparty which can include guarantees, cash and both equities and debt securities, BNY Mellon SA/NV has the ability to call on this collateral in the event of a default by the counterparty.

Collateral amounts are marked-to-market on a daily basis to ensure that they continue to provide the required risk mitigation value. Securities are mark-to-market daily and haircuts are applied to protect BNY Mellon SA/NV in the event of the value of the collateral suddenly reducing in value due to adverse market conditions. As of December 2019 the CVA adjustment was immaterial, hence it was not adjusted.

6.3 Collateral types

The most important type of collateral is the coverage of nostro balances with one group of connected counterparties by a pool of collateral consisting of EU sovereign debt of AA- credit quality or better.

6.4 Guarantors and credit derivative counterparty

See section 6.6 on credit concentration risk.

6.5 Wrong-way risk

BNY Mellon SA/NV 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.

6.6 Credit concentration risk

Credit Concentration risk is the risk of loss resulting from risk concentrations as a result of insufficient diversification (including single name, industry and country concentration risk). Credit Concentration risk within BNY Mellon SA/NV originates mostly through BNY Mellon SA/NV's banking activities. BNY Mellon SA/NV has an appetite to place funds only with institutions having an internal rating of 10 or better (equivalent to Moody's/S&P external rating of Baa3/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, BNY Mellon SA/NV Credit Policy limits Group Credit Risk approval to €500 million per Connected Counterparty and individual money market placements to €250 million thereby ensuring that exposures are kept below the maximum of 25% of regulatory capital, in line with CRR requirements.

Table 17: EU CR3 - Credit risk mitigation techniques - overview

This table shows the extent of credit risk mitigation techniques utilised by BNY Mellon SA/NV (Consolidated). 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.

Guarantors are primarily rated as investment grade. Using guarantees has the effect of replacing the risk weight of the underlying exposure with that of the institution providing the credit protection.

There are no exposures covered by credit derivatives at 31 December 2020.

At 31 December 2020 (€m)	Exposures		Exposures secured by		
	Unsecured carrying amount	Total secured	Collateral	Financial guarantees	Credit derivatives
Total cash and cash balances with central banks	17,563	—	—	—	—
Total loans and advances to customers	3,372	8,278	8,278	—	—
Total investment securities	12,574	815	—	815	—
Total off-balance sheet exposures	47	—	—	—	—
Total other assets	375	—	—	—	—
Total exposures	33,931	9,093	8,278	815	—
Of which defaulted	—	—	—	—	—

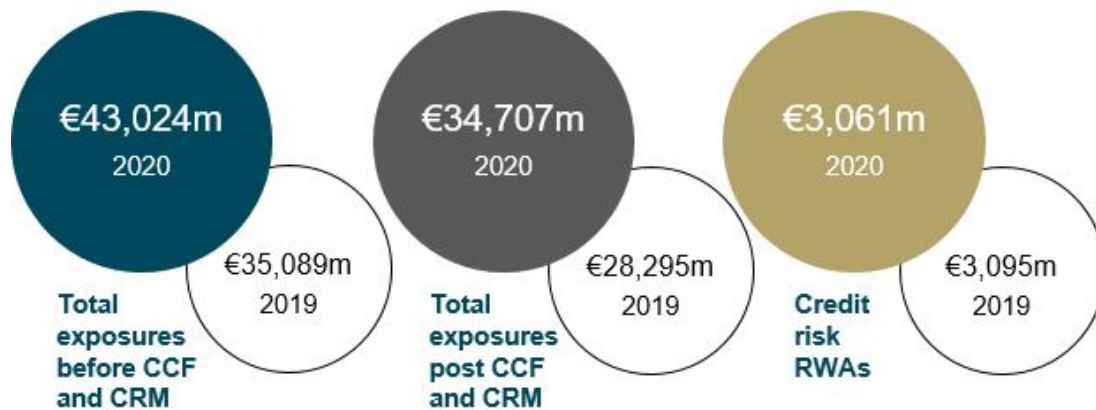
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Financial and other eligible collateral can include cash, debt securities, equities or gold, and their values are taken into account for the purposes of calculating the risk-weighted exposure amount of the underlying exposure.

There are no exposures covered by credit derivatives at 31 December 2020. Using guarantees has the effect of replacing the risk-weight of the underlying 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



The standardised approach requires BNY Mellon SA/NV to use risk assessments prepared by External Credit Rating Assessment Institutions ('ECAIs') to determine the risk-weightings applied to rated counterparties. BNY Mellon SA/NV uses S&P Global Ratings and Moody's as its chosen ECAIs.

Table 18: Mapping of ECAIs credit assessments to credit quality steps

BNY Mellon SA/NV 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 BNY Mellon SA/NV's nominated ECAIs' credit assessments to the credit quality steps.

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


Table 19: Credit quality steps and risk weights

ECAI risk assessments are used for each exposure class. 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.

Credit quality steps and risk-weights	CQS	CQS	CQS	CQS	CQS	CQS
Exposure class	1	2	3	4	5	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 20: 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 BNY Mellon SA/NV (Consolidated). risk-weighted exposure amount ('RWA') density provides a synthetic metric on the riskiness of each portfolio.

At 31 December 2020 (€m)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
Central governments/banks	21,053	—	21,764	—	59	— %
Collective investments undertakings (CIU)	—	44	—	9	9	100 %
Corporates	5,173	—	1,309	—	1,035	79 %
Covered bonds	1,762	—	1,762	—	176	10 %
Institutions	11,157	3	5,958	—	1,267	21 %
International organisations	295	—	295	—	—	— %
Multilateral development banks	633	—	633	—	—	— %
Other	375	—	375	—	379	101 %
Public sector entities	1,815	—	1,888	—	120	6 %
Regional governments/ local authorities	714	—	714	—	16	2 %
Total	42,977	47	34,698	9	3,061	9 %


Table 21: EU CR5 - Credit risk exposure by risk-weight post CCF and CRM

This table shows the breakdown of exposures for BNY Mellon SA/NV (Consolidated) after the application of both conversion factors and risk mitigation techniques.

At 31 December 2020 (€m)	Risk-weight post CCF and CRM									
	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Others	Total	Unrated
Central governments/ banks	21,764	—	—	—	—	—	—	—	21,764	—
Collective investments undertakings (CIU)	—	—	—	—	9	—	—	—	9	—
Corporates	—	—	124	452	631	102	—	—	1,309	574
Covered bonds	—	1,762	—	—	—	—	—	—	1,762	—
Institutions	—	—	5,717	237	4	—	—	—	5,958	1,859
International organisations	295	—	—	—	—	—	—	—	295	—
Multilateral development banks	633	—	—	—	—	—	—	—	633	634
Other	—	—	—	—	372	—	3	—	375	375
Public sector entities	990	—	898	—	—	—	—	—	1,888	—
Regional governments/local authorities	634	—	80	—	—	—	—	—	714	—
Total	24,316	1,762	6,819	689	1,016	102	3	—	34,707	3,442

At 31 December 2019 (€m)	Risk-weight post CCF and CRM									
	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Others	Total	Unrated
Central governments/ banks	15,773	—	—	—	—	—	—	—	15,773	—
Corporates	—	—	133	1,075	592	60	—	—	1,860	492
Covered bonds	—	1,164	—	—	—	—	—	—	1,164	—
Institutions	—	—	5,408	224	—	—	—	—	5,632	656
International organisations	427	—	—	—	—	—	—	—	427	—
Multilateral development banks	664	—	—	—	—	—	—	—	664	664
Other	—	—	—	—	408	—	4	—	412	454
Public sector entities	1,308	—	556	—	—	—	—	—	1,864	18
Regional governments/ local authorities	447	—	52	—	—	—	—	—	499	—
Total	18,619	1,164	6,149	1,299	1,000	60	4	—	28,295	2,284



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 22: 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 BNY Mellon SA/NV (Consolidated).

Counterparty credit risk (€m)		
	31 December 2020	31 December 2019
Derivatives - Mark-to-market method		
Replacement cost/current market value	500	158
Potential future credit exposure	598	255
Netting benefits	—	—
Net current credit exposure	1,098	413
Collateral held notional value	—	—
Exposure and Collateral Adjustments	—	—
EAD post CRM	1,098	413
Risk-weighted assets	379	195
SFT - under financial collateral comprehensive method		
Net current credit exposure	—	1
Net SFT credit exposure	—	1
Risk-weighted assets	—	—
Total counterparty credit risk exposure	1,098	414

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.

The increase in counterparty credit risk exposure is primarily driven by the introduction of the Company's trading book programme in December 2020. See section 1.9 for further information.

 **Table 23: EU CCR2 - Credit valuation adjustment capital charge**

This table shows the credit valuation adjustment using the standardised approach.

At 31 December 2020 (€m)	Exposure value	RWA
All portfolios subject to the standardised approach	1,075	156
Total subject to the CVA capital charge	1,075	156

 **Table 24: EU CCR3 - CCR exposures by regulatory portfolio and risk**

This table shows the breakdown of BNY Mellon SA/NV (Consolidated) counterparty credit risk exposures to derivatives and SFTs by exposure class and risk-weight attributed according to the standardised approach.

At 31 December 2020 (€m)	0 %	20 %	50 %	100 %	150 %	Others	Total	Unrated
Central governments/banks	8	—	—	—	—	—	8	—
Corporates	—	2	13	197	—	—	212	—
Institutions	—	878	—	—	—	—	878	—
Total	8	880	13	197	—	—	1,098	—

At 31 December 2019 (€m)	0 %	20 %	50 %	100 %	150 %	Others	Total	Unrated
Central governments/banks	8	—	—	—	—	—	8	—
Corporates	—	1	—	142	—	—	143	—
Institutions	—	263	—	—	—	—	263	—
Total	8	264	—	142	—	—	414	—

 **Table 25: EU CCR5-A - Impact of netting and collateral held on exposure values**

This table provides an overview of the collateral held on exposures.

At 31 December 2020 (€m)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	1,098	—	1,098	—	1,098
Total	1,098	—	1,098	—	1,098

Composition of collateral for exposures to counterparty credit risk: BNY Mellon SA/NV held cash collateral relating to CCR exposures of €0 million in 2020.



9 Article 443 CRR - Asset encumbrance



BNY Mellon SA/NV has a collateral agreement with Euroclear to cover an intraday credit line for \$2.1 billion. BNY Mellon SA/NV invests in various bonds; these have been further pledged as collateral to Euroclear during 2020.

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

Table 26: AE-A - Encumbered assets

At 31 December 2020 (€m)	Encumbered assets				Unencumbered assets			
	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	3,398	2,162			37,112	6,384		
Debt securities	2,987	2,162	2,987	2,162	11,046	6,384	11,049	6,387
of which:								
covered bonds	782	782	782	782	869	722	869	722
asset backed securities	—	—	—	—	120	87	120	87
issued by general governments	898	619	898	619	4,678	3,373	4,682	3,377
issued by financial corporations	1,862	1,378	1,862	1,378	5,883	2,939	5,883	2,939
issued by non-financial corporations	141	59	141	59	487	3	487	3
Other assets	420	—			25,604	-		

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

As at 31 December 2020, the carrying amount of the debt securities refer to bonds pledged to Euroclear and Clearstream. Other assets encumbered refer to monetary reserves, mainly placed with National Bank of Belgium, treated as encumbered assets as these cannot be not freely withdrawn by the bank. Other assets include foreign exchange cash collateral of €93 million (31 December 2019: €28 million).

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


Table 27: AE-B - Collateral

At 31 December 2020 (€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	
Collateral received by the reporting institution	—	—	158	—
Debt securities	—	—	158	—
of which: issued by central governments	—	—	158	—
Total assets, collateral received and own debt securities issued	3,398	2,162		

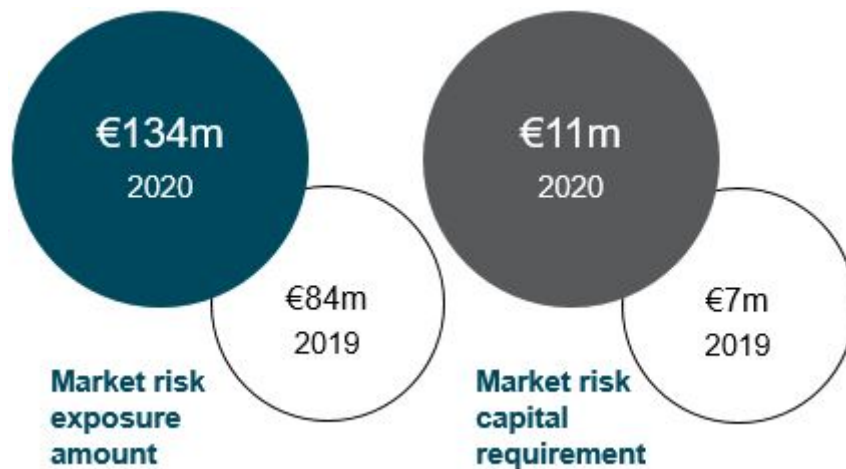

Table 28: AE-C - Sources of encumbrance

At 31 December 2020 (€m)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	565	480
Derivatives	173	95
of which: Over-The-Counter	173	95
Deposits	331	332
Repurchase agreements	328	328
of which: Central banks	—	—
Collateralised deposits other than repurchase agreements	4	4
of which: Central banks	—	—
Other sources of encumbrance	—	2,887
Other	—	2,887
Total sources of encumbrance	565	3,398

BNY Mellon SA/NV has no own debt securities issued. Other sources of encumbrance refer to the monetary reserves at central banks, foreign exchange cash collateral and bonds pledged to Euroclear referred above.



10 Article 445 CRR - Exposure to market risk



As at 31 December 2020 the net foreign-exchange position is €134 million which is 3.54% of BNY Mellon SA/NV's total own funds of €3,788 million.

Market risk is defined as the risk arising from adverse change in financial markets due to factors such as prices, rates, implied volatilities, or correlations of market risk factors. Market risk factors include but are not limited to interest rates, foreign exchange rates, market liquidity, equity prices, credit spreads, prepayment rates, commodity prices and issuer risk associated with the BNY Mellon SA/NV's trading and investment portfolios.

Market risk is a systemic risk. Movements in markets are beyond the control of BNY Mellon SA/NV. Market risk to BNY Mellon SA/NV is reviewed below in two contexts: impact on balance sheet and impact on revenues and consequently its profitability.

BNY Mellon SA/NV did not run a trading book for the majority of the year 2020. On 16 November 2020 the trading book activity of BNY Mellon SA/NV started. The Corporate Treasury FX swap activity is classified as held for trading from an accounting perspective. The Markets FX trading and sales activity has been operating on a full back-to-back model (on a trade by trade basis) with BNYM London Branch until 16 November 2020. Until this point in time, no market risk resided in the trading book of BNYM SA/NV for this activity. The back-to-back model has been replaced to warehouse risk for non-optional derivatives (FX Spot/Forward/Swap, NDF) in the trading book of BNYM SA/NV since the aforementioned live date.

BNY Mellon SA/NV is currently exposed to five types of market risk: (a) currency risk, (b) Credit Valuation Adjustment ('CVA'), (c) interest rate risk, (d) credit spread risk and (e) pension risk.

- BNY Mellon SA/NV revenues are denominated in a mix of currencies whereas a high proportion of the bank's costs are denominated in Euro. Apart from the risk of currency mismatch between revenues and cost, the bank is not significantly exposed to this risk;
- Credit Valuation Adjustment ('CVA') risk relates to the FX swaps used in the context of Treasury management and FX swaps client activity;
- BNY Mellon SA/NV interest rate income is subject to the risk that as market interest rates tend toward zero or below, BNY Mellon SA/NV cannot pass all of the interest rates reduction to its client. Interest rate risk in the banking book will also arise from maturity or re-pricing mismatches and from products that include embedded optionality; the risk could crystallize with changes in interest rate risk/the shape of the yield curve;
- the securities portfolio bears additional credit spread risk; and

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- pension risk in BNY Mellon SA/NV arises from the defined benefit pension plans offer to the employees. Defined benefit plans constitute a risk because BNY Mellon SA/NV must compensate any shortfall in the fund's guaranteed pensionable amount. Only the Belgium and German plans may result in a liability for BNY Mellon SA/NV.

Table 29: EU MR1 - Market risk

This table shows the components of the capital requirements and risk-weighted assets for market risk using the standardised approach.

Position risk components at 31 December 2020 (€m)	Risk weighted assets	Capital requirements
Foreign exchange risk	134	11
Total	134	11

10.1 Trading portfolios

The principal tools used to measure and control market risk, within BNY Mellon SA/NV's trading portfolios are VaR and Stressed VaR. The VaR of a trading portfolio is the maximum estimated loss that can arise with a specified probability (confidence level) in the portfolio over a specified time-period (holding period). The VaR model is historical simulation based and takes market data changes from the previous four years and observed correlation between risk factors, to model a wide range of plausible future scenarios for market price movements. The BNY Mellon SA/NV VaR model uses a 99% confidence level, assumes a 1-day holding period and is reported in BNY Mellon SA/NV's base currency of US Dollars. The Stress VaR model uses the similar principle as VaR, but uses a Stress period deemed to be the most severe for the entire holding company and reviewed on a periodic basis.

In-line with regulatory requirements and to service their EU27 clients, BNY Mellon SA/NV began risk warehousing market risk on 16 November 2020. Prior to that, Markets trading and sales activity in the BNY Mellon SA/NV was on a back to back basis with the Institutional Bank.

The following is a summary of the VaR and Stressed VaR position of the BNY Mellon SA/NV trading portfolios as at 31 December 2020:

USD (€000s)	2020	2019
Value at Risk	0.134	
Stressed Value at Risk	1	



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

For BNY Mellon SA/NV, the liabilities are predominantly without maturity.

Interest rate risk in the banking book will arise from maturity or re-pricing mismatches and from products that include embedded optionality; the risk could crystallize with changes in interest rate risk/the shape of the yield curve. Currently, on the asset side, placements are mostly at a week horizon and the securities portfolio, as part of the liquidity asset buffer, has duration of two years. Taking into account the behavioural duration of the deposits, it limits the exposure to interest rate risk.

Interest rate risk ('IRR') is the risk associated with changes in interest rates that affect net interest income ('NII') and economic value ('EV') on interest-earning assets and interest-paying liabilities. IRR exposure in the banking book arises from on and off-balance sheet assets and liabilities, and changes with movements in domestic and foreign interest rates.

Interest rate risk in the banking book ('IRRBB') is composed of:

- Bank placements of a short-term nature. The maturity of cash placements (EUR, GBP and USD) with affiliated entities (BNY Mellon Group) range from overnight up to one month, while placements with external banks are typically overnight deposits or cash held on demand nostro balances;
- The bond portfolio (securities portfolio): the size and the risk profile of the portfolio are governed by the BNYM SANV ALCO. The portfolio is operationally managed by Corporate Treasury and is used as liquidity buffer. The bond portfolio is not hedged for interest rate risk purposes; and
- Client deposits (Vostro balances): third party and affiliated deposits are mostly demand deposit accounts. Depending on the contract the rate paid on the deposits can either track an index, a market rate or a central bank rate, or the rate can be fixed by BNY Mellon SA/NV performs an interest rate sensitivity analysis which is reported to the BNYM SANV ALCO on a monthly basis. It reflects the sensitivity of the money market placement book and the securities portfolio only. It does not include any behavioural sensitivity on the liability side of the balance sheet or interest sensitivity of the trading books e.g. FX swaps etc. IRR exposure has a daily value-at-risk ('VaR') calculation against a stop loss limit and is monitored daily by the Market Risk Management team to ensure that BNY Mellon SA/NV operates within its risk appetite. Any breaches are reported to the RMC and the Board.

For regulatory purposes ('COREP'), an interest rate sensitivity analysis is prepared on a quarterly basis as shown below this paragraph. The economic value of the banking book is determined by discounting the future cash flows for assets and liabilities present in this book, in accordance with the provisions of NBB Circular 2019_18. The economic value of equity sensitivity by shock scenarios for 3 major material currencies (EUR, GBP and USD) and other material currencies bucket is presented in the first half of the table below. The outcome of the supervisory outlier test is presented in the second half of it.

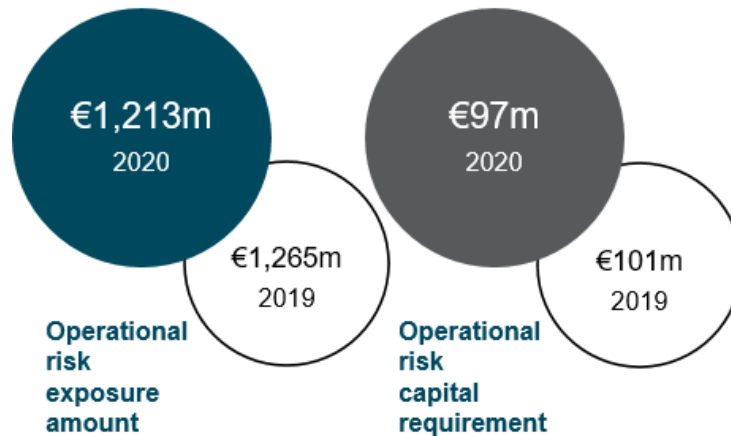

Table 30: Economic value of equity sensitivity by currency

This table shows the economic value of equity sensitivity for BNY Mellon SA/NV by interest scenario.

At 31 December 2020 (€m)	Description	Shock arising from exposures in:			Other material currencies	
		EUR	USD	GBP		
Amount	Amount	Amount	Amount	Amount	Amount	
	Outcome of the article 98(5) CRD IV shock (according to paragraph 113 EBA/GL/2018/02) (€000s)	(279,615)				
	Δ Economic Value of Equity under a Parallel Shock Down (€000s)	23,398	(24,873)	84,499	11,866	88
	Δ Economic Value of Equity under a Parallel Shock Up (€000s)	(279,615)	(97,829)	(144,085)	(37,466)	(235)
	Specified size of interest rate shocks in bps (according to paragraph 114 of EBA/GL/2018/02)					
	Parallel		200	200	250	
	Short		250	300	300	
	Long		100	150	150	
	Outcome of the supervisory outlier test (according to paragraph 114 EBA/GL/2018/02) (€000s)	(299,619)				
	Parallel Shock Down (€000s)	23,135	(24,873)	83,972	11,866	89
	Parallel Shock Up (€000s)	(291,656)	(97,829)	(144,064)	(49,551)	(212)
	Short Rates Shock Down (€000s)	29,645	(17,867)	83,071	11,752	100
	Short Rates Shock Up (€000s)	(299,619)	(136,730)	(136,072)	(26,468)	(349)
	Steeper (€000s)	36,432	43,558	26,703	2,360	121
	Flattener (€000s)	(137,378)	(63,973)	(61,013)	(12,098)	(294)



12 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 reputational 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.

Key operational risks for BNY Mellon SA/NV include:

- Internal and external fraud;
- Business Disruption and System Failures;
- Damage to Physical Assets;
- Employment Practices and Workplace Safety; and
- Clients, Products and Business Practices.

Given BNY Mellon SA/NV's role as a major custodian, processing and fiduciary service provider, BNY Mellon SA/NV considers that operational risk is an important risk. Indeed, this risk materializes the biggest loss events.

12.1 Operational risk management framework

BNY Mellon SA/NV has implemented an Operational Risk Management Framework ('ORMF') consistent with the BNY Mellon Group framework.

 Figure 4: Operational Risk Management Framework



The Operational Risk Management Framework ('ORMF') provides the processes and tools necessary to fulfil a strategy of managing risk through a culture of risk awareness, a clear governance structure, well-defined policies, procedures and reporting and suitable tools for reporting and monitoring to effectively identify, manage, mitigate, monitor and report the risks in an organized 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.

BNY Mellon SA/NV's ORMF relies on a culture of risk awareness, a clear governance structure and, Operational Risk policies and procedures, which define the roles and responsibilities of the First, Second and Third Line of Defense. These policies and procedures complement each other to ensure that the Operational Risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

BNY Mellon SA/NV uses the ORMF to capture, analyze and monitor its Operational Risks. The tools used to manage the Operational Risks of the business are mandated through individual Operational Risk Policies and are prescribed through the enterprise Operational Risk programme, assessment systems and related processes. Regional Committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks in forming its regional risk assessment.

BNY Mellon SA/NV utilizes comprehensive policies and procedures designed to provide a sound operational environment. The Corporate Operational Risk Policies are reviewed and enhanced on an ongoing basis, and adopted by all businesses/Legal Entities including BNY Mellon SA/ NV. Business Risk partners oversee the activities undertaken in each of the business lines, with oversight from a Legal Entity point of view through the LERO. Besides Business Risk partners and LEROs, other internal functions also ensure that processes are in place to support the sound Operational Risk management of the business.

Management of operational risk

BNY Mellon SA/NV ORMF relies on a culture of risk awareness, a clear governance structure and, Operational Risk policies and procedures, which define the roles and responsibilities of the first, second and third line of defense. These policies and procedures complement each other to ensure that the operational risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

BNY Mellon SA/NV uses the ORMF to capture, analyse and monitor its operational risks. Below is an explanation of how the tools are used to manage the operational risks of the business. These tools are mandated through individual Operational risk policies. These activities are prescribed through the enterprise operational risk programme, assessment systems and related processes, including but not limited to:

Risk appetite

BNY Mellon defines risk appetite as the aggregate level of risk a company is willing to assume after considering topics such as its strategic business objectives and business plan, the major risks facing the company and its risk capacity. BNY Mellon SA/NV has, in line with the Enterprise risk policy for risk appetite, set a risk appetite statement which recognizes the inherent nature of Operational risk and the reliance on the ORMF to mitigate it.

Risk register

BNY Mellon SA/NV maintains a risk register which captures the most material risks associated with the business undertaken and the risk mitigations currently in place. The Risk Register is prepared and owned by the LERO. Senior Risk Officers of each Line of Business ('LoB SROs'), Risk Management function heads (e.g. Credit risk) and key representatives from the Lines of Business/Legal Entities contribute to the risk register sign off. The Risk Register is presented through the legal entity governance structures and is a living document and is updated regularly, at least annually or upon significant change.

Risk control-self assessments ('RCSA')

A comprehensive process 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 company'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.

OREs are mapped to Basel II operational risk event categories and the impact to BNY Mellon SA/NV is identified. Information on operational risk event losses or gains exceeding \$10,000 (USD) are analyzed 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 \$10,000) 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 reputation damage to BNY Mellon SA/NV. Periodic and consistent monitoring of KRIs ensures that deviations from predetermined standards can be identified.

Line Of Business High-level Assessments ('HLA')

The High-level Assessment is a qualitative assessment at the Business/Business Partner Group level. It is a consolidated review of detailed RCSA data that analyses the risk profile of the business, 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 risks of the business including material operational risks on a regular basis. Being a Business Line exercise, the HLA does not provide specific information on legal entities. However, this is a useful source of information for the LERO who needs to form a view on the risks the Business Lines operating in BNY Mellon SA/NV have identified.

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.

Operational risk scenario analysis ('ORSA')

Operational risk scenario analysis is used by BNY Mellon SA/NV to identify and assess plausible, high impact, low probability Operational risk loss events 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 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 modeling.

Monitoring and reporting

BNY Mellon SA/NV utilizes a global platform, Risk Management Platform (RMP) for monitoring and reporting operational risk.

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 business risk committees and the RMC.

Regional Committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks of BNY Mellon SA/NV in forming its regional risk assessment.

Policies and procedures

BNY Mellon SA/NV utilizes comprehensive policies and procedures designed to provide a sound operational environment. The Corporate Operational Risk Policies are reviewed and enhanced on an ongoing basis, and adopted by all businesses/Legal Entities including BNY Mellon SA/NV.

Organisation and governance

Within BNY Mellon SA/NV, business risk partners oversee the activities undertaken in each of the business lines, with oversight from a Legal Entity point of view through the LERO. Besides business risk partners and LEROs other internal functions also ensure that processes are in place to support the sound operational risk management of the business, notably:

Technology risk management ('TRM')

TRM is a 2nd Line of Defense group that provides oversight and challenge of the 1st line's management of technology risk. TRM works in partnership with BNY Mellon Businesses and Business Partners to help protect the company and its clients from cyber and information risks.

Business continuity planning ('BCP')

This function is responsible for the governance of planning for continued service in the face of external events, and utility or system outages or disruptions. The BCP function has clear escalation processes and plans available; Crisis Management Teams ('CMT') are in place to oversee any issue escalation, whilst the Communication Task Force ('CTF') is responsible for approved communication with

employees, clients and other stakeholders. Operational staff (business plan owners) are responsible for identifying a business impact analysis, and maintaining a business continuity plan for their specialist area. These plans set out information such as recovery requirements, alternative sites, training and evacuation procedures.

Third party governance

BNY Mellon SA/NV uses outsourcing to support its daily business activities. The BNY Mellon SA/NV Board of Directors retains the ultimate responsibility for any outsourcing arrangement and accordingly, ensures the establishment and maintenance of an adequate outsourcing framework covering all key components of the outsourcing life-cycle. To ensure appropriate oversight of outsourced activities, the Business/Business Partner Groups ensure that all outsourced activities are identified, assessed, approved and appropriately managed throughout the life of the outsourced relationship.

Decisions to control, transfer, accept or avoid risks are conducted through a combination of business and legal entity governance bodies in line with the hybrid organisation structure of BNY Mellon.

Regulatory and compliance risk management

The BNY Mellon SA/NV Compliance Department is comprised of Compliance Officers based in Brussels, Frankfurt, Amsterdam, Dublin, Luxembourg, Milan and London. BNY Mellon KAG is required to maintain a separate compliance function. As part of the second line of defense, the compliance department shares a joint responsibility with Legal, HR, Finance and Risk to implement policies as required in order to ensure that BNY Mellon SA/NV operates within the scope of its license and in compliance with applicable regulatory requirements.

The key responsibilities of the Compliance Department as part of the second line of defense are to identify applicable laws and regulations, provide advice regarding the implementation of those regulations falling under its material scope of oversight, monitor compliance by the relevant functions, report on identified weaknesses and manage the relationship with regulators.

The Compliance Department is independent from any commercial or operational function of BNY Mellon SA/NV. The Compliance Department directly reports into the BNY Mellon SA/NV Chief Executive Officer and also reports into the BNY Mellon SA/NV governance bodies.

12.2 Capital resource requirement

Capital requirements for Pillar 2 operational risk (using an internal hybrid model) resulted in an amount of €286 million (31 December 2019: €323 million), versus the Pillar 1 calculation of €97m (31 December 2019: €101 million) in 2020.



13 Article 449 CRR - Exposure to securitisation positions



A securitisation is a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having both of the following characteristics:

- payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and
- the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme.

The BNY Mellon SA/NV has started investing in securitised products to expand and diversify its securities portfolio. The on-boarding of securitised investments is also expected to have a beneficial influence on the profitability of the Company. The BNY Mellon SA/NV acts only as investor in traditional securitisation which are defined as the means a securitisation involving the economic transfer of the exposures being securitised.

The BNY Mellon SA/NV uses external credit agencies Moody’s Investors Service and Standard & Poor’s to assess the credit ratings of all its securities positions.

The major difference of a securitisation compared to a medium term loan note ('MTN') - which is an example of The BNY Mellon SA/NV's current investment portfolio - is linked to the repayment structure. The daily amortisation is similar for both securities. However, for a securitisation the principal is amortised as well, while a MTN would have only premium amortised. The principal of a securitisation would reduce on coupon date.

Table 31: SEC1 - Securitisation exposures in the banking book

This table shows the carrying exposures of the securitisation in the banking book.

At 31 December 2020 (€m)	Banks acts as investor		
	Traditional	Synthetic	Sub-total
Retail	124	—	124
Of which: residential mortgage	124	—	124

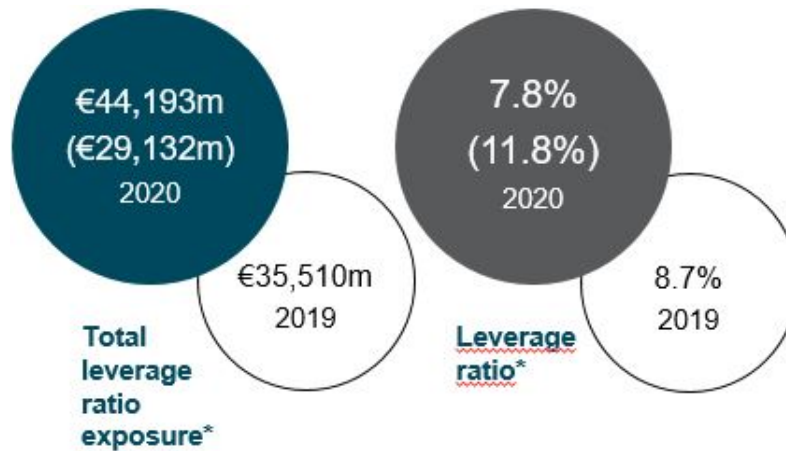
 **Table 32: SEC4 - Securitisation exposures in the banking book and associated capital requirements - bank acting as investor**

This table shows the securitisation exposures in the banking book and associated capital requirement.

At 31 December 2020 (€m)	Exposure values (by regulatory approach)		RWA (by regulatory approach)		Capital charge after cap	
	ERBA SFA		ERBA SFA		ERBA SFA	
Total exposures	124		25		2	
Traditional securitisation	124		25		2	
Of which: securitisation	124		25		2	
Of which: retail underlying	124		25		2	

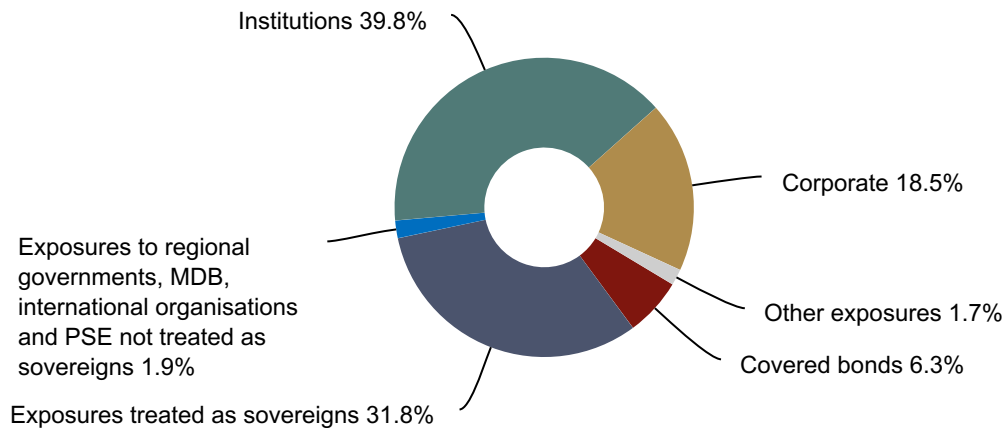


14 Article 451 CRR - Leverage



*The data in brackets represent the leverage exposure and leverage ratio excluding central bank exposures, calculated in accordance with the Regulation EU/2020/873 Article 1(9) 'article 500b'.

CRR banking book leverage ratio exposures at 31 December 2020



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:

$$\text{Leverage ratio} = \frac{\text{Tier 1 capital}}{\text{Leverage exposure measure}}$$

In accordance with article 499 (2) and (3) of the CRR the leverage ratio is calculated based on Tier 1 capital and is calculated using the end-of-quarter leverage ratio as per the EBA implementing technical standards ('ITS') on the disclosure of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013 (CRR). 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;

The Bank of New York Mellon SA/NV

- 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, BNY Mellon SA/NV itself is not subject to a leverage ratio requirement. Nevertheless BNY Mellon SA/NV monitors its leverage position and reports accordingly.

Leverage ratio calculation for BNY Mellon SA/NV as of 31 December 2020 is presented below:

Table 33: LR1 - Leverage ratio summary

This table shows BNY Mellon SA/NV summary reconciliation of accounting assets and leverage ratio exposures.

Leverage ratio summary at 31 December 2020	
(€m)	
Total assets as per published financial statements	39,752
Adjustments for derivative financial instruments	598
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	9
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	(15,061)
Other adjustments	3,834
Total leverage ratio exposure (excluding Central Bank exposures)*	29,132
Total leverage ratio exposure*	44,193

* Leverage ratio presented in accordance with and without the effect of Regulation EU/2020/873 Article 1(9) 'article 500b'.

Table 34: LR2 - Leverage ratio common disclosure

Regulatory leverage ratio exposures at 31 December 2020	
(€m)	
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	43,127
Central Bank exposures according to Regulation EU/2020/873 Article 1(9) 'article 500b'	(15,061)
Asset amounts deducted in determining Tier 1 capital	(41)
Total on-balance sheet exposures (excluding derivatives and SFTs)	28,025
Derivative exposures	
Replacement cost associated with derivatives transactions	500
Add-on amounts for potential future exposure associated with derivatives transactions	598
Total derivative exposures	1,098

Regulatory leverage ratio exposures at 31 December 2020
 (€m)

Off-balance sheet exposures

Off-balance sheet exposures at gross notional amount	47
Adjustments for conversion to credit equivalent amounts	(38)
Total off-balance sheet exposures	9

Capital and Total Exposures

Tier 1 capital	3,442
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Leverage Ratios*

Total exposure (excluding Central Bank exposures)	29,132
End of quarter leverage ratio (excluding Central Bank exposures)	11.8 %
Total exposure	44,193
End of quarter leverage ratio	7.8 %

Choice on transitional arrangements and amount of derecognised fiduciary items

Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
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* Leverage ratio presented in accordance with and without the effect of Regulation EU/2020/873 Article 1(9) 'article 500b'.


Table 35: LR3 - Composition of on-balance sheet exposures

This table shows the composition of on-balance sheet exposures excluding derivatives.

CRR leverage ratio exposures at 31 December 2020 (€m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)*	43,086
Total on-balance sheet exposures (excluding derivatives, central bank positions, SFTs, and exempted exposures)*, of which:	28,025
Trading book exposures	—
Banking book exposures	28,025
Of which:	
Covered bonds	1,762
Exposures treated as sovereigns	8,910
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	537
Institutions	11,157
Corporate	5,173
Other exposures	486

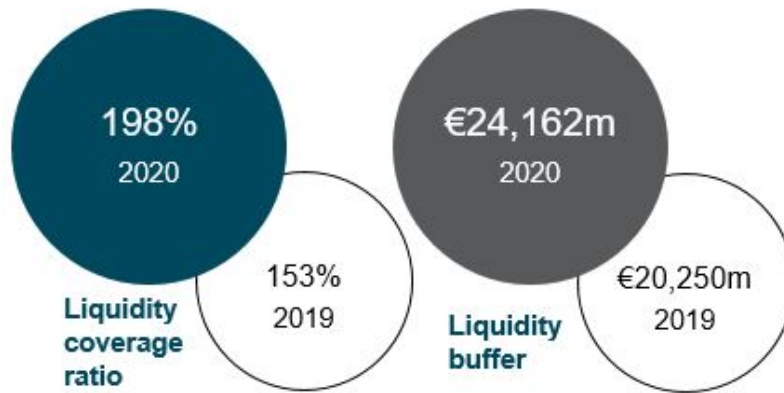
* Leverage ratio presented in accordance with and without the effect of Regulation EU/2020/873 Article 1(9) 'article 500b'.

The Board is committed to ensuring that the BNY Mellon SA/NV is well capitalised at all times. The level of regulatory capital held by BNY Mellon SA/NV shall always be in excess of current regulatory requirements and shall not fall below levels approved by the Board. Leverage ratio requirements shall be monitored as part of the regulatory reporting process and shall not fall below the internal (risk appetite) limits of 4% in 2020, as measured on a quarter end basis.

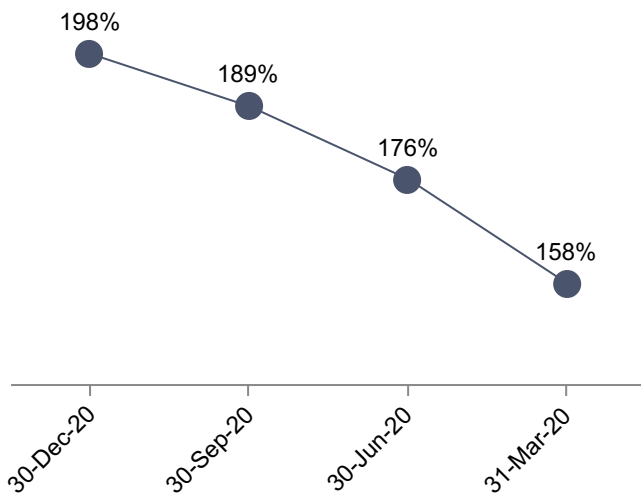
The internal and external limits with respect to the leverage ratio requirements for BNY Mellon SA/NV will be proposed once the final regulatory definition has been issued. The leverage ratio is reported internally on a regular basis for monitoring purposes and a full calculation of exposure and capital is performed quarterly per the COREP process. BNY Mellon SA/NV is not subject to a binding leverage requirement and the ratio is provided for information purposes only.



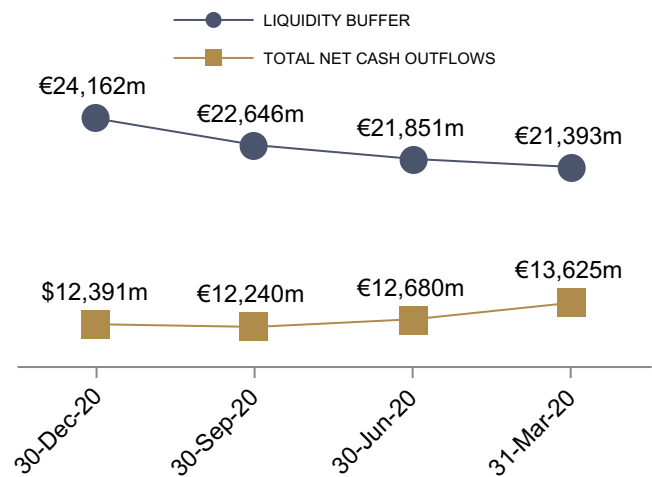
15 Liquidity coverage ratio



Liquidity coverage ratio*



Liquidity metrics*



*Using total weighted values (average).

BNY Mellon SA/NV has in place a governance structure commensurate with the range of its activities and its liquidity profile. Liquidity risk is managed and monitored from a legal entity and functional perspective through various committees and forums.

The Liquidity Coverage Ratio ('LCR') is recalculated according to the regulatory formula assessing the liquid assets, weighted according to the regulatory factors, as a fraction of the combination of inflows of assets and outflows of liabilities, each weighted according to regulatory factors. The risk appetite of this ratio is set to 120% at end of December 2020.

A BNY Mellon SA/NV Liquidity Policy provides the framework for identifying, measuring, monitoring, and managing liquidity risk for BNY Mellon SA/NV. This policy has been prepared in accordance with the BNY Mellon Liquidity Policy and regulatory guidelines taking into account the capital structure, risk profile, complexity, activities and size of BNY Mellon SA/NV.

The governance structure includes oversight committees (including the BNYM SANV ALCO, ExCo and Board) that are responsible for review and approval of the liquidity management strategy, policies and practices and that ensures that senior management effectively implements and controls these elements.

BNY Mellon SA/NV has an embedded set of processes that cover the identification, measurement, monitoring, control and mitigation of liquidity risk. Processes are supported by IT platforms, management information systems and an organizational structure that includes independent control functions.

BNY Mellon SA/NV has in place a management reporting and escalation framework where risks are communicated to senior management and oversight committees through periodical reporting and circulation of committee meeting minutes, including a defined escalation process in case of exceptions to internal triggers, regulatory breaches or emergency situation.

Regulatory reporting performed by the Finance function in line with home/host regulatory requirements.

Written and approved policies that define the liquidity risk appetite and tolerance, strategy, principles and includes reporting requirements to appropriate management levels. BNY Mellon SA/NV has in place the following policies and guidelines for managing liquidity and funding risk that are updated at least annually:

- BNY Mellon SA/NV Liquidity Policy (including Contingency Funding Plan);
- BNY Mellon SA/NV Procedures Corporate Treasury policy for FX Swaps; and
- BNY Mellon SA/NV Guidelines for Investments in Securities.

As per the approval of the BNY Mellon SA/NV ILAAP, management formally declares adequacy of its liquidity risk management framework.

Based on the liquidity risk management self-assessment requirements outlined in the supervisory expectations for ILAAP, BNY Mellon SA/NV believes to be adequately compliant with the key principles defined around liquidity management. BNY Mellon SA/NV therefore considers itself to be compliant with BNY Mellon SA/NV and BNY Mellon Group policies and therefore believes that the liquidity management process in place is adequate.



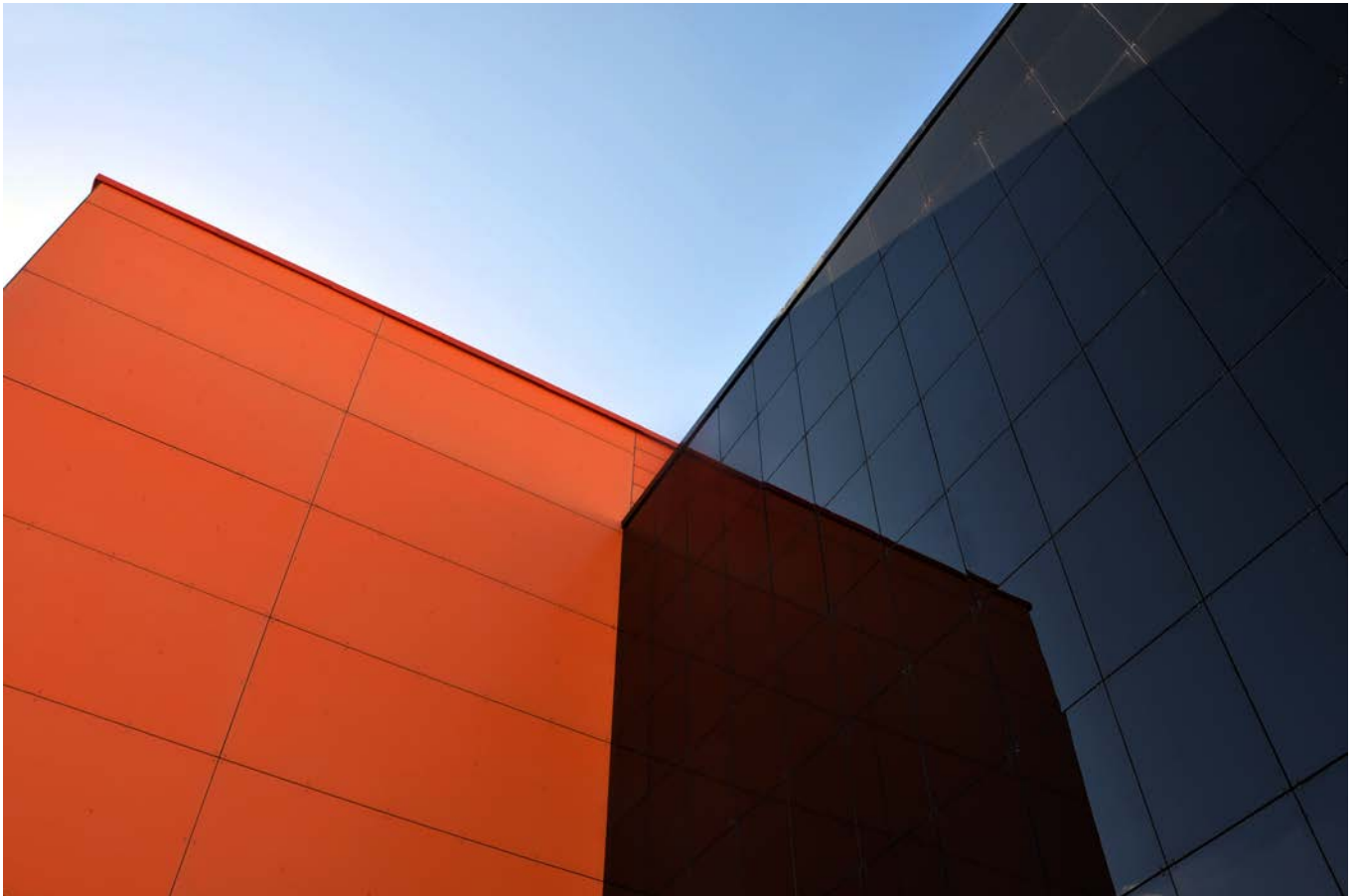
Consolidated (€m)	Total unweighted value (average)			
	30-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
Quarter ending on				
Number of data points used in the calculation of averages	12	12	12	12
Cash – Outflows				
Retail deposits and deposits from small business customers, of which:				
<i>Stable deposits</i>	—	—	—	—
<i>Less stable deposits</i>	—	—	—	—
Unsecured wholesale funding	32,225	31,239	30,450	30,686
<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	15,121	14,533	13,822	13,031
<i>Non-operational deposits (all counterparties)</i>	17,104	16,706	16,628	17,655
<i>Unsecured debt</i>	—	—	—	—
Additional requirements	244	242	267	326
<i>Outflows related to derivative exposures and other collateral requirements</i>	244	242	267	326
<i>Outflows related to loss of funding on debt products</i>	—	—	—	—
<i>Credit and liquidity facilities</i>	—	—	—	—
Other contractual funding obligations	252	294	431	507
Other contingent funding obligations	75	—	—	—

Consolidated (€m)	Total unweighted value (average)			
	30-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
Quarter ending on				
Number of data points used in the calculation of averages	12	12	12	12
Cash – Inflows				
Secured lending (e.g. reverse repos)	143	119	98	29
Inflows from fully performing exposures	9,172	8,861	8,364	7,651
Other cash inflows	480	482	422	478
Total cash inflows	9,795	9,462	8,884	8,158
<i>Fully exempt inflows</i>	—	—	—	—
<i>Inflows subject to 90% cap</i>	—	—	—	—
<i>Inflows subject to 75% cap</i>	9,795	9,462	8,884	8,158

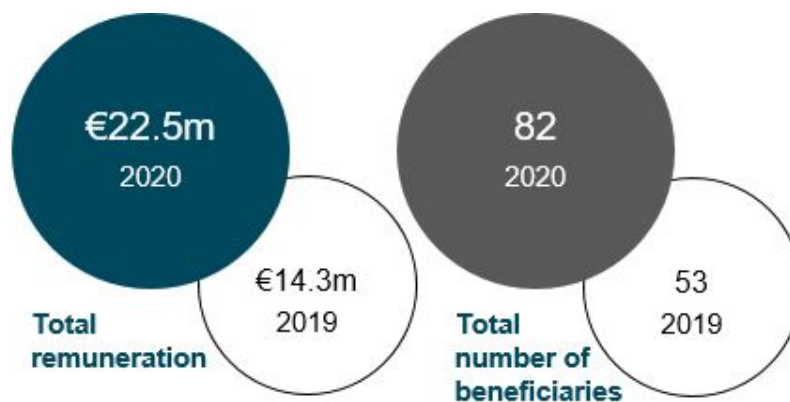

Table 37: EU LIQ1: LCR - Total weighted value

Consolidated (€m)	Total weighted value (average)			
	30-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
Quarter ending on				
Number of data points used in the calculation of averages	12	12	12	12
High-Quality Liquid Assets				
Total high-quality liquid assets (HQLA)	24,162	22,646	21,851	21,393
Cash – Outflows				
Retail deposits and deposits from small business customers, of which:	—	—	—	—
<i>Stable deposits</i>	—	—	—	—
<i>Less stable deposits</i>	—	—	—	—
Unsecured wholesale funding	20,744	20,258	20,030	20,842
<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	3,780	3,633	3,455	3,258
<i>Non-operational deposits (all counterparties)</i>	16,964	16,625	16,575	17,584
<i>Unsecured debt</i>	—	—	—	—
Secured wholesale funding	2	2	1	1
Additional requirements	244	242	267	326
<i>Outflows related to derivative exposures and other collateral requirements</i>	244	242	267	326
<i>Outflows related to loss of funding on debt products</i>	—	—	—	—
<i>Credit and liquidity facilities</i>	—	—	—	—
Other contractual funding obligations	61	92	215	296
Other contingent funding obligations	15	—	—	—
Total cash outflows	21,065	20,593	20,514	21,465

Consolidated (€m)	Total weighted value (average)			
	30-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
Quarter ending on				
Number of data points used in the calculation of averages	12	12	12	12
Cash – Inflows				
Secured lending (e.g. reverse repos)	—	—	—	—
Inflows from fully performing exposures	9,171	8,861	8,364	7,651
Other cash inflows	208	197	176	189
Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies	—	—	—	—
Excess inflows from a related specialised credit institution	—	—	—	—
Total cash inflows	9,380	9,058	8,539	7,840
<i>Fully exempt inflows</i>	—	—	—	—
<i>Inflows subject to 90% cap</i>	—	—	—	—
<i>Inflows subject to 75% cap</i>	9,380	9,058	8,539	7,840
Total Adjusted Value				
Liquidity buffer	24,162	22,646	21,851	21,393
Total net cash outflows	12,391	12,240	12,680	13,625
Liquidity Coverage Ratio (%)	197.9 %	188.7 %	175.9 %	157.6 %



16 Article 450 CRR - Remuneration policy



16.1 Governance

The Board is responsible for the remuneration policy and its application within BNY Mellon SA/NV (including its branches and subsidiaries). The Board ensures that variable remuneration plans and the awards paid in execution of them do not jeopardize a sound capital base and are in line with BNY Mellon SA/NV's risk appetite and long term strategy. It is assisted in this by the Remuneration Committee ('Rem Co') and the Risk Committee ('Risk Cee') of the Board. The Rem Co advises the Board on the remuneration policy (after input from the Risk Cee). The Rem Co also reviews annually the list of staff that have a material impact on the risk profile of BNY Mellon SA/NV ('Identified Staff' or 'MRTs'), and

their variable compensation awards, and any ex-post risk adjustment to be applied, before submitting the proposals to the Board (in session with the non-executive directors only) for approval.

All Rem Co members are non-executive directors of the Board. The Human Resources function provides the Rem Co secretarial duties.

The Board meets at least quarterly and approves the year-end compensation awards of its regulated staff members. The Rem Co met eleven times during 2020 (including four joint sessions with the Risk Cee). Awards in instruments are made in the form of shares of The Bank of New York Mellon Corporation. These shares are listed on the New York Stock exchange under ticker "BK". Deferred shares are made in the form of Restricted Share Units, transferable into BK shares at vesting. These grants also require the approval of the Human Resources and Compensation Committee ('HRCC') of BNY Mellon, since it functions as the remuneration committee of the ultimate shareholder of BNY Mellon SA/NV.

16.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports the group's values, excellence, accountability, client drivenness and efficient decision making. BNY Mellon pays for performance, both at the individual and corporate level. It values individual and team contributions and rewards based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

Through BNY Mellon's compensation philosophy and principles, BNY Mellon aligns the interests of its employees and shareholders 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. BNY Mellon aims 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 programme, 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.

16.3 Fixed remuneration

Fixed remuneration is composed of (i) salary, (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, and (iii) any benefits in kind which are awarded as a result of the job rather than the performance within the job.

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 in the variable remuneration, including a zero variable remuneration.

Employees who act as directors of one or more BNY Mellon legal entities are not remunerated for their mandate as a director. Independent directors of BNY Mellon SA/NV only receive fixed remuneration.

16.4 Variable compensation funding and risk adjustment

All staff, including MRTs employed by or seconded to the Covered Entities, are eligible to receive variable remuneration, in application of variable compensation plans in existence in the Bank or in the Company. Variable compensation plans are designed to reward performance at both the corporate, business line (if the individual belongs to a business line) and individual level. Such variable compensation consists of both cash and deferred components. The Board and the Risk Committee ensure that no variable compensation plan encourages risk taking at a level not acceptable for the risk profile of the Bank.

The criteria for determining variable compensation reflect individual, business line and corporate performance, as applicable, and are determined on the basis of financial and non-financial factors, both currently and over a longer period of time.

BNY Mellon SA/NV makes use of the robust performance appraisal system in place at BNY Mellon to document an individual's performance. This contains not only agreed and individualized business goals, but also a compulsory risk & compliance goal as well as a diversity & inclusion goal.

Categories of staff whose professional activities have a material impact on its risk profile ("MRTs") are requested to include in their performance appraisal process one or more "goals" related to their role in the legal entity. MRTs also have, as have all staff members, a compulsory risk & compliance goal as well as a diversity & inclusion goal. For MRTs, the performance related to the risk and control aspects of their job is further detailed and documented through the Risk Culture Summary Scorecard ("RCSS"), for which BNY Mellon SA/NV uses a system of metrics related to the main control aspects: compliance & ethics, reputational and operational risk, risk exposures, and audit. This allows the control functions of BNY Mellon SA/NV to provide more detailed input in respect of behaviour or incidents that occur within the responsibility of the job holder. No incident occurred in 2020 which resulted in an ex-post risk adjustment (through malus or clawback) of variable compensation for previous performance years.

16.5 Ratio between fixed and variable pay

MRTs of BNY Mellon SA/NV are restricted to a maximum variable remuneration of the greater of €50,000 and 100% of fixed remuneration, or 50% of fixed remuneration, in line with the Belgian Banking Law.

16.6 Deferral policy and vesting criteria

Awards under variable compensation plans will be subject to deferral of a certain part of the award (deferred component consists of restricted share units), depending on the level of the individual and the amount of the award ("Corporate Deferral Rules"):

Incentive value (USD)					
Min Max	0 50,000	50,000 150,000	150,000 250,000	250,000 500,000	500,000 -
Grade					
J	0%	15%	20%	25%	30%
K	0%	15%	20%	25%	30%
L	0%	15%	20%	25%	30%
M	0%	25%	30%	35%	40%
S	0%	32.5%	40%	45%	50%

If the recipient is a MRT in receipt of variable remuneration for a total of €75,000 or more, the Corporate Deferral Rules are superseded by the payout and deferral requirements set out by the provisions below (“Regulatory Deferral Rules”).

The variable remuneration of MRTs whose total variable remuneration is equal to or exceeds EUR 75,000, is subject to the following rules:

- a) At least 40% of variable remuneration is deferred for at least 3 years (increasing to 60% where the MRT is a Director of a regulated BNY Mellon legal entity);
- b) for senior managers (Ex Co members, and members of branch management) the deferral period is 5 years; and
- c) At least 50% of variable remuneration should be delivered in shares or equivalent instruments (once these instruments have been vested to the individual these will be subject to a further one year holding period before being delivered to the MRT).

To meet this requirement, the Bank will therefore deliver incentives to MRTs as follows:

	Up Front (60%)	Deferred (40%)
Cash (50%)	<p>Cash Award (30%): Variable remuneration in respect of the applicable performance year that will be paid to the employee in cash in the February payroll the following year, subject to the usual deductions of income tax and applicable social security contributions.</p>	<p>Deferred Cash (20%): Variable remuneration in respect of the applicable performance year that will be paid into a Deferred Cash Plan (“DCP”). Cash paid into the DCP will be held on the employee’s behalf and will attract an interest rate based on the LIBOR rate at the time of the grant and will be paid out as follows:</p> <ul style="list-style-type: none"> • For MRTs who are Senior Managers - 5 equal annual installments starting upon the first anniversary of the award • For other MRTs - 3 equal annual installments starting upon the first anniversary of the award <p>Payments from the DCP will be subject to the usual deductions of income tax and social security contributions.</p>
Equity (50%)	<p>Instant Vest Equity (30%): Variable remuneration in respect of the applicable performance year that will be provided to the employee in BNY Mellon stock which vests on the grant date and is subject to a 1 year retention period before it can be sold.</p>	<p>Deferred Equity (20%): Variable remuneration in respect of the applicable performance year that will be provided to the employee in restricted stock units (“RSUs”) (the precise mechanism for delivery will be determined, at the sole discretion of BNY Mellon). The deferred equity will vest as follows:</p> <ul style="list-style-type: none"> • For MRTs who are Senior Managers - 5 equal annual installments starting upon the first anniversary of the award • For other MRTs - 3 equal annual installments starting upon the first anniversary of the award <p>For all MRTs each tranche of vested equity will be subject to a 1 year retention period post vesting before it may be sold (referred to in the charts below as the “point of availability”).</p>

All equity and deferred cash awards will be subject to the applicable rules of the BNY Mellon long term incentive or deferred cash plan under which they are delivered and the General Incentive Plan Terms and Conditions. All deferred awards are subject to terms and conditions that provide for forfeiture (malus) or clawback in certain circumstances.

16.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (e.g. audit, legal, risk and compliance) 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.

Control functions typically receive a lower portion of their total compensation as variable.

16.8 Quantitative disclosures

The tables below provide details of the aggregate remuneration of senior management and Material Risk Takers ('MRT') for BNY Mellon SA/NV for the year ended 31 December 2020.

For completeness, this group of staff is limited to those considered to be primarily regulated due to their activities under BNY Mellon SA/NV. The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of BNY Mellon SA/NV to reflect the full reporting period.

 **Table 38: REM1 - Aggregate remuneration expenditure by business**

This table shows the total aggregate remuneration expenditure for MRTs by business for 2020.

(€000s)	Corporate Staff	Gbl Client Mgmt Area	Intl Mgmt	Investment Services	Operations & Corporate Treasury	Total
Count	29		11	32	10	82
Total remuneration¹	5,953		5,502	9,168	1,879	22,502

¹ Includes base salary and other cash allowances, plus any incentive awarded for full year 2020. Pension contribution is not included.

A breakdown of investment services can be seen below.

Investment Services	Asset Servicing	Issuer Services	Clearance & CCM, Markets & Treasury Services	Total
Count	23	4	5	32
Total remuneration (€000s)	6,514	808	1,846	9,168

For confidentiality reasons, small teams (less than 4 employees) were grouped.

 **Table 39: REM2 - Aggregate remuneration expenditure by remuneration type**

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

	Senior management ²	Other MRTs	Total
Number of beneficiaries	22	60	82
Total remuneration (€000s)	7,724	14,778	22,502
Total variable remuneration vs Total remuneration (%)	17 %	25 %	22 %
Fixed remuneration (€000s) ³	6,426	11,153	17,579
Total variable remuneration (€000s)	1,298	3,625	4,923
Variable cash (€000s)	551	2,149	2,700
Variable shares (€000s)	747	1,476	2,223
Total deferred remuneration awarded during the financial year (€000s)	719	1,237	1,956
Total deferred remuneration paid out during the financial year (€000s)	682	1,082	1,764
Total deferred remuneration reduced through performance adjustments (€000s)	—	—	—

² Senior management is comprised of MRTs categorised as 'Senior Managers' who carry out a senior management function as determined by the relevant regulators.

³ Fixed Remuneration includes base salary and any cash allowances. Pension contribution is not included.

 **Table 40: REM3 - Deferred variable remuneration**

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

	Senior management	Other MRTs	Total
Number of beneficiaries	20	31	51
Total deferred variable remuneration outstanding from previous years (€000s)	2,244	3,046	5,290
Total vested (€000s) ⁴	682	1,082	1,764
Total unvested (€000s) ⁵	1,562	1,964	3,526

⁴ Includes total vested cash and equity. Equity portion is valued as at the date the award vested.

⁵ Total unvested equity is valued as at 1st February, 2021.

 **Table 41: New sign-on and severance payments**

This table shows the number and value of new sign-on payments made during 2020.

	Senior management	Other MRTs	Total
Number of sign-on payments awarded	—	—	—
Value of sign-on payments awarded (€000s)	—	—	—

Seeing the limited number of cases and for confidentiality reasons, we have chosen not to disclose information on severance packages.

Remuneration (EUR 1 million or more)

Seeing the limited number of cases and for confidentiality reasons, we have chosen not to disclose information on individuals remunerated €1 million or more.

Appendix 1 - Other risks

Liquidity risk

BNY Mellon SA/NV defines liquidity risk as the risk arising from an 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. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels.

BNY Mellon SA/NV'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 Firm.

BNY Mellon SA/NV 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 of maintaining sufficient levels of liquidity and complying with applicable regulations and supervisory expectations while optimizing the balance sheet. The balance sheet is characterized by strong liquidity, superior asset quality, ready access to external funding sources at competitive rates and a strong capital structure that supports our risk-taking activities and is adequate to absorb potential losses.

BNY Mellon SA/NV has a strong liquidity risk management culture and liquidity risk management is demonstrably embedded in its policies and processes.

The goal of BNY Mellon SA/NV's liquidity management is to ensure that all liquidity risks are defined, understood, and effectively managed through well-designed policies and controls. In this context, BNY Mellon SA/NV has established a robust liquidity risk management framework that is fully integrated into its risk management processes.

The liquidity risk management framework, is prepared in accordance with the guidelines set forth by the regulators, corporate standards, and encompasses the unique structure and characteristics of BNY Mellon SA/NV.

Restitution risk

Restitution risk is the risk of loss related to the restitution requirements as defined in the **AIFMD** and **UCITS V** directives.

Restitution risk is the risk that we are willing to take because it is directly related to the business we want to offer to our clients. The risk is governed by limits through exclusion of some sub-custodians. There is room to move beyond this where there is a parental guarantee for the sub-custodian to provide for insolvency at the sub-custodian.

AIFMD is an EU directive ensuring that investors in alternative structures / products will have proper recourse to their assets. The AIFMD was published in the Official Journal of the European Union on July 1, 2011 and transposed into national law on July 22, 2013.

UCITS V came into effect on March 18, 2016. The directive amended the regulatory framework for UCITS including changes to depositary function, which brought the standards in line with AIFMD. UCITS V however, provides for a strict liability in the context of financial instruments held in custody.

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.

BNY Mellon SA/NV has a moderate appetite for Strategic risk. By its nature, our business model creates client concentration within the financial services industry and exposure to capital markets performance, globally. We understand and have an appetite to assume these risks. However, we seek to ensure that our industry concentration and capital markets exposure is prudent and directly relates to supporting our business activity and strategy.

The Board is committed to ensuring that strategic initiatives giving rise to significant change in the business organization or operations must be effectively managed, using corporate standard project management methodology.

Group risk

Group risk is the risk that the financial position of BNY Mellon SA/NV may be adversely affected by its relationships (financial and non-financial) with other entities within BNY Mellon or by risks that may affect the whole of BNY Mellon.

BNY Mellon SA/NV, as a member of the BNY Mellon Group, operates in alignment with the Group's business interests, while at the same time maintaining its independence, particularly with respect to operating within a governance framework which protects the interests of the entity's clients.

BNY Mellon SA/NV management has considered several possible scenarios where these services may be affected, these include IT services outage and other business continuity issues. Although these will cause operational issues they are not expected to have a significant cost impact and are therefore not modelled, but are included in the scenarios as part of operational risk assessment and in the liquidity stress testing.

Model risk

Model risk refers to the possibility of unintended business outcomes arising from the design, implementation or use of models. Model risk includes the potential risk that management makes incorrect decisions based either upon incorrect model results, or incorrect understanding and use of model results.

Model risk can result in material financial loss, inaccurate financial or regulatory reporting, misaligned business strategies or damage to the reputation of BNY Mellon SA/NV or BNY Mellon as a whole.

BNY Mellon SA/NV uses models in its risk management framework. All models have been assessed in line with the relevant corporate policies and model risk management framework wherein the individual model is categorised into one of three tiers based on materiality, complexity, and level of reliance. The tiers determine the controls applicable to the model classes. The Enterprise Model Risk Committee oversees model risk management at the enterprise level and approves the overall framework and standards, which are applicable across the organisation. The Model Risk Management Group, based in the US, retain ultimate responsibility for overall model governance.

Model Risk Management Governance has responsibility for the governance of inventory and provides a mechanism to report on models to key stakeholders.

 **The Bank of New York Mellon SA/NV**

Models that impact the capital assessment process are categorised as Tier 1 models and the execution of the validation of Tier 1 models is done by a designated independent model validation function. Tier 1 models are required to be validated or reviewed, as per the validation standards, at least annually.

BNY Mellon internal audit provides independent reviews of compliance with the corporate model validation policy.

Appendix 2 - Glossary of terms

The following acronyms may be used in this document:

Acronym	Description	Acronym	Description
ABS	Asset-Backed Securities	CET1	Common Equity Tier 1
ACPR	Autorite de Controle Prudentiel et de Resolution	CGB	CASS Governance Body
AFR	Available Financial Resources	CIS	Collective Investment Scheme
AIF	Alternative Investment Fund	COC	Compensation Oversight Committee
ALCO	Asset and Liability Committee	COOC	CASS Operational Oversight Committee
AML	Anti-Money Laundering	COREP	Common Reporting
AS	Asset Servicing	CQS	Credit Quality Steps
AT1	Additional Tier 1	CRD	Capital Requirements Directive
AUC	Assets Under Custody	CRM	Credit Risk Mitigation
BAC	Business Acceptance Committee	CROC	Credit Risk Oversight Committee
BAU	Business as usual	CRR	Capital Requirements Regulation
BaFin	Federal Financial Supervisory Authority / Bundesanstalt für Finanzdienstleistungsaufsicht	CSD	Client Service Delivery
BDAS	Broker-Dealer and Advisory Services	CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
BDF	Banque De France	CSSF	Commission de Surveillance du Secteur Financier
BEMCO	Belgium Management Council	CSTC	Capital and Stress Testing Committee
BI	Banca D'Italia	CT	Corporate Trust
BNY Mellon	The Bank of New York Mellon Corporation	CTS	Client Technology Solutions
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV	DB	Deutsche Bank
BNY Mellon TDUKL	BNY Mellon Trust & Depository (UK) Limited	DNB	De Nederlandsche Bank
BNYIFC	BNY International Financing Corporation	DVP	Delivery versus Payment
BNY Mellon KG	BNY Mellon Service Kapitalanlage-Gesellschaft mbH	EAD	Exposure at default
BRC	Business Risk Committee	EC	European Commission
CASS	Client Asset Sourcebook Rules	ECL	Expected Credit Losses
CBI	Central Bank of Ireland	ECAP	Economic Capital
CCF	Credit Conversion Factor	ECB	European Central Bank
CEO	Chief Executive Officer	ECM	Embedded Control Management
CEF	Critical Economic Function	EEC	EMEA Executive Committee
		EHQLA	Extremely High Quality Liquid Assets
		EMEA	Europe, Middle East and Africa
		ERGC	EMEA Remuneration Governance Committee

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

Acronym	Description
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 reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
<i>Scope of disclosure requirements</i>			
431 (1)	Institutions shall publish Pillar 3 disclosures.	BNY Mellon SA/NV 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)	Institution shall adopt a formal policy to comply with the disclosure requirements.	BNY Mellon SA/NV has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request.	N/A	N/A
<i>Non-material, proprietary or confidential information</i>			
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
<i>Frequency of disclosure</i>			
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
<i>Means of disclosure</i>			
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
<i>Risk management objectives and policies</i>			
435 (1)	Institutions shall disclose their risk management objectives and policies.	4 Article 435 CRR - Risk management objectives and policies	31
435 (1) (a)	Strategies and processes to manage those risks.	4.1 Risk objectives	33
435 (1) (b)	Structure and organisation of the risk management function.	4.2 Risk governance	34
435 (1) (c)	Scope and nature of risk reporting and measurement systems.	4.1 - 4.8	33
435 (1) (d)	Policies for hedging and mitigating risk.	4.3 - 4.8	40
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements.	4 Article 435 CRR - Risk management objectives and	31
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy.	4 Article 435 CRR - Risk management objectives and	31
435 (2) (a)	Number of directorships held by directors.	4.2.1 Board of Directors	34

435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	4.2.1 Board of Directors	34
435 (2) (c)	Policy on diversity of Board membership and results against targets.	4.2.1 Board of Directors	34
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	4.2.2 - 4.2.4	37
435 (2) (e)	Description of information flow on risk to Board.	4.2.2 - 4.2.4	37

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)	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:	1 Article 431 CRR - Scope of disclosure requirements	6
436 (b) (i)	fully consolidated;		
436 (b) (ii)	proportionally consolidated;		
436 (b) (iii)	deducted from own funds; or		
436 (b) (iv)	neither consolidated nor deducted.		
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	19
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items.	Table 2: CC2 - Reconciliation of regulatory capital	20
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	25
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments.	Table 5: CC1 - Composition of regulatory capital	25
437 (1) (d) (i)	Each prudent filter applied.	Table 2: CC2 - Reconciliation of regulatory capital	20
437 (1) (d) (ii)	Each deduction made.		
437 (1) (d) (iii)	Items not deduction.		
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.	BNY Mellon SA/NV 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	28
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	50

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 and Section 10: Article 445 CRR Exposure to market risk	29 & 67
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 and Section 12: Article 446 Operational risk	29 & 71
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	29

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	63
439 (b)	Discussion of process to secure collateral and establishing reserves.	8 Article 439 CRR - Exposure to counterparty credit risk	63
439 (c)	Discussion of management of wrong-way exposures.	8 Article 439 CRR - Exposure to counterparty credit risk	63
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439 (e)	Derivation of net derivative credit exposure.	8 Article 439 CRR - Exposure to counterparty credit risk	63
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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

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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

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447 (d)	Realised cumulative gains and losses on sales over the period.	No non-trading book exposure in equities	N/A

447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within Tier 1 capital.	No non-trading book exposure in equities	N/A
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451 (1) (b)	Breakdown of total exposure measure.	Table 32: LR2 - Leverage ratio common disclosure	79
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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 13 Leverage	78
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
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Use of credit risk mitigation techniques

453 (a)	Use of on- and off-balance sheet netting.	Section 6.1 Netting	57
453 (b)	How collateral valuation is managed.	Section 6.2 Collateral valuation and management	57
453 (c)	Description of types of collateral used.	Section 6.3 Collateral types	58
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.	Section 6.6 Credit concentration risk	58
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral.	N/A	N/A
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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
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Use of internal market risk models

455	Institutions calculating their capital requirements using internal market risk models.	N/A	N/A
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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.	Section 2 Own funds	19
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	26
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V).	Table 6: TLAC1 - Transitional own funds	25
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII).	Table 6: TLAC1 - Transitional own funds	25
Article 6	Entry into force from 31 March 2014.	N/A	N/A

Appendix 4 - Capital instruments terms and conditions

This is a translation from French to English, for your information only. In case of discrepancy between the French and the English versions, only the French version shall be valid.

"The Bank of New York Mellon"
Public Limited Liability Company
Rue Montoyer, number 46 at 1000 Brussels

VAT BE 0806.743.159 RLE Brussels

INCORPORATION: deed executed by the undersigned Notary on thirty September two thousand and eight, published in extract form in the Annexes to the Belgian Official Gazette of the following nine October under number 20081009/160324.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerinx, associated Notary on twenty seven April two thousand and nine, published in extract form in the Annexes to the Belgian Official Gazette the following eight May under number 2009-05-08/0065306.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed realizing a capital increase executed by Mr Bertrand Nerinx, associated Notary on thirty September two thousand and nine (opening of the meeting) and on first October two thousand and nine (closing of the meeting), published in extract form in the Annexes to the Belgian Official Gazette of twelve October 2009 under number 2009-10-12/0142895.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerinx, associated Notary in Brussels on second December two thousand eleven, published in extract form in the Annexes to the Belgian Official Gazette the following twenty-two December under number 2011-12-22/0191941.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerinx, associated Notary in Brussels on 31 January 2013, realizing a capital increase a result of the merger by acquisition of "The Bank of New York Mellon (Ireland) Limited", the modifications of the Articles of Association being effective as of 1 February 2013, in the process of being published.

MODIFICATION OF THE ARTICLES OF ASSOCIATION: deed executed by Mr Bertrand Nerinx, associated Notary in Brussels on 24 March 2017, realizing a capital increase as result of the merger by acquisition of "The Bank of New York Mellon (Luxembourg) S.A.", the modifications of the Articles of Association being effective as of 1 April 2017, in the process of being published.

COORDINATED VERSION OF THE ARTICLES OF ASSOCIATION

TITLE ONE - LEGAL FORM

ARTICLE 1 - NAME

The company is incorporated under the legal form of a public limited liability company ("société anonyme"). It is named "The Bank of New York Mellon".

In all written documents issued by the company, the name must be preceded or followed immediately by the words "société anonyme" or the initials "SA".

ARTICLE 2 - REGISTERED OFFICE

The registered office of the company is established at 1000 Brussels, Rue Montoyer, number 46.

The registered office may be transferred to any other location in the Region of Brussels Capital or in the French speaking region by simple decision of the board of directors, which is fully empowered to have a deed executed to enact the modification to the articles of association resulting therefrom.

The company may, by simple decision of the board of directors, establish administrative offices, branches and agencies in Belgium or abroad.

ARTICLE 3 - PURPOSE

Subject to the authorization as a Belgian credit institution being obtained from the Banking, Finance and Insurance Commission (CBFA), the purpose of the company is the carrying out of all banking and savings activities pursuant to Article 3 § 2 of the Law of 22 March 1993 on the legal status and supervision of credit institutions, and more particularly to receive deposits in cash, financial instruments and other assets, to extend credits in any form

whatsoever, to conclude any transactions relating to currencies, financial instruments and precious metals, to provide all financial and administrative services, as well as to hold interests in other companies and to carry out all other financial, movable and immovable transactions which directly or indirectly relate to its purpose or facilitate its achievement.

ARTICLE 4 - TERM

The company is incorporated for an indefinite term.

It can be dissolved by decision of the shareholders' meeting deciding under the conditions required for the modification of the articles of association.

TITLE TWO - CAPITAL - SHARES

ARTICLE 5 - CAPITAL

The subscribed and entirely paid up share capital amounts, since 1 April 2017 to one billion seven hundred and twenty three million four hundred and eighty five thousand five hundred and twenty six Euros and twenty one cents (EUR 1,723,485,526.21). It is represented by one million six hundred and seventy-two thousand and seventeen (1,672,017) shares, without par value, representing each one million six hundred and seventy-two thousand and seventeenth (1/1,672,017th) of the statutory capital.

ARTICLE 6 - MODIFICATION OF CAPITAL

The capital may be increased or reduced by decision of the shareholders' meeting under the conditions laid down by law.

In case of capital increase to be subscribed in cash, the new shares must be offered by priority to the shareholders in proportion to the capital represented by their shares and subject to the special regime of shares without voting rights.

The exercise of the preferential subscription right is organized in accordance with the legal provisions.

The shareholders' meeting may, in the company's interest, under the quorum and majority conditions required for the modification of the articles of association and in compliance with the legal provisions, restrict or remove the preferential subscription right.

If, upon a capital increase, an issue premium is requested, this premium will be recorded in the books of the company in a non-available "issue premium" account that will constitute a guarantee to the benefit of third parties to the same extent as the capital and which cannot be disposed of, except for the possibility of conversion to equity, in accordance with the conditions provided in Article 612 of the Companies Code.

ARTICLE 7 - CALLS ON SHARES

Calls for funds are determined by the board itself.

Any payments called are apportioned among all the shares which the shareholder holds. The board may allow the shareholders to pay up their shares in advance, in which case it determines any conditions under which such advance payments are allowed. Advance payments are considered as cash advances.

A shareholder who, after a formal notice sent by registered mail, does not fulfill a request for funds must pay the company interest calculated at the legal interest rate as from the date the payment was due.

The board may also, after a second notice remains unsuccessful within a month of its date, order the forfeiture of the shareholder and have his/her/its shares sold, without prejudice to the right to claim the outstanding balance and any damages. The net proceeds of the sale shall be charged against what is owed by the defaulting shareholder, who shall remain liable for the difference or shall benefit from the surplus.

The exercise of the voting rights attached to shares on which payments have not been made is suspended for as long as such payments regularly called and payable have not been made.

ARTICLE 8 - AUTHORIZED CAPITAL

The board of directors is authorized to increase the capital, in accordance with the law, in one or more times up to an amount of two billion Euros (EUR 2,000,000,000.00) (by contribution in cash or in kind, or by converting reserves with or without emission of new shares). This authorization is valid for a period of five years from the publication of the document evidencing such authorization. The authorization is renewable.

This authorization includes the power for the board of directors to have the resulting amendments to the articles of association passed in a deed.

In case of capital increase by the board of directors by means of the authorized capital:

- (i) the board of directors may not decide on an increase mainly achieved through a contribution in kind exclusively reserved to a shareholder who holds shares in the company to which more than ten per cent of the votes are attached;
- (ii) the board may decide to issue convertible bonds and subscription rights;
- (iii) the board of directors is entitled to limit or suppress the preferential subscription right of the shareholders under the same conditions as those applicable to the general meeting;
- (iv) the board of directors has the right to limit or remove the preferential subscription right in favor of one or more specific persons who are not employees of the company or any of its subsidiaries. In this case the requirements of the Companies Code must be complied with.

ARTICLE 9 - AMORTIZATION OF CAPITAL

The shareholders' meeting may decide by a simple majority vote the amortization of the subscribed capital by using the portion of the profits which may be distributed, without a capital reduction. The shareholders whose shares have been amortized shall retain their rights in the company, except for the right to a refund of their contributions and to a first dividend allocated to the non-amortized shares, fixed at five percent (5%) of the fully paid-up capital they represent, and obtain securities representing rights in the company.

TITLE THREE - SHARES

ARTICLE 10 - NATURE OF THE SHARES

The shares are registered.

Any transfer of shares shall be effective after registration in the register of shares.

The transfer of shares is not subject to any restriction.

The same rules apply in case of transfer of bonds whether convertible or not and of subscription rights issued by the company.

ARTICLE 11 - ISSUE OF BONDS

The company may issue bonds, linked to mortgages or other, by decision of the board of directors, which determines the type and fixes the interest rate, method and timing of reimbursements, special guarantees and other conditions of the issue.

However, without prejudice to article 8, when issuing convertible bonds or bonds with subscription rights and in case of issue of subscription rights whether or not attached to another security, the decision is taken by the shareholders' meeting deciding under the conditions provided by law for the modification to the articles of association.

The shareholders' meeting may, in the interest of the company, restrict or remove the preferential subscription right in accordance with the requirements for the modification of the articles of association.

ARTICLE 12 - SHARES WITHOUT VOTING RIGHTS

The company may issue shares without voting rights. Shares without voting rights confer the right to a preferential and recoverable dividend, a preferential right to the repayment of the capital contribution and a right in the distribution of the liquidation proceeds. These rights will be determined upon each issue of shares without voting rights.

Shares with voting rights can be converted into shares without voting rights. The board of directors may determine the maximum number of shares to be so converted and the conversion conditions.

The company may require the purchase of its own shares without voting rights by decision of the shareholders' meeting deliberating under the conditions provided for a reduction of the capital, from those shareholders holding shares with or without voting rights.

TITLE FOUR - MANAGEMENT AND SUPERVISION

ARTICLE 13 - COMPOSITION OF THE BOARD OF DIRECTORS

The company is managed by a board of at least three members, natural or legal persons, shareholders or not, appointed by the shareholders' meeting for a maximum term of six years (after obtaining a concurring opinion from the National Bank of Belgium, if necessary and in line with legal requirements) and which may be revoked at any time by the shareholders' meeting. To the extent it is legally admissible, the outgoing directors can be re-elected.

In case a legal person is appointed as a director, it must appoint amongst its shareholders, managers, directors or employees, a permanent representative to take care of the director's duties in the name and for the account of the legal person. The appointment and the termination of the functions of the permanent representative are subject to the same rules of publication as if the representative would exercise this mission in its own name and for its own account.

The mandate of outgoing and non-re-elected directors terminates immediately after the shareholders' meeting deciding on the appointments.

In addition to the reimbursement of their costs, the shareholders' meeting may decide to grant a fixed remuneration to the directors, the amount of which will be determined each year by the shareholders' meeting and which will be booked as a general expense of the company. In addition, the shareholders' meeting may grant *tantièmes* (*directors' fees, percentage of the profits*) to the directors from the available profits of the financial year.

ARTICLE 14 - VACANCY

In the case of vacancy within the board of directors because of death, resignation or other cause, the remaining directors have the right to temporarily fill the vacancy until the next annual general shareholders' meeting. In this case, the annual general shareholders' meeting appoints a replacement at its first meeting. The director appointed under the above conditions to replace a director completes the term of the director he/she/it replaces.

ARTICLE 15 - CHAIR

The board of directors may elect a chairperson amongst its members.

In the event of absence or impediment of the chairperson, the board appoints one of its members to replace him/her.

ARTICLE 16 - MEETINGS

The board of directors meets upon notice of its chairperson or in case of impediment of the latter, her/his substitute. The board of directors also meets each time the interest of the company requires it or each time at least two directors or the chair of the executive committee request it.

The meetings are held at the location indicated in the notices.

If all members of the board are present or represented, the prior notice must not be justified. The presence of a director at a meeting covers the possible irregularity of the notice and entails a waiver of the right to complain in this respect.

ARTICLE 17 - COMPANY SECRETARY

The board of directors may appoint a company secretary. The company secretary shall, in the name of the board of directors and under its authority, convene the general shareholders' meetings and the meetings of the board of directors and shall act as secretary of these meetings.

ARTICLE 18 - DELIBERATIONS

The board may validly deliberate and decide if at least half of its members are present or represented.

The meetings of the board are held in person. The meetings of the board may also be held by telephone or video conference. In this event, the meeting of the board is deemed to be held at the registered office of the company.

Any director can give a power of attorney to one colleague, in writing or by any other means of (tele)communication having a physical support, to represent him/her at a given meeting of the board and to vote in his/her stead.

In extraordinary circumstances duly justified by urgency and the company's interest, the decisions of board of directors can be taken by the unanimous consent of the directors, expressed in writing. This procedure cannot however be used for the finalization of the annual accounts or in order to use the authorized capital.

The decisions of the board of directors are taken by a simple majority vote, without taking the abstentions into account. In the event of a tie, the vote of the person who chairs the meeting is decisive. However, if the board is composed of only two directors, the vote of the chairperson ceases to be decisive.

Without prejudice to the exceptions mentioned in the Companies Code, a director who has directly or indirectly a financial interest conflicting with a decision or transaction falling within the competence of the board of directors, must inform the other directors prior to the deliberation of the board of directors. The provisions of Article 523 of the Companies Code must be taken into account.

ARTICLE 19 - MINUTES

The deliberations of the board of directors are recorded in minutes signed by the chair of the meeting and by the directors who wish so. These minutes are inserted in a special register.

Delegations, as well as the opinions and votes submitted in writing, by telegram, telex, fax, e-mail or other printed documents are appended.

Copies or extracts of the minutes to be produced in court or elsewhere shall be validly authenticated if signed by the chairperson of the board of directors, two directors or the company secretary.

ARTICLE 20 - POWERS OF THE BOARD

The board of directors may perform all acts necessary or useful for the achievement of the corporate purpose, except those reserved to the shareholders' meeting by law or by the articles of association.

ARTICLE 21 - ADVISORY COMMITTEES

The board of directors may create advisory committees within the board and under its responsibility. It describes their composition and their mission.

ARTICLE 22 - EXECUTIVE COMMITTEE

In accordance with Article 524bis of the Companies Code and the Article 26 of the Act of March 22, 1993 relating to the status and the supervision of credit institutions, the board of directors may delegate its management powers to an executive committee, provided that this delegation does not include the power to decide on the general policy of the company or the entirety of the acts reserved to the board of directors pursuant to other provisions of the law.

The executive committee is composed of at least two members and constitutes a board whose all members are also members of the board of directors. The president of the executive committee is appointed by the board of directors after consultation of the National Bank of Belgium.

Any member of the executive committee may grant to any other member of said committee whatsoever, in writing or by any other means of (tele)communication having a physical support, a power to represent him/her at a given meeting of this committee and to vote in his/her stead.

The board of directors must supervise this committee.

The appointment conditions of the members of the executive committee, their dismissal, their remuneration, the term of their appointment and the functioning of the executive committee, shall be determined by the board of directors.

If a member of the executive committee has a direct or indirect conflicting interest of a financial nature in a decision or a transaction within the competence of the executive committee, it must notify it to the other members prior to the deliberation of the committee. The provisions of Article 524ter of the Companies Code must be taken into account.

ARTICLE 23 - DAILY MANAGEMENT

In the course of its duties, the executive committee may delegate the daily management of the company as provided for in Article 525 of the Companies Code, the management of one or more transactions of the company, or the implementation of the decisions of the executive committee or of the board of directors to one or more persons, whether a director or not. It may revoke the delegations so conferred.

ARTICLE 24 - SPECIAL DELEGATES

The board of directors as well as the executive committee and those appointed for the daily management may also, each within the course of their duties, delegate special powers to one or more persons of their choice, acting individually or jointly.

The board of directors, the executive committee and those appointed for the daily management, as the case may be, may at any time revoke the persons and powers that they conferred pursuant to the preceding paragraph.

ARTICLE 25 - REPRESENTATION - OFFICIAL DEEDS AND LEGAL ACTIONS

The company is validly represented, including for deeds and in litigation:

- either by two directors acting jointly;
- or by one director acting alone if he/she is also member of the executive committee;

- or, but within the limits of the daily management, by the person or persons delegated to this daily management, acting jointly or severally.

These representatives do not need to justify vis-à-vis third parties of a prior decision of the board of directors or of the executive committee.

Furthermore, the company is validly bound by special delegates within the limits of their mandate.

ARTICLE 26 - CONTROL

The control of the financial situation, of the annual accounts and of the regularity of the transactions to be reported in the annual accounts must be entrusted to one or more statutory auditors, members of the Institute of Chartered Accountants ("*Institut des Réviseurs d'Entreprises*"), appointed by the shareholders' meeting for a renewable term of three years.

TITLE FIVE - GENERAL MEETINGS OF SHAREHOLDERS

ARTICLE 27 - COMPOSITION AND POWERS

The shareholders' meeting is composed of all the owners of shares who are entitled to vote by themselves or through proxy holders, subject to having complied with any applicable legal requirements or provisions of the articles of association. Bondholders and holders of subscription rights are entitled to participate in the meeting subject to the same conditions but only in an advisory capacity.

Decisions duly adopted by the shareholders' meeting bind all the shareholders even absent or dissenting ones.

ARTICLE 28 - MEETING

The annual shareholders' meeting statutorily meets on the last Tuesday of the month of May at 4 (four) PM. If this day is a legal holiday, the meeting is held the following business day.

Except for decisions to be recorded in a deed, the shareholders may unanimously take in writing all decisions which fall within the powers of the shareholders' meeting.

An extraordinary shareholders' meeting can be convened each time the interest of the company so requires.

Shareholders' meetings may be convened by the board of directors or by the statutory auditors and must be so convened upon the request of shareholders representing together one fifth of the statutory capital.

ARTICLE 29 - CONVENING NOTICES

Shareholders' meetings are held at the statutory office of the company or at any other place in Belgium, stated in the convening notice to the meeting.

The convening notices to any shareholders' meeting shall contain the agenda, which includes an indication of the topics to be handled and are sent in accordance with the law.

Any person may waive this notice and, in any case, be regarded as having been duly called if he/she/it is present or represented at the meeting.

If the written procedure is used pursuant to Article 536 of the Companies Code, the board will send a circular by mail, fax, e-mail or any other medium, with reference to the agenda and proposals for decisions, to all the shareholders and the auditors, if any, asking the shareholders to approve the proposed decisions and to return the circular duly signed within the term stated therein, to the company's statutory office or to any other place indicated in the circular.

The decision must be regarded as not having been taken, if all shareholders do not approve all items on the agenda and the written procedure, within the aforementioned term.

Shareholders, bondholders, holders of subscription rights or holders of registered certificates are entitled to be informed of the decisions taken at the registered office of the company.

ARTICLE 30 - ADMISSION TO THE MEETING

The board of directors may require that the shareholders and bondholders inform it in writing (by letter or proxy), at least three days prior to the meeting, of their intent to attend the meeting and that the shareholders specify the number of shares for which they intend to participate in the vote.

If the board of directors uses this right, it must be mentioned in the notices calling for the meeting.

A list of attendance mentioning the name of the shareholders and the number of shares they hold is signed by each of them or by their proxies prior to joining the meeting.

ARTICLE 31 - REPRESENTATION

Any owner of securities may be represented at the shareholders' meeting by a representative, proxy holder, whether a shareholder or not. A proxy holder may represent more than one shareholder

The board or the company secretary may adopt the form of proxy and require that they be deposited at the place indicated by it within the term it sets.

Co-owners as well as pledgors and pledgees must be represented by one single person.

ARTICLE 32 - BUREAU

All shareholders' meetings are chaired by the chairperson of the board or in his/her absence, by another director.

The chairperson may appoint a secretary. If the number of shareholders present allows it, the meeting may choose one or more tellers from amongst its members.

ARTICLE 33 - POSTPONEMENT OF THE MEETING

Every shareholders' meeting, whether annual or special, may be postponed forthwith for three more weeks by the board of directors. The postponement cancels all decisions taken.

The formalities complied with to attend the first meeting and the proxies will remain valid for the second meeting, without prejudice to the right to comply with these formalities for the second meeting in the event they have not been complied with for the first one.

The second meeting decides on the same agenda. Its decisions are final.

ARTICLE 34 - RIGHT TO VOTE

Each share gives right to one vote.

ARTICLE 35 - DELIBERATION OF THE SHAREHOLDERS' MEETING

Except in the cases provided by law, decisions are taken, irrespective of the number of shares represented at the meeting, with a simple majority of the votes validly exercised, disregarding abstentions.

The votes are expressed by show of hands or by calling of names unless the shareholders' meeting decides otherwise by a majority vote.

ARTICLE 36 - SPECIAL MAJORITY

Whenever the shareholders' meeting must decide on an increase or decrease of the statutory capital, on a de-merger or a merger of the company with other entities, on the winding up or any other modification to the articles of association, it can only deliberate if the purpose of the proposed modifications is specifically mentioned in the notices and if those attending the meeting represent at least one half of the statutory capital.

If this last condition is not met, a new notice is necessary and the second meeting will validly deliberate whatever the portion of the capital represented.

No modification is valid if it is not adopted with a three quarters majority vote.

However, when the deliberation concerns the modification of the corporate purpose, the modification of the respective rights of categories of securities, the winding up of the company resulting from a reduction of the net assets to an amount which is less than one half or one quarter of the capital, the transformation of the company, or a merger, a de-merger, the contribution of universality or of a branch of activity, the meeting is validly constituted and may decide only with the quorum of attendance and the majority of votes required by law.

ARTICLE 37 - MINUTES

The minutes of the shareholders' meeting are signed by the members of the bureau and the shareholders who request it. Copies or extracts of minutes of the shareholders' meeting to be produced in court or elsewhere shall be validly authenticated if signed by two directors or by an executive director.

TITLE SIX - ANNUAL ACCOUNTS - DISTRIBUTION**ARTICLE 38 - FINANCIAL YEAR**

The financial year starts on the first of January and ends on the thirty first of December of each year.

ARTICLE 39 - VOTE ON THE ANNUAL ACCOUNTS

The annual shareholders' meeting decides on the annual accounts.

Once the annual accounts are adopted, the meeting decides by special vote on the release to be granted to the directors and to the auditor(s).

ARTICLE 40 - DISTRIBUTION

The profits are determined in accordance with the law. Each year, five percent will be deducted from the profits to constitute the legal reserve. This deduction ceases to be mandatory when this legal reserve fund reaches one tenth of the statutory capital. It must start again if the legal reserve is being used.

The balance is allocated by the shareholders' meeting deciding upon proposal of the board of directors according to the law.

ARTICLE 41 - PAYMENT OF DIVIDENDS

The payment of dividends, if any, is made annually, at the time and the place indicated by the board of directors, in one or several times.

The board of directors may, under its responsibility, decide the payment of interim dividends by deducting them from the profits of the current financial year. It determines the amount of these interim dividends and their payment date.

TITLE SEVEN - DISSOLUTION AND LIQUIDATION

ARTICLE 42 - LIQUIDATION

In case of dissolution of the company for any reason and at any time whatsoever, the liquidation is carried out by the liquidator(s) appointed by the shareholders' meeting or, failing such appointment, by the board of directors in office at that time and acting as a liquidation committee.

For this purpose, the liquidators have the widest powers conferred by law.

The shareholders' meeting shall, where appropriate, determine the remuneration of the liquidator(s).

ARTICLE 43 - DISTRIBUTION

After settlement of the debts and of the expenses of the liquidation or consignment of the amounts required for this purpose,- the net assets shall first be applied to reimburse, in cash or in securities, the paid up amount on the shares.

If not all shares are paid up in the same proportion, the liquidators, before proceeding with any distribution, will take into account this diversity of situation and re-establish the balance by calling funds or by proceeding with a prior distribution. The balance shall be distributed equally among all shares.

TITLE EIGHT - GENERAL PROVISIONS

ARTICLE 44 - ELECTION OF DOMICILE

For the enforcement of these articles of association, all shareholders, bondholders, directors, auditors, managers or liquidators residing abroad, elect domicile at the statutory office where all communications, summonses, subpoenas and notifications can be validly made.

ARTICLE 45 - JURISDICTION

For all disputes between the company, its shareholders, bondholders, directors, auditors and liquidators relating to the affairs of the company and the enforcement of these articles of association, exclusive jurisdiction is granted to the courts of the statutory office, unless the company expressly waives such jurisdiction.

ARTICLE 46 - LEGAL PROVISIONS

The company intends to fully comply with the law. Consequently, the legal provisions which would not be legally waived, shall be deemed part of these articles of association while clauses contrary to mandatory provisions of the law are deemed unwritten.

For lawful co-ordination on [•]

I, Nathalie Ryckaert, Secretary General of The Bank of New York Mellon SA/NV do hereby certify that the document is a true and correct copy of the original which I have examined. Brussels, Belgium, this

21 June



Dated 14 September 2009

BNY Mellon GSS Holdings (Luxembourg) S.à.r.l.

as Lender

and

The Bank of New York Mellon SA as Borrower

EUR 92,500,000

Subordinated Perpetual Loan Agreement

This Subordinated Perpetual Loan Agreement (this "Agreement") was made on this 14th day of September 2009.

BETWEEN:

1. BNY Mellon GSS Holdings (Luxembourg) S.à r.l., a company organised and existing under the laws of the Grand Duchy of Luxembourg and having its registered office at 1--1450 Luxembourg, 73 Côte d'Eich, R.C.S. Luxembourg B 134 044 (together with its successors and permitted assigns and transferees, the "Lender"); and
2. The Bank of New York Mellon SA, a company organised and existing under the laws of Belgium and having its registered office at Rue Montoyer 46, B-1000 Brussels, RPM Brussels, enterprise number 0806743159 (the "Borrower").

WHEREAS:

- (A) The Borrower wishes to obtain financing for general corporate purposes.
- (B) The Lender is willing to make available this financing by means of a perpetual loan in the amount of EUR 92,500,000 to the Borrower, subject to the terms and conditions of this Agreement.

NOW IT IS AGREED AS FOLLOWS:

1. DEFINITIONS

Unless otherwise defined herein, capitalised terms and expressions used in this Agreement (including the recitals hereto) will have the same respective meaning as set forth below:

- "2006 Decree" means the Decree of the CBFA on the regulation of the own funds of the credit institutions and investment firms of 17 October 2006, as amended from time to time.
- "Administrative Action" means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental or administrative authority or regulatory body having appropriate jurisdiction.
- "Alternative Interest Payment Method" has the meaning given to it in Clause 8.
- "Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in Brussels and [Luxembourg].
- "Calculation Agent" means the Borrower.
- "CBFA" means the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire, Financière et des Assurances / Commissie voor het Bank-, Financie-, en Assurantiewezen*).
- "Clause" means a clause of this Agreement.
- "Control" has the meaning given to it in article 5 of the Belgian Company Code.

"Conversion Date"	means the Business Day specified by the Borrower as the date on which it will satisfy its obligation to pay the Deferred Interest or, as the case, effect a Loss Absorption.
"Deferred Interest"	means interest of which the payment has been deferred in accordance with Clause 7.1.
"Drawdown Date"	means 1 October 2009 or such date as agreed between the Lender, the Borrower, and the CBFA.
"EUR"	means the single currency of the participating member states of the third stage of the European Economic and Monetary Union established pursuant to the Treaty of the European Community (as amended).
"Hybrid Tier 1 Capital"	means own funds (<i>fonds propres/eigen vermogen</i>) as defined in Article II.1 §1 ^o c) of the 2006 Decree.
"Interest Event"	means any of the following events: <ul style="list-style-type: none">(i) the Borrower's net assets are below the sum of its paid-in capital and nondistributable reserves, as determined in accordance with Article 617 of the Belgian Company Code in relation to the distribution of dividends or would fall below such sum as a result of the payment of the interest on the Interest Payment Date; or(ii) a Net Assets Deficiency Event has occurred or payment of the relevant interest would result in the Borrower becoming subject to a Net Assets Deficiency Event; or(iii) the Borrower would as a result of the payment of the interest on the Interest Payment Date be no longer in compliance with the 2006 Decree.
"Interest Deferral Notice"	has the meaning given to it in Clause 7.4.
"Interest Payment Date"	means, in respect of an Interest Period, the last day of such Interest Period.
"Interest Period"	means a period of 6 months (or such other period as agreed between the Lender and the Borrower) but so that: <ul style="list-style-type: none">(i) the first Interest Period shall commence on the Drawdown Date and expire on 31 December 2009;(ii) each subsequent Interest Period shall commence on the first day after the previous Interest Period;(iii) an Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day or, if that Business Day falls in the following month of the year, on the preceding Business Day;(iv) the period commencing on and including the Drawdown Date and ending on (but excluding) the first Interest Payment Date and each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;(v) if an Interest Period is extended or shortened by the application of (iii) above, the following Interest Period shall (without prejudice to the application of (iii) above) end on the day on which it would have ended if the preceding Interest Period had not been so extended or shortened; and(vi) the last Interest Period shall end on (a) the repayment date, if any, as determined in accordance with Clause 10 or (b) the day of conversion of the Loan into capital of the Borrower in accordance with Clause 9.
"Interest Rate"	has the meaning given to it in Clause 6.2.
"Law of 23 March 1993"	means the Law dated 22 March 1993 on the status and supervision of credit institutions, as amended from time to time.
"Loan"	means the perpetual loan in an amount of EUR 92,500,000 or the aggregate principal amount outstanding under this Agreement of the Loan.
"Loss Absorption"	has the meaning given to it in Clause 9.1.
"Net Assets Deficiency Event"	means each of the following events:

- (i) the Borrower's own funds on a company basis or on a consolidated basis falls below the requirements set out in Article III. 1 §1 3^o of the 2006 Decree; or
- (ii) the amount of the Borrower's Tier 1 Capital on a company basis or on a consolidated basis declines below 5/8 of the requirement set out in Article III.1 § 1 3^o of the 2006 Decree; or
- (iii) Article 633 of the Belgian Company Code becomes applicable by virtue of the Borrower's net assets falling below 50% of its registered capital; or
- (iv) the Borrower's own funds decline below the minimum capital as determined in Article 23 of the Law of 22 March 1993; or
- (v) at the discretion of the CBFA, in the event the CBFA imposes special measures in application of Article 57 § 1 of the Law of 22 March 1993.

"Other Debt" means any liabilities of the Borrower for the payment of money other than (i) the liabilities of the Borrower under this Agreement and (ii) Other Hybrid Tier 1 Claims.

"Other Hybrid Tier 1 Claims" means any claims for financial indebtedness owed by the Borrower and subordinated by the creditors thereof so as to constitute Hybrid Tier 1 Capital in accordance with Article II.1 §1 1^o c).

"Postponement Event" means each of the following events:

- (i) it would be illegal for the Borrower to issue shares; or
- (ii) as a result of any covenant, undertaking, guarantee or other similar provision in any Other Debt, the Borrower would not be permitted to increase its capital in accordance with this Agreement because it has not satisfied its obligations under such Other Debt as the case may be.

"Quotation Date" means in relation to any period for which an interest rate is to be determined, two Target Days before the first day of that period.

"Target Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system Target is open for the settlement of payments in EUR.

"Tax" means any tax, duty or other charge of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying the same).

"Tax Event" means the receipt by the Borrower of an opinion of a nationally recognised law firm or other tax advisor in Belgium experienced in such matters to the effect that, as a result of:

- (i) any amendment to, clarification of, or change (including any announced prospective change) in the laws or treaties (or any regulations thereunder) of Belgium or any political subdivision or taxing authority thereof or therein affecting taxation; or
- (ii) any Administrative Action; or
- (iii) any amendment to, clarification of, or change in the official position on the interpretation of any Administrative Action or any interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or which interpretation or pronouncement is announced on or after the execution of this Agreement

there is more than an insubstantial risk that any interest deduction or other similar direct or indirect tax benefit available to the Borrower in respect of the Agreement is eliminated, reduced or otherwise adversely affected in any material respect.

"Tier 1 Capital" means own funds (fonds propres/eigen vermogen) as defined in Article II.1 §1 1^o of the 2006 Decree.

"Tier 1 Disqualification Event" means the receipt of the Borrower of an opinion or declaration, rule or decree of the CBFA to the effect that there has been either a change in

law or regulation or a change in the official interpretation thereof, resulting in more than an insubstantial risk that the Loan or any of the Borrower's liabilities under this Agreement (or any portion thereof) will no longer be capable of constituting Tier 1 Capital of the Borrower under applicable laws and regulations.

2. THE LENDER'S COMMITMENT

Subject to the terms and conditions of this Agreement, the Lender will make the Loan available to the Borrower on the Drawdown Date, in immediately available funds, by crediting the amount of the Loan to the account BE70 5199 2722 9025 , or such other account as agreed between the Lender and the Borrower, and the Borrower will draw down the Loan in full on such date.

3. PURPOSE

The Loan shall be used by the Borrower for general corporate purposes.

4. CONDITIONS PRECEDENT

The obligation of the Lender to make the Loan available on the Drawdown Date for the Borrower to draw is subject to prior confirmation by the CBFA that this Agreement qualifies as Tier 1 Capital or Hybrid Tier 1 Capital.

5. SUBORDINATION

The Loan and any payment obligations in connection therewith (whether for principal or interest) constitute subordinated obligations for financial indebtedness

- (i) which do not benefit from any security interest, whether a security interest *in rem* (*zakelijke zekerheid/sûreté réelle*), a personal security interest (*persoonlijke zekerheid / sûreté personnelle*) or any other right of set off or similar right having the effect of constituting a security or guarantee in favour of the Lender;
- (ii) and which are subordinated; and
 - a. take rank after any Other Debt; and
 - b. are in the same rank (*pari passu*) with any Other Hybrid Tier 1 Claims,

in case of bankruptcy, liquidation or any other situation of composition of creditors (*concoors/samenloop*) of the Borrower.

6. INTEREST

6.1 Interest will accrue on the Loan at the Interest Rate.

6.2 The Interest Rate on the Loan for each Interest Period is set to the fixed rate of 8.18%.

6.3 Interest under this Agreement shall accrue on and be calculated on the Loan, on the basis of the actual number of days elapsed (not counting within an Interest Period the last day of that Interest Period) and a year of 360 days.

6.4 Interest shall be payable in arrears on each Interest Payment Date unless the Borrower has issued a Interest Deferral Notice in accordance with Clause 7 in which case no interest (or less than the full interest as specified in the Interest Deferral Notice) shall be due and payable on such Interest Payment Date.

7. DEFERRAL OF INTEREST

7.1 The Borrower (i) may, in its sole discretion and for any reason whatsoever, and (ii) shall, if an Interest Event has occurred and is continuing prior to, or shall result following the payment of interest on, the next scheduled Interest Payment Date, defer the payment of the interest (or a specified portion thereof) that would be payable on such Interest Payment Date, as a result of which no interest (or only the remaining balance of the interest amount) shall become payable on such Interest Payment Date. Any such deferred interest is hereinafter referred to as Deferred Interest.

7.2 No interest will accrue on Deferred Interest.

7.3 The Borrower shall satisfy its obligation to pay any Deferred Interest in accordance with the Alternative Interest Payment Method.

7.4 The Borrower will notify the Lender, by no later than 10 Business Days preceding an Interest Payment Date, that it will defer the interest (or a specified portion thereof) that would become payable on such Interest Payment Date, by sending a written notice to that effect (an "Interest Deferral Notice").

- 7.5 The Interest Deferral Notice shall specify the Conversion Date on which the Borrower contemplates to satisfy its obligation to pay the Deferred Interest in accordance with the Alternative Interest Payment Method.
- 7.6 No Conversion Date shall, subject to the occurrence of a Postponement Event, fall on a date which falls more than 45 Business Days after the Interest Payment Date on which the Deferred Interest would have been payable, if it was not deferred in accordance with Clause 7.1.
- 7.7 In case a Postponement Event occurs, the Borrower shall give a notice to the Lender and the Calculation Agent as soon as possible after the Borrower has determined that the Postponement Event has occurred (and specify the commencement date thereof), whereupon the Conversion Date shall be deferred with the period during which the Postponement Event is continuing. The Borrower shall notify the lender as soon as practicable possible of the termination of a Postponement Event and of the new date of the Conversion Date.
- 7.8 In case the Postponement Event is not terminated before six (6) months as of its occurrence, the Deferred Interest, subject to the Postponement Event shall be cancelled.
8. ALTERNATIVE INTEREST PAYMENT METHOD
- 8.1 On the Conversion Date, all Deferred Interest to which the Conversion Date relates, will be contributed in kind for the account of the Lender to the share capital (or an issue premium account) of the Borrower against the issuance of ordinary shares having, according to the Calculation Agent and, subject to compliance with Article 602 of the Belgian Company Code, an aggregate fair market value equal to the aggregate amount of the Deferred Interest payable on the Conversion Date plus any expenses and fees to be borne by the Borrower in connection with the using the Alternative Interest Payment Method, including the claims for the fees and expenses of the Calculation Agent (the "**Alternative Interest Payment Method**").
- 8.2 The Borrower undertakes to use all reasonable efforts to ensure that it has sufficient authorised and unissued ordinary shares for the purpose of the application of the Alternative Interest Payment Method. However, in case the Alternative Interest Payment Method cannot be applied within the limits of the authorised capital as provided in the articles of association of the Borrower for any reason whatsoever, the board of directors of the Borrower shall convene an extra-ordinary general shareholders' meeting to be held on the Conversion Date to approve the Alternative Interest Payment Method.
- 8.3 Failing such approval of the Alternative Interest Payment Method on the Conversion Date by the extra-ordinary general shareholders' meeting, the Borrower has the right (and the Lender hereby irrevocably and unconditionally agrees thereto), to cancel the Deferred Interest to which the Conversion Date relates.
- 8.4 Any expenses in relation to the Alternative Interest Payment Method are to be born by the Borrower.
9. LOSS ABSORPTION
- 9.1 In case of the occurrence of a Net Assets Deficiency Event which cannot be remedied by a deferral of interest in accordance with Clause 7, the board of directors shall contribute in kind such an amount of the Loan and interest accrued thereon to the share capital (or an issue premium account) of the Borrower for the account of the Lender against the issuance of ordinary shares having, according to the Calculation Agent and, subject to compliance with Article 602 of the Belgian Company Code, an aggregate value equal to the lower of:
- (i) the aggregate of:
 - (a) the Loan; and
 - (b) accrued but unpaid interest on the Loan with respect to the current Interest Period; and
 - (c) any outstanding Deferred Interest; less
 - (d) any Tax imposed on the aforementioned items (i) to and including (iii);
- AND
- (ii) the amount required to remedy the Net Assets Deficiency Event.
- (a "**Loss Absorption**")
- 9.2 The Borrower will notify the Lender of a Loss Absorption by sending a notice to that effect by no later than 10 Business Days preceding the Conversion Date on which the Borrower contemplates to satisfy the Loss Absorption in accordance with Clause 8.1.

9.3 The Borrower undertakes to use all reasonable efforts to ensure that it has sufficient authorised and unissued ordinary shares for the purpose of the application of Clause 9.1. However, in case a Loss Absorption cannot be satisfied within the limits of the authorised capital as provided in the articles of association of the Borrower for any reason whatsoever, the board of directors of the Borrower shall convene an extra-ordinary general shareholders' meeting to be held on the Conversion Date to approve the Loss Absorption. Failing such approval of the Loss Absorption on the Conversion Date by the extra-ordinary general shareholders' meeting, the Borrower has the right (and the Lender hereby irrevocably and unconditionally agrees thereto), to reduce the Loan (as well as any interest accrued but not yet payable) by the lower of:

- (i) the aggregate of:
 - i. the Loan; and
 - ii. accrued but unpaid interest on the Loan with respect to the current Interest Period; and
 - iii. any outstanding Deferred Interest;

AND

- (ii) the amount required to remedy the Net Assets Deficiency Event.

9.4 Any reduction in accordance with Clause 9.4 shall first be imputed to any accrued but unpaid interest on the Loan and subsequently to the Loan.

10. REPAYMENT

10.1 The Loan is perpetual.

10.2 Notwithstanding the foregoing, the Loan may, subject always to the prior written approval of the CBFA, be repaid at the option of the Borrower:

- (i) after the fifth anniversary of the Drawdown Date; or
- (ii) in case of a Tier 1 Disqualification Event; or
- (iii) in case of a Tax Event; or
- (iv) in any such other case as agreed by the CBFA.

10.3 If it becomes unlawful in any applicable jurisdiction for the Lender to have the Loan outstanding or otherwise perform any of its obligations under the terms and conditions of this Agreement, the Lender shall promptly notify the Borrower and the Lender and Borrower shall negotiate in good faith to revise this Agreement so it would be compliant with all applicable laws (any such amendments shall be subject to the approval of the CBFA). If no agreement can be reached, the Borrower shall enter into discussions with the CBFA in view of the (partial) repayment of the Loan, it being understood that no repayment can be made without the prior written approval of the CBFA, which has no legal obligation to approve the same.

10.4 The repayment price will be an amount equal to the aggregate of (i) the amount of the outstanding Loan and, (ii) the amount of any accrued but unpaid interest on the Loan, (iii) the amount of any Deferred Interest, not yet converted in accordance with Clause 8 or Clause 9.

11. FURTHER ASSURANCES

The Lender waives, to the fullest extent permitted by law (i) its rights pursuant to Article 1184 of the Belgian Civil Code, and (ii) any rights it may have under Article 1117 of the Belgian Civil Code.

12. PAYMENTS

12.1 Unless otherwise provided herein, all payments by a party under this Agreement shall be made to such party to its account at such office or bank in Belgium as previously notified or to such other account at such other office or bank as it may otherwise notify to, otherwise agree with, the other party.

12.2 Any payments under this Agreement to the Lender shall be made for value on the due date at such times and in such funds as the Lender may specify as being customary at the time for the settlement of transactions in the relevant currency in the place for payment.

12.3 A repayment of the Loan or any interest on the Loan is payable in Euro, unless parties have otherwise agreed.

- 12.4 Amounts payable in respect of costs, expenses, taxes and the like are payable in the currency in which they are incurred.
- 12.5 If a payment under this Agreement is due on a day which is not a Business Day, the due date for that payment shall instead be the next Business Day.
- 12.6 All payments by the Borrower hereunder will be free and clear of and without deduction or withholding for or on account of any Tax of any jurisdiction, unless a tax deduction is required by law.
13. NOTICE

Each notice, request, direction or other communication under this Agreement will be sent:

if to the Lender, to it at:

Attn: Eric Vanderkerken
Email: Eric.Vanderkerken@atcgroup.com
Fax: +352 286 901 69

if to the Borrower, to it at:

Attn: Jean-Christophe Mathonet, CFO
Email: jc.mathonet@bnymellon.com
Fax: +32 2 545 8888

or to such other email address or facsimile number as is notified from time to time by one party hereto to the other party hereto.

14. ASSIGNMENT

The Borrower may not assign its rights and obligations under this Agreement without the prior written consent of the Lender.

15. AMENDMENTS

- 15.1 Any amendments to this Agreement shall be in writing.
- 15.2 The Lender acknowledges that the Borrower needs to obtain the prior written approval of the CBFA before agreeing to any amendments.

16. COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

17. GOVERNING LAW AND JURISDICTION

- 17.1 This Agreement shall be governed by Belgian law.
- 17.2 The Courts of Brussels have exclusive jurisdiction to settle any dispute arising from or connected with this Agreement.

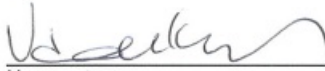
IN WITNESS WHEREOF the authorised representatives of the Lender and the Borrower have each caused this Agreement to be duly executed in two originals on the date first above written by attaching their respective signatures to the execution page (each party acknowledging haven received one original).

EXECUTION PAGE

EUR 92,500,000 Subordinated Perpetual Loan Agreement (Tier 1)

FOR AND ON BEHALF OF

**BNY MELLON GSS HOLDINGS
(LUXEMBOURG) S.À.R.L.**
as Lender



Name: *ERIC VANDERKERKEN*

Title: *MANAGER*

FOR AND ON BEHALF OF

THE BANK OF NEW YORK MELLON SA
as Borrower



Name: Jean-Christophe Mathonet

Title: Executive Director – C.F.O.

Dated 23 July 2010

BNY Mellon GSS Holdings (Luxembourg) S.à.r.l.

as Lender

and

The Bank of New York Mellon SA as Borrower

EUR 253.000.000,00

Subordinated Perpetual Loan Agreement

(Tier 1)

This Subordinated Perpetual Loan Agreement (this "**Agreement**") was made on this 23rd day of July 2010.

BETWEEN:

1. BNY Mellon GSS Holdings (Luxembourg) S.à r.l., a company organised and existing under the laws of the Grand Duchy of Luxembourg and having its registered office at 1--1931 Luxembourg, 13-15, Avenue de la Liberté, R.C.S. Luxembourg B 134 044 (together with its successors and permitted assigns and transferees, the "Lender"); and
2. The Bank of New York Mellon SA, a company organised and existing under the laws of Belgium and having its registered office at Rue Montoyer 46, B-1000 Brussels, RPM Brussels, enterprise number 0806743159 (the "Borrower").

WHEREAS:

(A) The Borrower wishes to obtain financing for general corporate purposes.

(B) The Lender is willing to make available this financing by means of a perpetual loan in the amount of EUR 253.000.000,00 to the Borrower, subject to the terms and conditions of this Agreement.

NOW IT IS AGREED AS FOLLOWS:

1. DEFINITIONS

Unless otherwise defined herein, capitalised terms and expressions used in this Agreement (including the recitals hereto) will have the same respective meaning as set forth below:

"2006 Decree"	means the Decree of the CBFA on the regulation of the own funds of the credit institutions and investment firms of 17 October 2006, as amended from time to time.
"Administrative Action"	means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental or administrative authority or regulatory body having appropriate jurisdiction.
"Alternative Interest Payment Method"	has the meaning given to it in Clause 8.
"Business Day"	means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in Brussels and Luxembourg.
"Calculation Agent"	means the Borrower.
"CBFA"	means the Belgian Banking, Finance and Insurance Commission (<i>Commission Bancaire, Financière et des Assurances / Commissie voor het Bank-, Financie-, en Assurantiewezen</i>).

"Clause"	means a clause of this Agreement.
"Control"	has the meaning given to it in article 5 of the Belgian Company Code.
"Conversion Date"	means the Business Day specified by the Borrower as the date on which it will satisfy its obligation to pay the Deferred Interest or, as the case, effect a Loss Absorption.
"Deferred Interest"	means interest of which the payment has been deferred in accordance with Clause 7.1.
"Drawdown Date"	means 30 July 2010 or such date as agreed between the Lender, the Borrower, and the CBFA.
"EUR"	means the single currency of the participating member states of the third stage of the European Economic and Monetary Union established pursuant to the Treaty of the European Community (as amended).
"Hybrid Tier 1 Capital"	means own funds (<i>fonds propres/eigen vermogen</i>) as defined in Article II.1 §1 1 ^o c) of the 2006 Decree.
"Interest Event"	means any of the following events. <ul style="list-style-type: none">(i) the Borrowers net assets are below the sum of its paid-in capital and non-distributable reserves, as determined in accordance with Article 617 of the Belgian Company Code in relation to the distribution of dividends or would fall below such sum as a result of the payment of the interest on the Interest Payment Date; or(ii) a Net Assets Deficiency Event has occurred or payment of the relevant interest would result in the Borrower becoming subject to a Net Assets Deficiency Event; or(iii) the Borrower would as a result of the payment of the interest on the Interest Payment Date be no longer in compliance with the 2006 Decree.
"Interest Deferral Notice"	has the meaning given to it in Clause 7.4.
"Interest Payment Date"	means, in respect of an Interest Period, the last day of such Interest Period.
"Interest Period"	means a period of 6 months (or such other period as agreed between the Lender and the Borrower) but so that: <ul style="list-style-type: none">(i) the first Interest Period shall commence on the Drawdown Date and expire on 30 January 2011;(ii) each subsequent Interest Period shall commence on the first day after the previous Interest Period;(iii) an Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day or, if that Business Day falls in the following month of the year, on the preceding Business Day;(iv) the period commencing on and including the Drawdown Date and ending on (but excluding) the first Interest Payment Date and each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;(v) if an Interest Period is extended or shortened by the application of (iii) above, the following Interest Period shall (without prejudice to the application of (iii) above) end on the day on which it would have ended if the preceding Interest Period had not been so extended or shortened; and(vi) the last Interest Period shall end on (a) the repayment date, if any, as determined in accordance with Clause 10 or (b) the day of conversion of the Loan into capital of the Borrower in accordance with Clause 9.
"Interest Rate"	has the meaning given to it in Clause 6.2.
"Law of 23 March 1993"	means the Law dated 22 March 1993 on the status and supervision of credit institutions, as amended from time to time.
"Loan"	means the perpetual loan in an amount of EUR 253.000.000,00 or the aggregate principal amount outstanding under this Agreement of the Loan.
"Loss Absorption"	has the meaning given to it in Clause 9.1

"Net Assets Deficiency Event"	means each of the following events:
	<ul style="list-style-type: none"> (i) the Borrower's own funds on a company basis or on a consolidated basis falls below the requirements set out in Article III. 1 §1 3^o of the 2006 Decree; or (ii) the amount of the Borrower's Tier 1 Capital on a company basis or on a consolidated basis declines below 5/8 of the requirement set out in Article III.1 §1 3^o of the 2006 Decree; or (iii) Article 633 of the Belgian Company Code becomes applicable by virtue of the Borrower's net assets falling below 50% of its registered capital' or (iv) the Borrower's own funds decline below the minimum capital as determined in Article 23 of the Law of 22 March 1993; or (v) at the discretion of the CBFA, in the event the CBFA imposes special measures in application of Article 57 S 1 of the Law of 22 March 1993.
"Other Debt"	means any liabilities of the Borrower for the payment of money other than (i) the liabilities of the Borrower under this Agreement and (ii) Other Hybrid Tier 1 Claims.
"Other Hybrid Tier 1 Claims"	means any claims for financial indebtedness owed by the Borrower and subordinated by the creditors thereof so as to constitute Hybrid Tier 1 Capital in accordance with Article II.1 §1 1 ^o c)
"Postponement Event"	means each of the following events:
	<ul style="list-style-type: none"> (i) it would be illegal for the Borrower to issue shares; or (ii) as a result of any covenant, undertaking, guarantee or other similar provision in any Other Debt, the Borrower would not be permitted to increase its capital in accordance with this Agreement because it has not satisfied its obligations under such Other Debt as the case may be.
"Quotation Date"	means in relation to any period for which an interest rate is to be determined, two Target Days before the first day of that period
"Target Day"	means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system Target is open for the settlement of payments in EUR.
"Tax"	means any tax, duty or other charge of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying the same).
"Tax Event"	means the receipt by the Borrower of an opinion of a nationally recognised law firm or other tax advisor in Belgium experienced in such matters to the affect that, as a result of:
	<ul style="list-style-type: none"> (i) any amendment to, clarification of, or change (including any announced prospective change) in the laws or treaties (or any regulations thereunder) of Belgium or any political subdivision or taxing authority thereof or therein affecting taxation; or (ii) any Administrative Action; or (iii) any amendment to, clarification of, or change in the official position on the interpretation of any Administrative Action or any interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or which interpretation or pronouncement is announced on or after the execution of this Agreement there is more than an insubstantial risk that any interest deduction or other similar direct or indirect tax benefit available to the Borrower in respect of the Agreement is eliminated, reduced or otherwise adversely affected in any material respect.
"Tier 1 Capital"	means own funds (<i>fonds propres/eigen vermogen</i>) as defined in Article II.1 §1 1 ^o of the 2006 Decree.
"Tier 1 Disqualification Event"	means the receipt of the Borrower of an opinion or declaration, rule or decree of the CBFA to the effect that there has been either a change in

law or regulation or a change in the official interpretation thereof, resulting in more than an insubstantial risk that the Loan or any of the Borrower's liabilities under this Agreement (or any portion thereof) will no longer be capable of constituting Tier 1 Capital of the Borrower under applicable laws and regulations.

2. THE LENDER'S COMMITMENT

Subject to the terms and conditions of this Agreement, the Lender will make the Loan available to the Borrower on the Drawdown Date, in immediately available funds, by crediting the amount of the Loan to the account BE70 5199 2722 9025, or such other account as agreed between the Lender and the Borrower, and the Borrower will draw down the Loan in full on such date.

3. PURPOSE

The Loan shall be used by the Borrower for general corporate purposes.

4. CONDITIONS PRECEDENT

The obligation of the Lender to make the Loan available on the Drawdown Date for the Borrower to draw is subject to prior confirmation by the CBFA that this Agreement qualifies as Tier 1 Capital or Hybrid Tier 1 Capital.

5. SUBORDINATION

The Loan and any payment obligations in connection therewith (whether for principal or interest) constitute subordinated obligations for financial indebtedness

- (i) which do not benefit from any security interest, whether a security interest in rem (zakelijke zekerheid/ sûreté réelle), a personal security interest (persoonlijke zekerheid / sûreté personnelle) or any other right of set off or similar right having the effect of constituting a security or guarantee in favour of the Lender; and
- (ii) which are subordinated; and
 - (a) take rank after any Other Debt; and
 - (b) are in the same rank (pari passu) with any Other Hybrid Tier 1 Claims,

in case of bankruptcy, liquidation or any other situation of composition of creditors (concoors/samenloop) of the Borrower.

6. INTEREST

6.1 Interest will accrue on the Loan at the Interest Rate.

6.2 The Interest Rate on the Loan for each Interest Period is set to the fixed rate of 8.75%.

6.3 Interest under this Agreement shall accrue on and be calculated on the Loan, on the basis of the actual number of days elapsed (not counting within an Interest Period the last day of that Interest Period) and a year of 360 days.

6.4 Interest shall be payable in arrears on each Interest Payment Date unless the Borrower has issued a Interest Deferral Notice in accordance with Clause 7 in which case no interest (or less than the full interest as specified in the Interest Deferral Notice) shall be due and payable on such Interest Payment Date.

7. DEFERRAL OF INTEREST

7.1 The Borrower (i) may, in its sole discretion and for any reason whatsoever, and (ii) shall, if an Interest Event has occurred and is continuing prior to, or shall result following the payment of interest on, the next scheduled Interest Payment Date, defer the payment of the interest (or a specified portion thereof) that would be payable on such Interest Payment Date, as a result of which no interest (or only the remaining balance of the interest amount) shall become payable on such Interest Payment Date. Any such deferred interest is hereinafter referred to as Deferred Interest.

7.2 No interest will accrue on Deferred Interest.

7.3 The Borrower shall satisfy its obligation to pay any Deferred Interest in accordance with the Alternative Interest Payment Method.

7.4 The Borrower will notify the Lender, by no later than 10 Business Days preceding an Interest Payment Date, that it will defer the interest (or a specified portion thereof) that would become payable on such Interest Payment Date, by sending a written notice to that effect (an "Interest Deferral Notice").

- 7.5 The Interest Deferral Notice shall specify the Conversion Date on which the Borrower contemplates to satisfy its obligation to pay the Deferred Interest in accordance with the Alternative Interest Payment Method.
- 7.6 No Conversion Date shall, subject to the occurrence of a Postponement Event, fall on a date which falls more than 45 Business Days after the Interest Payment Date on which the Deferred Interest would have been payable, if it was not deferred in accordance with Clause 7.1.
- 7.7 In case a Postponement Event occurs, the Borrower shall give a notice to the Lender and the Calculation Agent as soon as possible after the Borrower has determined that the Postponement Event has occurred (and specify the commencement date thereof), whereupon the Conversion Date shall be deferred with the period during which the Postponement Event is continuing, The Borrower shall notify the lender as soon as practicable possible of the termination of a Postponement Event and of the new date of the Conversion Date.
- 7.8 In case the Postponement Event is not terminated before six (6) months as of its occurrence, the Deferred Interest, subject to the Postponement Event shall be cancelled.

8. **ALTERNATIVE INTEREST PAYMENT METHOD**

- 8.1 On the Conversion Date, all Deferred Interest to which the Conversion Date relates, will be contributed in kind for the account of the Lender to the share capital (or an issue premium account) of the Borrower against the issuance of ordinary shares having, according to the Calculation Agent and, subject to compliance with Article 602 of the Belgian Company Code, an aggregate fair market value equal to the aggregate amount of the Deferred Interest payable on the Conversion Date plus any expenses and fees to be borne by the Borrower in connection with the using the Alternative Interest Payment Method, including the claims for the fees and expenses of the Calculation Agent (the "Alternative Interest Payment Method").
- 8.2 The Borrower undertakes to use all reasonable efforts to ensure that it has sufficient authorised and unissued ordinary shares for the purpose of the application of the Alternative Interest Payment Method. However, in case the Alternative Interest Payment Method cannot be applied within the limits of the authorised capital as provided in the articles of association of the Borrower for any reason whatsoever, the board of directors of the Borrower shall convene an extra-ordinary general shareholders' meeting to be held on the Conversion Date to approve the Alternative Interest Payment Method.
- 8.3 Failing such approval of the Alternative Interest Payment Method on the Conversion Date by the extra-ordinary general shareholders' meeting, the Borrower has the right (and the Lender hereby irrevocably and unconditionally agrees thereto), to cancel the Deferred Interest to which the Conversion Date relates.
- 8.4 Any expenses in relation to the Alternative Interest Payment Method are to be born by the Borrower.

9. **LOSS ABSORPTION**

- 9.1 In case of the occurrence of a Net Assets Deficiency Event which cannot be remedied by a deferral of interest in accordance with Clause 7, the board of directors shall contribute in kind such an amount of the Loan and interest accrued thereon to the share capital (or an issue premium account) of the Borrower for the account of the Lender against the issuance of ordinary shares having, according to the Calculation Agent and, subject to compliance with Article 602 of the Belgian Company Code, an aggregate value equal to the lower of:

- (i) the aggregate of:
 - (a) the Loan; and
 - (b) accrued but unpaid interest on the Loan with respect to the current Interest Period; and
 - (c) any outstanding Deferred Interest; less
 - (d) any Tax imposed on the aforementioned items (i) to and including (iii);

AND

- (ii) the amount required to remedy the Net Assets Deficiency Event.

(a "**Loss Absorption**")

- 9.2 The Borrower will notify the Lender of a Loss Absorption by sending a notice to that effect by no later than 10 Business Days preceding the Conversion Date on which the Borrower contemplates to satisfy the Loss Absorption in accordance with Clause 8.1.

9.3 The Borrower undertakes to use all reasonable efforts to ensure that it has sufficient authorised and unissued ordinary shares for the purpose of the application of Clause 9.1. However, in case a Loss Absorption cannot be satisfied within the limits of the authorised capital as provided in the articles of association of the Borrower for any reason whatsoever, the board of directors of the Borrower shall convene an extra-ordinary general shareholders' meeting to be held on the Conversion Date to approve the Loss Absorption. Failing such approval of the Loss Absorption on the Conversion Date by the extra-ordinary general shareholders' meeting, the Borrower has the right (and the Lender hereby irrevocably and unconditionally agrees thereto), to reduce the Loan (as well as any interest accrued but not yet payable) by the lower of:

- (i) the aggregate of:
 - (a) the Loan; and
 - (b) accrued but unpaid interest on the Loan with respect to the current Interest Period; and
 - (c) any outstanding Deferred Interest;

AND

- (ii) the amount required to remedy the Net Assets Deficiency Event.

9.4 Any reduction in accordance with Clause 9.4 shall first be imputed to any accrued but unpaid interest on the Loan and subsequently to the Loan.

10. REPAYMENT

10.1 The Loan is perpetual.

10.2 Notwithstanding the foregoing, the Loan may, subject always to the prior written approval of the CBFA, be repaid at the option of the Borrower:

- (i) after the fifth anniversary of the Drawdown Date; or
- (ii) in case of a Tier Disqualification Event; or
- (iii) in case of a Tax Event; or
- (iv) in any such other case as agreed by the CBFA.

10.3 If it becomes unlawful in any applicable jurisdiction for the Lender to have the Loan outstanding or otherwise perform any of its obligations under the terms and conditions of this Agreement, the Lender shall promptly notify the Borrower and the Lender and Borrower shall negotiate in good faith to revise this Agreement so it would be compliant with all applicable laws (any such amendments shall be subject to the approval of the CBFA). If no agreement can be reached, the Borrower shall enter into discussions with the CBFA in view of the (partial) repayment of the Loan, it being understood that no repayment can be made without the prior written approval of the CBFA, which has no legal obligation to approve the same.

10.4 The repayment price will be an amount equal to the aggregate of (i) the amount of the outstanding Loan and, (ii) the amount of any accrued but unpaid interest on the Loan, (iii) the amount of any Deferred Interest, not yet converted in accordance with Clause 8 or Clause 9.

11. FURTHER ASSURANCES

The Lender waives, to the fullest extent permitted by law (i) its rights pursuant to Article 1184 of the Belgian Civil Code, and (ii) any rights it may have under Article 1117 of the Belgian Civil Code.

12. PAYMENTS

12.1 Unless otherwise provided herein, all payments by a party under this Agreement shall be made to such party to its account at such office or bank in Belgium as previously notified or to such other account at such other office or bank as it may otherwise notify to, otherwise agree with, the other party.

12.2 Any payments under this Agreement to the Lender shall be made for value on the due date at such times and in such funds as the Lender may specify as being customary at the time for the settlement of transactions in the relevant currency in the place for payment.

12.3 A repayment of the Loan or any interest on the Loan is payable in Euro, unless parties have otherwise agreed.

12.4 Amounts payable in respect of costs, expenses, taxes and the like are payable in the currency in which they are incurred.

- 12.5 If a payment under this Agreement is due on a day which is not a Business Day, the due date for that payment shall instead be the next Business Day.
- 12.6 All payments by the Borrower hereunder will be free and clear of and without deduction or withholding for or on account of any Tax of any jurisdiction, unless a tax deduction is required by law.
13. NOTICE

Each notice, request, direction or other communication under this Agreement will be sent:

if to the Lender, to it at:

Attn: Eric Vanderkerken
Email: Eric.Vanderkerken@atcgroup.com
Fax: +352 2689 01 69

if to the Borrower, to it at:

Attn: Jean-Christophe Mathonetl CFO
Email: jc.mathonet@bnymellon.com
Fax: +32 2 545 8888

or to such other email address or facsimile number as is notified from time to time by one party hereto to the other party hereto.

14. ASSIGNMENT

The Borrower may not assign its rights and obligations under this Agreement without the prior written consent of the Lender,

15. AMENDMENTS

- 15.1 Any amendments to this Agreement shall be in writing.
- 15.2 The Lender acknowledges that the Borrower needs to obtain the prior written approval of the CBFA before agreeing to any amendments.

16. COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

17. GOVERNING LAW AND JURISDICTION

- 17.1 This Agreement shall be governed by Belgian law.
- 17.2 The Courts of Brussels have exclusive jurisdiction to settle any dispute arising from or connected with this Agreement.

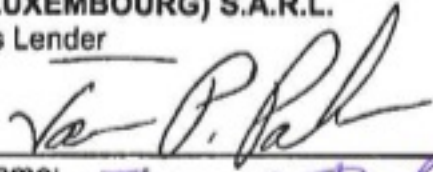
IN WITNESS WHEREOF the authorised representatives of the Lender and the Borrower have each caused this Agreement to be duly executed in two originals on the date first above written by attaching their respective signatures to the execution page (each party acknowledging haven received one original).

EXECUTION PAGE

EUR 253.000.000,00 Subordinated Perpetual Loan Agreement (Tier 1)

FOR AND ON BEHALF OF

**BNY MELLON GSS HOLDINGS
(LUXEMBOURG) S.À.R.L.**
as Lender



Name: James Palermo
Title: Manager.

FOR AND ON BEHALF OF

THE BANK OF NEW YORK MELLON SA
as Borrower

Name: Jean-Christophe Mathonet

Title: Executive Director – C.F.O.

EXECUTION PAGE

EUR 253.000.000,00 Subordinated Perpetual Loan Agreement (Tier 1)

FOR AND ON BEHALF OF

**BNY MELLON GSS HOLDINGS
(LUXEMBOURG) S.À.R.L.**
as Lender

Name:

Title:

FOR AND ON BEHALF OF

THE BANK OF NEW YORK MELLON SA
as Borrower



Name: Jean-Christophe Mathonet

Title: Executive Director – C.F.O.

Dated 19 December 2011

BNY Mellon GSS Holdings (Luxembourg) S.à.r.l.
as Lender
and
The Bank of New York Mellon SA
as Borrower

Amendment Agreement to Subordinated Perpetual Loan Agreement
(Tier 1)

AMENDMENT AGREEMENT TO THE SUBORDINATED PERPETUAL LOAN AGREEMENT
MADE ON 23 JULY 2010

BETWEEN:

1. BNY Mellon GSS Holdings (Luxembourg) S.à r.l., a company organised and existing under the laws of the Grand Duchy of Luxembourg and having its registered office at L--1931 Luxembourg, 13-15, Avenue de la Liberté, R.C.S. Luxembourg B 134 044 (together with its successors and permitted assigns and transferees, the "**Lender**"); and
2. The Bank of New York Mellon SA, a company organised and existing under the laws of Belgium and having its registered office at Rue Montoyer 46, B-1000 Brussels, RPM Brussels, enterprise number 0806743159 (the "**Borrower**");

WHEREAS:

- (A) The Lender and the Borrower entered into a Subordinated Perpetual Loan Agreement ("**Agreement**") of EUR 253.000.000,00 on 23 July 2010, date of execution of this Agreement;
- (B) The Borrower attributed this Loan to its Frankfurt Branch on 30 November 2010;
- (C) The Lender and the Borrower are willing to limit the duration of this perpetual Loan to thirty (30) years starting as of the date of execution of the Agreement;
- (D) Any amendments to the Agreement shall be in writing and primarily approved in writing by the National Bank of Belgium ("**NBB**"), that has succeeded to CBFA (now Financial Services and Market Authority) in its capacity as Belgian prudential supervision authority;

SUBJECT TO THE PRIOR WRITTEN APPROVAL OF THE NATIONAL BANK OF BELGIUM, IT IS AGREED AS FOLLOWS:

1. The Loan is granted for a period of thirty (30) years starting as from the date of execution of the Agreement;
2. The terms of Clause 10 of the Agreement are replaced as follows:
 10. DURATION & REPAYMENT
 - 10.1 The Loan is granted for a period of thirty (30) years starting as from the date of execution of the Agreement.
 - 10.2 At the date of expiry of the Loan, the Loan shall be repaid.
 - 10.3 Notwithstanding the foregoing, the Loan may, subject always to the prior written approval of the NBB, be repaid before the expiry of the Loan at the option of the Borrower:
 - (i) after the fifth anniversary of the Drawdown Date; or
 - (ii) in case of a Tier 1 Disqualification Event; or
 - (iii) in case of a Tax Event; or
 - (iv) in any such other case as agreed by the NBB.
 - 10.4 The NBB may request the suspension of the repayment of the Loan if the Borrower does not comply with the applicable requirements on own funds as well as because of the financial situation and the solvability of the Borrower.

- 10.5 If it becomes unlawful in any applicable jurisdiction for the Lender to have the Loan outstanding or otherwise perform any of its obligations under the terms and conditions of this Agreement, the Lender shall promptly notify the Borrower and the Lender and Borrower shall negotiate in good faith to revise this Agreement so it would be compliant with all applicable laws (any such amendments shall be subject to the approval of the NBB). If no agreement can be reached, the Borrower shall enter into discussions with the NBB in view of the (partial) repayment of the Loan, it being understood that no repayment can be made without the prior written approval of the NBB, which has no legal obligation to approve the same.
- 10.6 The repayment price will be an amount equal to the aggregate of (i) the amount of the outstanding Loan and, (ii) the amount of any accrued but unpaid interest on the Loan, (iii) the amount of any Deferred Interest, not yet converted in accordance with Clause 8 or Clause 9.
3. In the Agreement, any references to the perpetual character of the Loan shall be deleted.
4. Except to the extent expressly amended by this Amendment Agreement, all provisions of the Agreement remain unchanged, in full force and effect as stated therein.
5. This Amendment Agreement is an integral part of the Agreement.

IN WITNESS WHEREOF the authorised representatives of the Lender and the Borrower have each caused this Amendment Agreement to be duly executed in two originals on the date first above written by attaching their respective signatures to the execution page (each party acknowledging haven received one original).

EXECUTION PAGE

Amendment Agreement to the Subordinated Perpetual Loan Agreement of 23 July 2010

FOR AND ON BEHALF OF

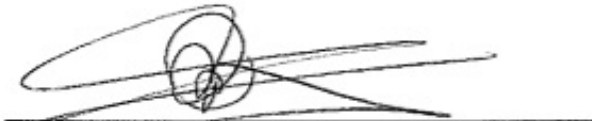
**BNY MELLON GSS HOLDINGS
(LUXEMBOURG) S.À.R.L.**
as Lender

Name:

Title:

FOR AND ON BEHALF OF

THE BANK OF NEW YORK MELLON SA
as Borrower



Name: Paul Bodart

Title: Executive Director – C.E.O.



The Bank of New York Mellon S.A./N.V.
46 Rue Montoyerstraat
1000 Brussels, Belgium
V.A.T. BE 0806.743.159 – Company No. 0806.743.159
BRUSSELS RPM-RPR.

bnymellon.com

The Bank of New York Mellon SA/NV is a Belgian public limited liability company (société anonyme/ naamloze vennootschap), authorized and regulated as a credit institution by the National Bank of Belgium (NBB), and a subsidiary of The Bank of New York Mellon, a banking corporation organized under the laws of the State of New York, with head office at 240 Greenwich Street, New York, NY 10007, U.S.A.