BNY MELLON

THE BANK OF NEW YORK MELLON
S.A./N.V.

Pillar 3 Disclosure

June 30, 2019

bnymellon.com

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BNY MELLON

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Any discrepancies between the totals and sums of components within the tables and graphs within this report are as a result of roundings

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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 Belgium[1] ('NBB'), the Capital Requirements Directive[2] ('CRD IV') and the Capital Requirements Regulation[3] ('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 30 June 2019.

These disclosures were approved by the BNY Mellon SA/NV Executive Committee ('ExCo') on 24 September 2019.

[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:

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

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

The following metrics present BNY Mellon SA/NV's key risk components as at 30 June 2019. Please see page 15 for the full comprehensive list of capital ratios.

Common Equity Tier 1 ratio	54.9%	31-Mar-19: 61.9%
Tier 1 capital ratio	54.9%	31-Mar-19: 61.9%
Total capital ratio	61.2%	31-Mar-19: 69.1%
Basel III leverage ratio *(This ratio is for information only. BNY Mellon SA/NV is not subject to a binding leverage requirement)*	7.8%	31-Mar-19: 7.9%

CET1 ratio = CET1 capital / Pillar 1 RWAs

Tier 1 ratio = Tier 1 capital / Pillar 1 RWAs

Total capital ratio = Total capital / Pillar 1 RWAs

Basel III leverage ratio = Capital measure / Exposure measure

1.1 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:

Credit risk **Counterparty credit risk** **Market risk**
Operational risk **Leverage**

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 year 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.

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

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

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

Wherever possible and relevant, management 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:

BNY Mellon Investor Relations - Pillar 3

See section *investor relations, financial reports, other regulatory filings.*

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 Disclosure approval

These disclosures were approved for publication by the ExCo on 24 September 2019. The ExCo 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 30 June 2019, BNY Mellon had US$35.5 trillion in assets under custody and/or administration, and US$1.8 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: 'BK'). Additional information is available on ***www.bnymellon.com***. Follow us on Twitter ***@BNYMellon*** or visit our newsroom at ***www.bnymellon.com/newsroom*** for the latest company news.

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 assimilated settlement institution and is directly supervised by the NBB in this respect. Its seven branches and consolidated subsidiary ('BNY Mellon KG') 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')

Name	Type	Regulator
London Branch	Branch	Prudential Regulatory Authority ('PRA') Financial Conduct Authority ('FCA')
Luxembourg Branch	Branch	Commission de Surveillance du Secteur Financier ('CSSF')
Paris Branch	Branch	Autorité Du Contrôle Prudentiel ('ACPR'), Banque De France ('BD')
Milan Branch	Branch	Banca D'Italia ('BI')
BNYMSKVG	Subsidiary	Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin')

1.6 Organisational structure

BNY Mellon SA/NV is a Belgian credit institution and is also recognized as a Belgian assimilated settlement institution. BNY Mellon SA/NV has its registered office in Brussels and is a wholly owned subsidiary of The Bank of New York Mellon (99.9999% of share capital - BNY International Financing Corporation holds one share in BNY Mellon SA/NV).

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 and Paris. BNY Mellon SA/NV has also a subsidiary in Frankfurt, BNYMSKVG, and a representative office in Copenhagen. 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.

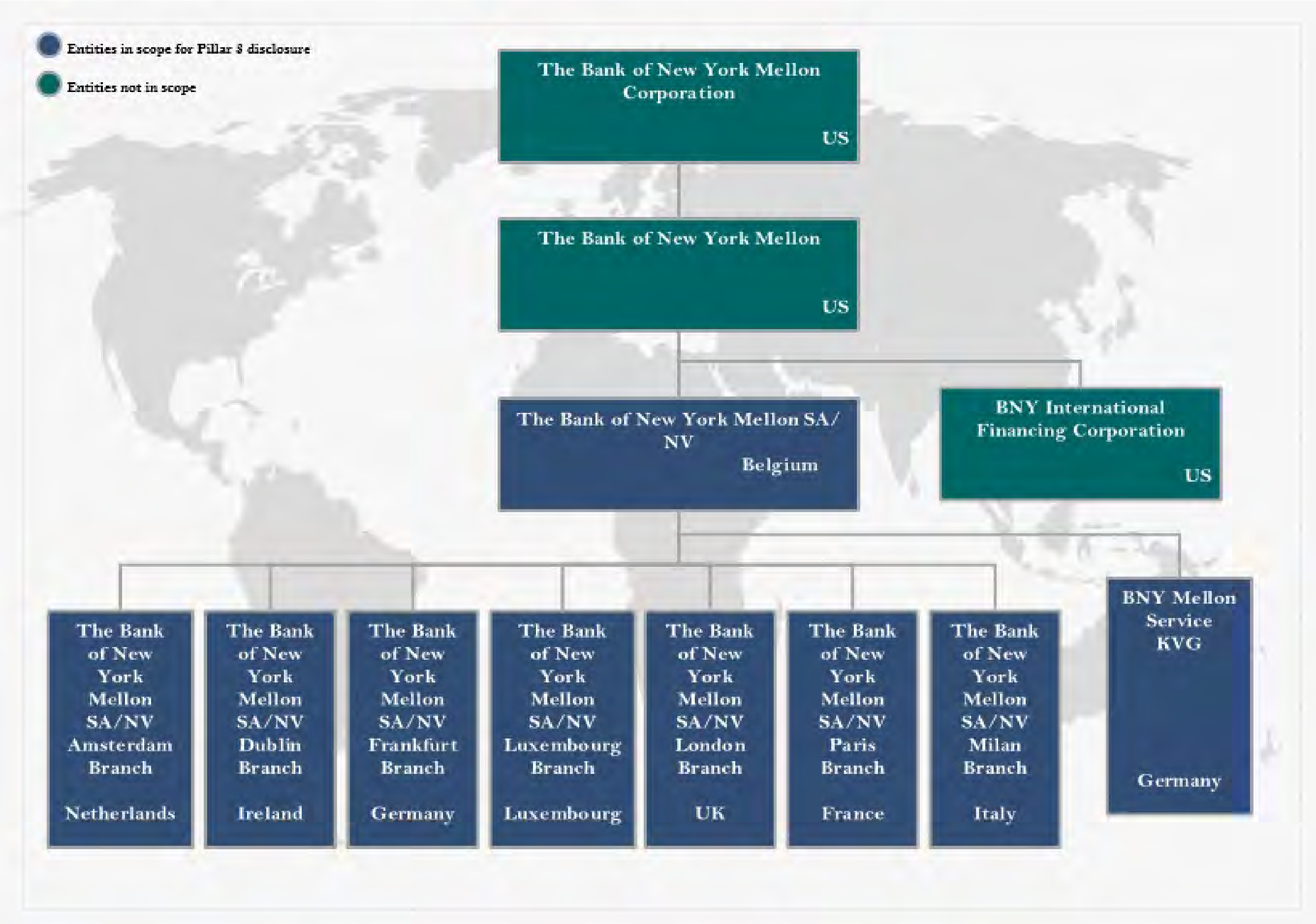
BNY Mellon SA/NV was established in 2008 with the aim of becoming BNY Mellon’s main banking subsidiary in Continental Europe. During 2009, part of the business of the Brussels Branch of BNY Mellon was integrated into BNY Mellon SA/NV, forming the current Brussels Head Office. As part of BNY Mellon’s 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 KapitalverwaltungsGesellschaft ('BNY Mellon KG'). 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 and the Luxembourg Branch of BNY Mellon SA/NV significantly expanded its activities as a result of this merger.

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, acting as National Competent Authority. 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.

Figure 1: BNY Mellon SA/NV legal entity structure at 30 June 2019



Basis of consolidation for Pillar 3 Disclosure

Entity name	Consolidation basis	Services provided
The Bank of New York Mellon SA/NV	N/A	Belgian credit institution and is also recognized as a Belgian assimilated settlement institution who's services include; Asset servicing, Issuer services, Clearing, Markets and Client Management
BNY Mellon Service KVG	Fully consolidated	A capital investment company BNY Mellon KG is an independent provider of fund administration services

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
- 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 reassesses 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 EMEA operating model (three bank model)

Within BNY Mellon, BNY Mellon SA/NV is usually referred to as ‘The European Bank’ and remains strategically important for BNY Mellon as the primary contracting entity for Investment Servicing in Europe. BNY Mellon SA/NV is a global custodian for BNY Mellon. Assets are held worldwide on behalf of other BNY Mellon entities through relationships with third-party sub-custodians or with central securities depositories.

BNY Mellon SA/NV manages a network of approximately 100 sub-custodian relationships utilised by BNY Mellon and facilitates the expansion of BNY Mellon into other EU countries through the establishment of a network of branches or passporting of services.

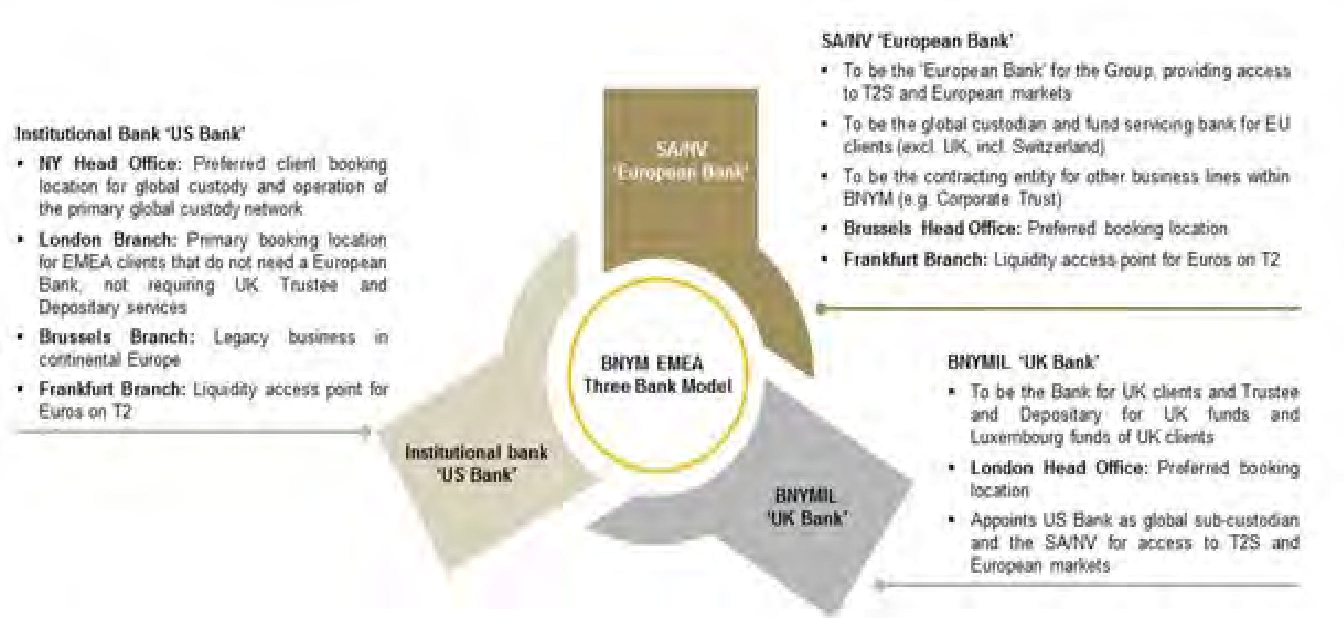
To create a more efficient operating model and respond to increasing demands from regulators in the US, UK and EMEA, the BNY Mellon EMEA Operating Model is being re-aligned around Three Banking Entities. To facilitate this model, a new global booking principle and a Dual Custody model is being implemented within BNY Mellon. This rationalized, more efficient and simple structure will give BNY Mellon SA/NV flexibility for growth by freeing up capital, allowing greater capacity for new products and services and focusing its business on EU clients.

The **rationales** behind the Three Bank Model initiative include:

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

The **outcome** of the Three Bank Model is illustrated in figure 2 below:

Figure 2: Three Bank Model



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 and Broker-Dealer Services.

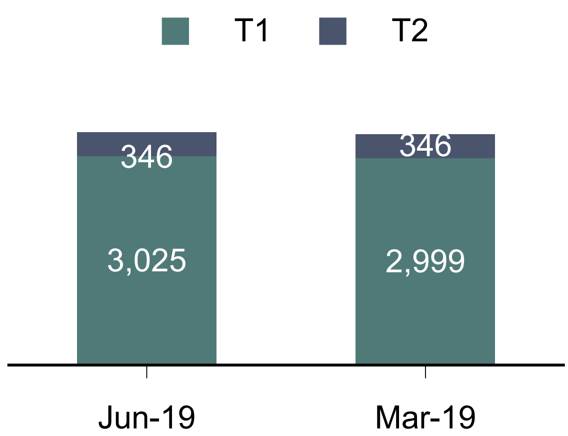
Line of business ('LOB')	Description
Asset Servicing ('AS')	Asset Servicing primarily comprises Global and Local Custody services but also includes Depositary Services, Institutional Accounting, Fund Accounting, Transfer Agency services, Capital Markets Trading Desk, Derivatives 360° - Middle Office and Derivatives Margin Management, Middle Office Operations Services and Depositary Receipts.
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.
Clearing, Markets and Client 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. Since end of Q1 BNY Mellon SANV also provide this range services to its own clients base.

Line of business ('LOB')	Description
Liquidity Services and Segregation	BNY Mellon SA/NV provides sales and client service to clients enabling clients to view, transact and generate reporting for their daily liquidity activities via an on-line platform.
Broker-Dealer Services	Broker-Dealer Global Clearing provides Settlement and Custody services for fixed-income and equity securities.
Securities Finance	BNY Mellon SANV provide securities lending agent services since end of Q1 2019. Securities lending consists of temporary exchange of securities for acceptable collateral between a lender and an approved borrower.

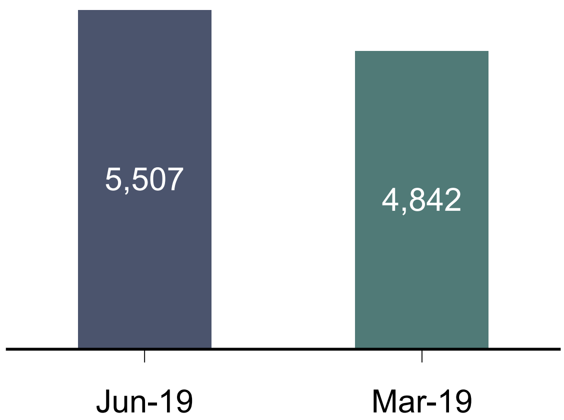
1.9 Key metrics

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

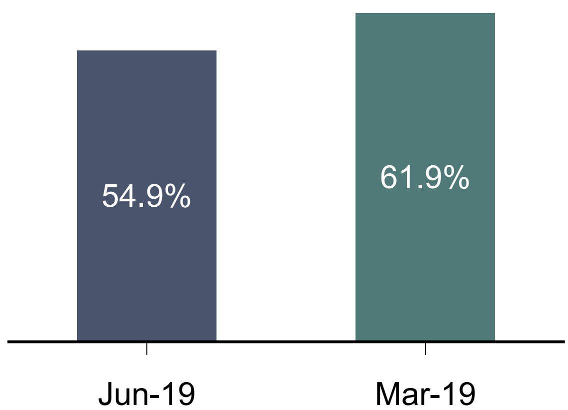
Regulatory capital (€m)



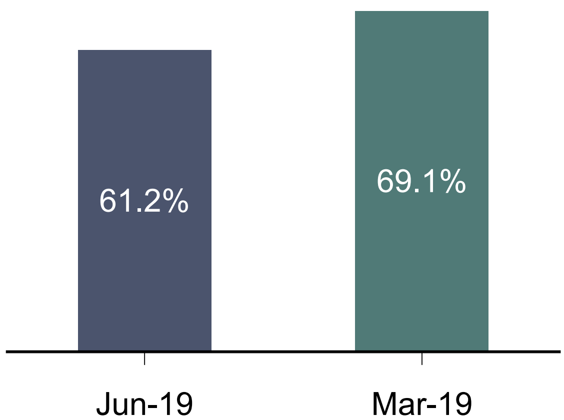
Risk-weighted assets (€m)



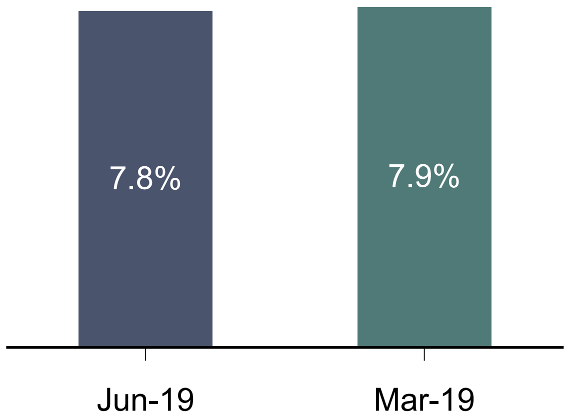
CET1 ratio



Total capital ratio



Leverage ratio



Net stable funding ratio

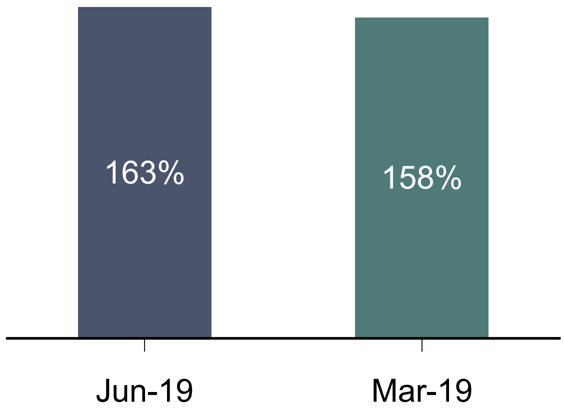


Table 1: KM1 - Key metrics

Own Funds	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
Available capital (€m)					
Common Equity Tier 1 capital	**3,025**	2,999	2,954	2,721	2,737
Tier 1 capital	**3,025**	2,999	2,954	2,721	2,737
Tier 2 capital	**346**	346	346	346	346
Total capital	**3,371**	3,345	3,300	3,067	3,083
Risk-weighted assets (€m)					
Total risk-weighted assets ('RWA')	**5,507**	4,842	3,822	4,348	4,983
Risk-based capital ratios as a percentage of RWA					
CET1 ratio	**54.9%**	61.9%	77.3%	62.6%	54.9%
Tier 1 ratio	**54.9%**	61.9%	77.3%	62.6%	54.9%
Total capital ratio	**61.2%**	69.1%	86.3%	70.5%	61.9%
Additional CET1 buffers requirements as a percentage of RWA					
Capital conservation buffer requirement	**2.500%**	2.500%	1.875%	1.875%	1.875%
Countercyclical buffer requirement	**0.076%**	0.093%	0.101%	0.073%	0.076%
Other systemically important institution buffer	**0.750%**	0.750%	0.750%	0.750%	0.750%
Basel III leverage ratio					
Total Basel III leverage ratio exposure measure (€m)	**38,712**	38,128	27,802	34,297	39,220
Basel III leverage ratio	**7.8%**	7.9%	10.6%	7.9%	7.0%
Liquidity Coverage Ratio ('LCR')					

Own Funds	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
Total high quality liquid assets (€m)	**21,779**	19,180	15,022	17,813	21,304
Total net cash outflow (€m)	**15,673**	12,504	8,499	11,128	13,422
LCR	**139.0%**	153.4%	176.8%	160.1%	158.7%
Net Stable Funding Ratio ('NSFR')					
Total available stable funding (€m)	**9,507**	9,585	8,828	9,254	10,185
Total required stable funding (€m)	**5,847**	6,050	5,264	5,700	5,957
NSFR	**162.6%**	158.4%	167.7%	162.4%	171.0%
Total loss-absorbing capacity ('TLAC') requirements					
Total risk exposure amount ('TREA') (€m)	**793**				
Leverage ratio exposure measure ('LREM') (€m)	**2,323**				
Own funds / TREA	**425.1%**				
Own funds/ LREM	**145.1%**				

Note: 31 December 2018 capital and leverage ratios include yearly P/L

Key highlights and post balance sheet date events

The following took place in the second quarter of 2019 and are considered as important events that impacted BNY Mellon SA/NV:

The decrease in capital ratios resulted from an increase in RWAs, by €665 million, mainly as a result of an increase in derivatives (€318 million, of which resulting from the derecognition of netting by €97 million) and failed trades with third parties (impact of €298 million).

This was slightly compensated by an increase of the own funds, by €26 million, mainly as a result of an increase of the accumulated other comprehensive income on securities measured at fair value through the statement of other comprehensive income (€45 million). This was partly offset by an increased deduction of new intangibles net deferred tax liabilities (€20 million) following transfer of Global Collateral Management contracts from BNY Mellon London Branch in June 2019.

Institution specific countercyclical capital buffer rate has slightly decreased from 0.093% in Q1 2019 to 0.076% in Q2 2019 regardless of the overall increase of RWA by €665 million as a result of the increased relevant exposures with a lower CCyB rate of 1% (United Kingdom) by €29 million while the relevant exposures with a higher CCyB rate of 2% (Sweden and Norway) have decreased by €10 million.

The LCR decreased from 152% to 139% due to higher increase in the net outflows (17%) comparing with an increase in liquid assets (7%). The increase of HQLA (€1.5 billion) is due to increase in both central bank reserves (€0.85 billion) as well as increase in the investment portfolio (€0.4 billion).

NSFR ratio increased from 158% to 163% as a result of available stable funding decreasing by €0.1 billion following a decrease in third party deposits and required stable funding ('RSF') decreased by €0.2 billion resulting from:

- Decrease of unencumbered loans to financial institutions < 6 months by €3.5 billion (at 15% RSF);
- Derivatives receivables increasing by €0.2 billion (at 100% RSF).

Capital

2 Article 437 CRR - Own funds

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Common Equity Tier 1 capital	€3,025m 31-Mar-19: €2,999m	↑
Total own funds	€3,371m 31-Mar-19: €3,345m	↑
Total risk-weighted assets	€5,507m 31-Mar-19: €4,842m	↑

This section provides an overview of the balance sheet items used to calculate own funds and the composition of BNY Mellon SA/NV's regulatory capital. The scope of consolidation and the method for consolidation used for the balance sheet in accordance with International Financial Reporting Standards ('IFRS') are identical to the scope of consolidation and the method for consolidation used in the prudential framework. The major difference between the consolidated own funds as published in the financial statements and the regulatory own funds, comes from the regulatory adjustments required by the prudential Regulation No 575/2013 (CRR). The Pillar 3 disclosures are published in accordance with prudential requirements.

Table 2: CC2 - Reconciliation of regulatory capital

This table shows a reconciliation of BNY Mellon SA/NV's balance sheet equity prepared in accordance with IFRS and the regulatory balance sheet equity calculated under prudential rules. As mentioned above, there is no difference between the scope and method for consolidation between the financial statements and prudential rules. Hence, the only differences are stemming from the prudential regulatory adjustments in accordance with CRR.

At 30 June 2019 (€m)	Statutory accounts balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash and cash balances with central banks	13,439	—	13,439
Derivative financial instruments	299	452	751
Loans and advances to customers	9,561	2,327	11,888
Investment securities	12,104	(12)	12,092
Other assets	404	8	412
Property and equipment	48	—	48
Current tax assets	40	—	40
Deferred tax assets	5	3	8
Goodwill and other intangible assets	29	(29)	—
Total assets	**35,929**	**2,749**	**38,678**
Liabilities			
Derivative financial instruments	317	452	769
Deposits by credit and other financial institutions	30,879	2,327	33,206
Deposits by central banks	537	—	537
Customer accounts (non-banks)	202	—	202
Subordinated loan	358	(346)	12
Current Tax	54	—	54
Deferred Tax	34	—	34
Provision for defined benefit obligation and other liabilities	352	8	360
Provision for restructuring	12	—	12

At 30 June 2019 (€m)	Statutory accounts balance sheet	Regulatory adjustments	Regulatory balance sheet
Other financial liabilities	43	—	43
Total liabilities	**32,788**	**2,441**	**35,229**
Shareholders' equity			
Called up share capital	1,757	—	1,757
Retained earnings, reserves and other comprehensive income	1,306	—	1,306
Deductions from capital	—	(38)	(38)
Tier 2 capital	—	346	346
Profit and loss account	78	(78)	—
Total equity	**3,141**	**230**	**3,371**
Total liabilities and equity	**35,929**	**2,671**	**38,600**

Note: Current year profit and loss not included in the regulatory balance sheet

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
- **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 article 62 of CRR, subordinated loans meeting conditions of article 63 are considered as Tier 2 capital.

In accordance with art 36 and 37, Amounts of Goodwill and intangible assets net of their related deferred tax liabilities are deducted from the CET1.

Table 3: 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)	Jun-19	Mar-19	Dec-18
Common Equity Tier 1 ('CET1')			

Own funds (€m)	Jun-19	Mar-19	Dec-18
Capital instruments	**1,757**	1,757	1,757
Retained earnings	**1,205**	1,205	1,205
Reserves and other comprehensive income	**101**	55	11
CET1 Adjustments	**(38)**	(18)	(19)
Total CET1 capital	3,025	**2,999**	**2,954**
Additional Tier 1 ('AT1') capital			
Total AT1 capital	—	—	—
Total Tier 1 capital	3,025	**2,999**	**2,954**
Tier 2 ('T2') capital			
Capital instruments and subordinated loans	**346**	346	346
Total T2 capital	346	**346**	**346**
Total own funds	3,371	**3,345**	**3,300**

Table 4: TLAC1 - Transitional own funds

The table below shows the own funds disclosure at 30 June 2019.

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	1,757
of which: ordinary shares	1,757
Retained earnings	1,283
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	101
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	**3,141**
CET1 capital: regulatory adjustments	
Intangible assets (net of related deferred tax liability)	(27)
Additional value adjustments (prudent valuation)	(12)
Year-end non eligible earning adjustments	(78)
Total regulatory adjustments to CET1	**(117)**
CET1 capital	**3,024**

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
AT1 capital	**—**
Tier 1 ('T1') capital	**3,024**
Tier 2 ('T2') capital: Instruments and provisions	
Total regulatory adjustments to T2 capital	—
T2 capital	**346**
Total capital	**3,370**
Total risk-weighted assets	**5,507**
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	54.9%
T1 (as a percentage of risk exposure amount)	54.9%
Total capital (as a percentage of risk exposure amount)	61.2%
Capital conservation buffer requirement	2.500%
Countercyclical capital buffer requirement	0.076%
Other Systemically Important Institution ('0-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)	8

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 €8 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 5: 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 3*** at 30 June 2019.

Capital instruments main features [1]	Loan 1	Loan 2
Legal entity issuer	The Bank of New York Mellon SA/NV	The Bank of New York 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 instruments main features [1]	Loan 1	Loan 2
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
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 (June 2017: €92.5 million) to be used for general corporate purposes. Interest accrued 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 (June 2017: €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.

Both loans are considered as Tier 2 capital for regulatory purposes and each contract allows the National Bank to request the suspension of the repayment of the loan if BNY Mellon SA/NV does not comply with the applicable requirements on own funds or based on the financial situation and the solvability of BNY Mellon SA/NV.

There is no collateral required as per loan agreements for the two loans.

Notwithstanding the fact that the loans are perpetual or maturing on 22 July 2040, these may be repaid at the option of BNY Mellon SA/NV (after written approval of the National Bank of Belgium ('NBB')):

- After the 5th anniversary of the Drawdown date;
- In case of a Tier 1 disqualification event;
- In case of a tax event; or
- In any such other case as agreed by the NBB.

The repayment price will be an amount equal to the aggregate of the amount of the outstanding loan and, the amount of any accrued (or deferred) but unpaid interest on the loan.

The full terms and conditions of all capital instruments can be found in ***appendix 4*** of this disclosure.

Issued capital and reserves

Authorised, issued and fully paid (€000s)	2018	2017
Ordinary shares of €976.7 each	1,672	1,672
Percentage convertible preference shares	—	—

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

3 Article 438 CRR - Capital requirements

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Total risk exposure amount	€5,507m 31-Mar-19: €4,842m	↑
Total capital requirement	€442m 31-Mar-19: €388m	↑

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 Belgium Asset and Liability Committee ('Belgium ALCO').

3.1 Calculating capital requirements

CRD IV 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 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 6: EU OV1 - Overview of RWAs

This table shows the risk-weighted assets calculated using the standardised approach and their respective capital requirements.

	Risk exposure amount		Capital requirements	
Type of risk (€m)	**Jun-19**	**31-Mar-19**	**Jun-19**	**Mar-19**
Credit risk*	**3,699**	3,517	**296**	281
Counterparty credit risk*	**569**	159	**46**	13
of which: Mark-to-market*	**450**	131	**36**	11
of which: Credit valuation adjustment*	**120**	27	**10**	2
Market risk*	**74**	—	**6**	—
of which: Foreign exchange position risk*	**74**	—	**6**	—
Operational risk*	**1,145**	1,145	**92**	92
of which: Standardised approach	**1,145**	1,145	**92**	92
Amounts below the thresholds for deduction (subject to 250% risk-weight)	**20**	21	**2**	2
Total	**5,507**	**4,842**	**442**	**388**
Total capital			**3,370**	**3,344**
Surplus capital			**2,930**	2,957

**Standardised approach*

Risk exposure amount has increased by €665 million in Q2 2019 compare to Q1 2019 resulting from:

- RWA for credit risk, including counterparty credit risk, increased by €592 million resulting mainly from failed trades (€298 million) and increased derivatives (€318 million).
- RWA for Market risk is calculated as the net foreign-exchange position. At 30 June 2019 the net foreign-exchange position was €74 million which exceeded 2% of the total own funds. This was mainly driven by the change of the net position in:
    - USD from Long (€13 million) in Q1 2019 to Long (€48 million) in Q2 2019
    - GBP from Short (€-4 million) in Q1 2019 to Short (€-0.4 million) in Q2 2019

  Net FX Long position in other currencies is €21 million in Q2 2019 and €20 million in Q1 2019.

In Q1 2019 in accordance with CRR Art. 351 RWA for Market risk was calculated, as the net foreign-exchange position, to be €39 million which did not exceed 2% of total own funds and was therefore not required to be disclosed.

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.

Risk

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 program that is designed to ensure that:

- Risk tolerances (limits) are in place to govern its risk-taking activities across all businesses and risk types
- Risk appetite principles are incorporated into its strategic decision making processes
- Monitoring and reporting of key risk metrics to senior management and the board takes place

- There is a capital planning process which incorporates both economic capital modelling and a stress testing programme

The Board has adopted for BNY Mellon SA/NV 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 strong capital structure whilst delivering operational excellence to meet stakeholders' expectations.

Risk statement

In accordance with the CSRSFI Circular 2010-1[1] Committee for Systemic Risks and System-relevant Financial Institutions (NBB), Circular to SIFIs, CSRFSI, 26 October 2010, BNY Mellon SA/NV has been identified as a Systemically Important Financial Institution ('SIFI') in Belgium and making it a high priority to manage risks appropriately to that 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 due to 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 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 requirements as well as Pillar 2 (Economic Capital). Both concepts are subject to risk appetite metrics.

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 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 SREP review and risk appetite. BNY Mellon SA/NV ensures to have sufficient capital to cover Capital requirements and all necessary buffers. The risk appetite sets a 20% 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 for the Economic Capital Adequacy related subjects. The Economic Capital calculated for all the material risks 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 30 June 2019 to face the risks of the entity. At 30 June 2019:

- The Pillar 1 capital requirement was €442 million, CET1 was €3,025 million; as a result, the CET1 ratio was 54.9%

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 macro-economic 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 defining a risk appetite must consider the views of a number of different stakeholders while accounting for business strategy and risk profile
- The Board sees embedding the risk appetite into the business strategy as essential
- The Board recognises that it cannot 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

- 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 principal responsibilities of the Board, as defined in the Terms of Reference for the Board of Directors 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
- planning and monitoring 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

- 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
- overseeing the process of external disclosure and communications

The table below shows the members of the Board, membership of internal committees and external mandates as of 30 June 2019.

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 of Directors, Independent Member of the Audit Committee, Independent Chair of the Remuneration and Nomination Committees	Climact sa	Belgium	Environmental consultancy	N	Chairman of the Board	N
		Ginkgo Management sarl Ginkgo Management sarl II	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	CoDiese & GRC & PREF-X SAS	France	Finance consultancy	N	Director	N
		Montpensier Finance	France	Assets Management Company	N	Independent Director	N
Thomas (Todd) Gibbons	Member of the Audit Committee*						
Hani Kablawi	Member of the Remuneration and Risk* Committees	Arab Bankers Association London, UK	United Kingdom	Financial services	N	Vice Chairman and Board Member	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)
Carol Sergeant	Independent Chair of the Risk Committee, Independent Member of the Audit and Nomination Committees	Danske Bank A/S	Denmark	Financial services	Y	Vice Chairman	N
		Threadneedle Solutions Limited	United Kingdom	Private Company	N	Director	N
		British Standards Strategy and Policy Committee	United Kingdom	Not for Profit	N	Chairman	N
Executive Directors							
Leonique van Houwelingen	Chief Executive Officer Chair of the Executive Committee	Foreign Bankers'Association (FBA)	The Netherlands	Trade association	N	Non-executive Chair	N
		American Chamber of Commerce	Belgium	Trade association	N	Board Member	N
Hedi Ben Mahmoud	Chief Risk Officer Member of the Executive Committee						
Annik Bosschaerts	Chief Operations Officer Member of the Executive Committee						
Eric Pulinx	Chief Financial Officer Deputy Chief Executive Officer Member of the Executive Committee	Delen Private Bank and FinAx	Belgium	Credit institution	N	Independent director	N

** The appointments of Todd Gibbons as Member of the Audit Committee and Hani Kablawi as Member of the Risk Committee are subject to regulatory approval.*

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 and that such distribution should be reached by 2020. As long as this target is not reached, female candidates with proven qualifications shall be preferred over male candidates for any new appointment on the Board.

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 Internal Capital Adequacy Assessment Process ('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
- The Asset and Liability Committee
- The Capital and Stress Test Committee
- The Credit Risk Oversight Committee

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 ('RMC') 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, 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 and its underlying branches and subsidiary and businesses are executed in accordance with internal policies and all relevant regulations.

The RMC is responsible for ensuring that risk and compliance activities undertaken by BNY Mellon SA/NV and its underlying branches and subsidiary and businesses are executed in accordance with internal policies and all relevant regulations.

Asset and Liability Committee ('ALCO')

The Belgium 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.

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), 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 Executive Committee 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 Committees ('BAC')

The BACs are 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 & AIS, Corporate Trust, Depositary Receipt, Markets, and BrokerDealer & 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 two councils to assist them:

- The Technology and Information Risk Council ('TIRC') derives its authority and mandate from the ExCo through the RMC. The purpose of the TIRC is to provide a detailed review of all key Client Technology Solutions ('CTS') services and emerging risk for reporting to the RMC
- 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

4.2.3 Business unit risk management

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

EMEA Asset Servicing Business Acceptance Committee ('BAC') 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 ('BRC') 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 ('BDS') Global Business Acceptance Committee ('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 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 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 BDS BRC 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. BDS BRC 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 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.

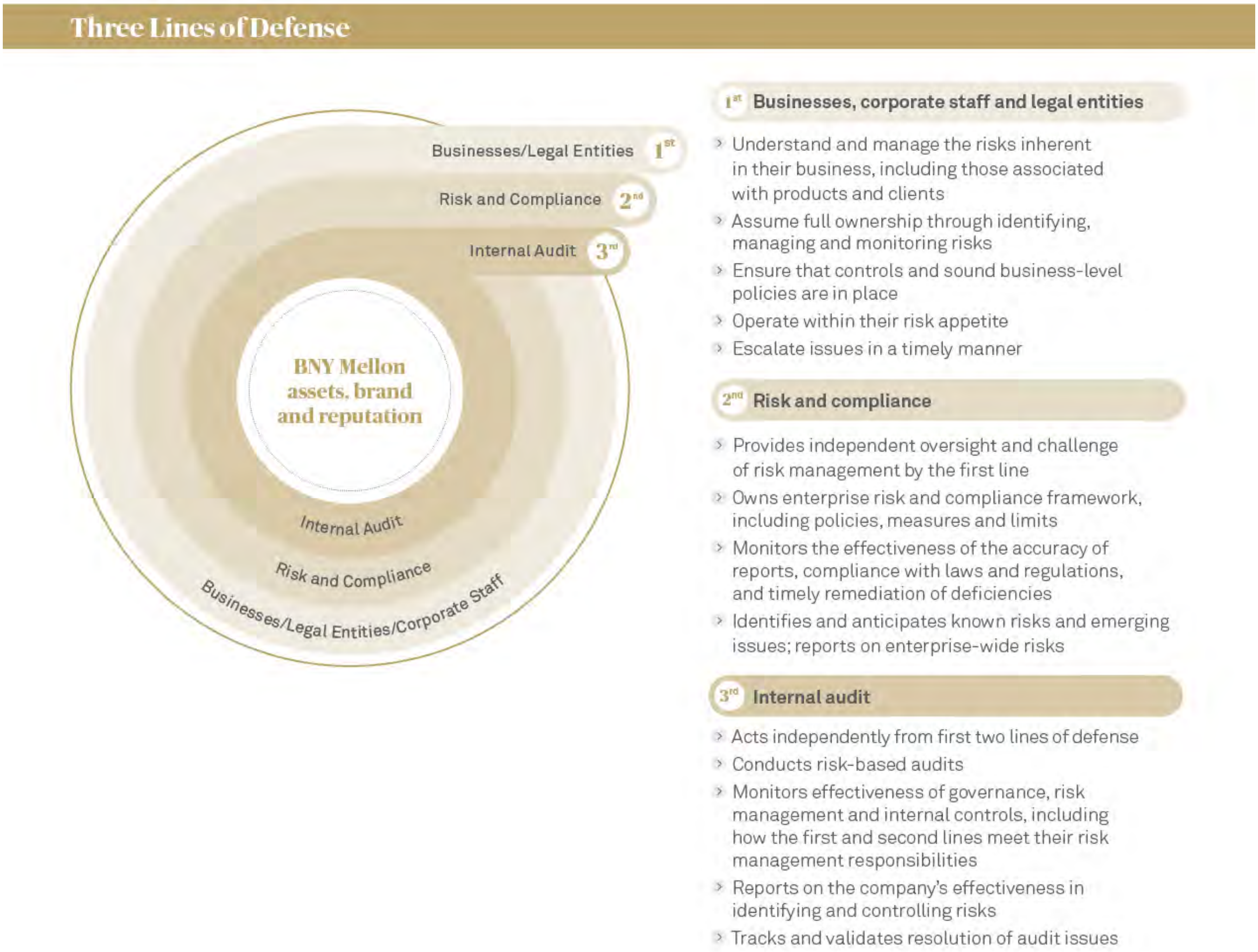
BNY Mellon SA/NV Risk Management Framework is organized around the three lines of defense and BNY Mellon SA/NV has, in accordance with the Banking Act requirements, put in place the following independent control functions: internal audit, compliance and risk management.

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 BNY Mellon SA/NV’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 (operational, market).

4.4 Risk register

A 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 BNY Mellon SA/NV is exposed. The BNY Mellon SA/NV Risk Register, 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's Risk Register 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 Risk Register, 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, and 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 Executive Committee 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 it’s appetite through a series of statements and metrics.

4.6 Risk assessment methodology and reporting systems

Risk identification and monitoring occur in the business (operational areas) and within focused risk departments. Several processes are in place in order to ensure that the risks are correctly and timely identified and monitored. Monitoring and controlling risks 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 the businesses 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, 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 and 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 BNY Mellon SA/NV, 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 requirements as well as Pillar 2 (Economic Capital).

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 of Directors during 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 paper 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 business need to be reviewed and approved by the corresponding Business Acceptance Committee (Line of Business). 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 to contact 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 form 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 & 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 Belgium 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 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 discussions around the top risks for BNY Mellon SA/NV that are reviewed on a quarterly basis, and discuss the progress to mitigate them.

Risk dashboard

The BNY Mellon SA/NV Risk dashboard aims at providing a high-level view on the different risk appetite metrics and their evolution over a given period and a high-level view over a given period of time 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.

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, and results are 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
- 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.
- 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 ('RRP')

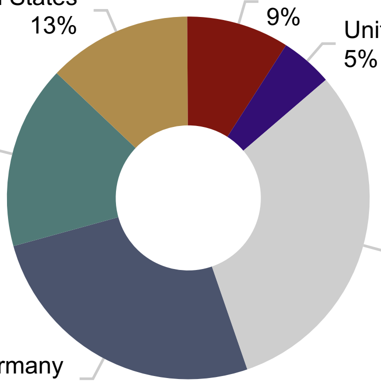
BNY Mellon SA/NV updates its recovery plan annually, in accordance with regulatory guidance. The recovery plan is designed to ensure that the BNY Mellon SA/NV group has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises. BNY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

5 Article 442 CRR - Credit risk adjustments

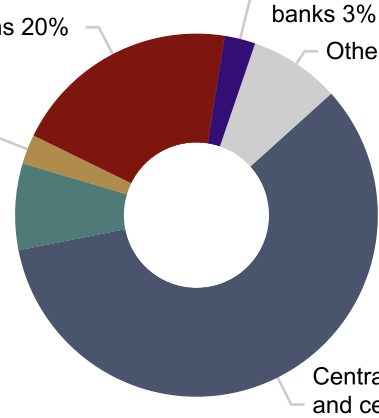
The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Total net credit exposure amount	€38,113m	31-Dec-18: €27,391m
Total on and off-balance sheet exposures	€38,112m	31-Dec-18: €27,392m

Standardised credit exposure by country at 30 June 2019



Standardised credit exposure by counterparty at 30 June 2019



**Other includes Other items (2%), Public sector entities (5%), international organisations (1%) and regional governments or local authorities (<1%)*

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)
- **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 Asset Under Custody ('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
- 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 form 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:

- 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
- 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)** 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
- **Residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure

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
- **Impaired exposure** is when BNY Mellon SA/NV does not expect to collect all the contractual cash flows when they are due

As at 30 June 2019, 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 7: EU CR1-A - Credit quality of exposures by exposure class and instrument

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

Counterparty type at 30 June 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 and central banks	—	18,885	—	—	—	—	18,885
Corporates	—	4,828	—	—	—	—	4,828
Covered bonds	—	852	—	—	—	—	852
Institutions	—	10,089	—	—	—	—	10,089
Multilateral development banks	—	895	—	—	—	—	895
Other items	—	507	—	—	—	—	507
Public sector entities	—	1,497	—	—	—	—	1,497
International organisations	—	377	—	—	—	—	377
Regional governments or local authorities	—	182	—	—	—	—	182
Total	**—**	**38,112**	**—**	**—**	**—**	**—**	**38,112**

Counterparty type at 31 December 2018 (€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 and central banks	—	13,038	—	—	—	—	13,038
Corporates	—	3,501	(1)	—	—	(1)	3,500
Covered bonds	—	795	—	—	—	—	795
Institutions	—	7,458	—	—	—	—	7,458
Multilateral development banks	—	990	—	—	—	—	990
Other items	—	309	—	—	—	—	309
Public sector entities	—	819	—	—	—	—	819
International organisations	—	395	—	—	—	—	395
Regional governments or local authorities	—	88	—	—	—	—	88
Total	**—**	**27,393**	**(1)**	**—**	**—**	**(1)**	**27,392**

As at 30 June 2019, there are no past due exposures on investment securities, cash or cash balances with central banks. BNY Mellon SA/NV has not recorded any impairment provision for financial assets in the first half of 2019 (2018: € nil).

Table 8: 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.

Industry type at 30 June 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	—	301	—	—	—	—	301
Electricity, gas, steam and air conditioning supply	—	42	—	—	—	—	42
Water supply; sewage; waste management and remediation activities	—	4	—	—	—	—	4
Construction	—	2	—	—	—	—	2
Wholesale and retail trade; repair of motor vehicles and motorcycles	—	78	—	—	—	—	78
Transporting and storage	—	31	—	—	—	—	31
Accomodation and food service activities	—	1	—	—	—	—	1
Information and communication	—	87	—	—	—	—	87
Financial and insurance activities	—	31,210	—	—	—	—	31,210
Professional, scientific and technical activities	—	—	—	—	—	—	—
Administrative and support service activities	—	2	—	—	—	—	2
Public administration and defence; compulsory social security	—	6,157	—	—	—	—	6,157
Human health and social work activities	—	—	—	—	—	—	—
Other service activities	—	146	—	—	—	—	146
Total	**—**	**38,113**	**—**	**—**	**—**	**—**	**38,113**
Of which: Loans	—	37,938	—	—	—	—	37,938
Of which: Off-balance sheet exposures	—	176	—	—	—	—	176

Industry type at 31 December 2018 (€m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Agriculture, forestry and fishing	—	2	—	—	—	—	2
Mining and quarrying	—	49	—	—	—	—	49
Manufacturing	—	323	—	—	—	—	323
Electricity, gas, steam and air conditioning supply	—	41	—	—	—	—	41
Water supply; sewage; waste management and remediation activities	—	4	—	—	—	—	4

Industry type at 31 December 2018 (€m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Construction	—	6	—	—	—	—	6
Wholesale and retail trade; repair of motor vehicles and motorcycles	—	75	—	—	—	—	75
Transporting and storage	—	33	—	—	—	—	33
Accommodation and food service activities	—	1	—	—	—	—	1
Information and communication	—	83	—	—	—	—	83
Financial and insurance activities	—	19,326	(1)	—	—	(1)	19,325
Professional, scientific and technical activities	—	—	—	—	—	—	—
Administrative and support service activities	—	2	—	—	—	—	2
Public administration and defence; compulsory social security	—	7,284	—	—	—	—	7,284
Human health and social work activities	—	12	—	—	—	—	12
Other service activities	—	152	—	—	—	—	152
Total	**—**	**27,393**	**(1)**	**—**	**—**	**(1)**	**27,392**
Of which: Loans	—	27,393	(1)	—	—	(1)	27,392
Of which: Off-balance sheet exposures	—	—	—	—	—	—	—

Table 9: 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.

Country at 30 June 2019 (€m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Germany	—	9,908	—	—	—	—	9,908
Belgium	—	6,235	—	—	—	—	6,235
United States	—	4,889	—	—	—	—	4,889
Netherlands	—	3,489	—	—	—	—	3,489
United Kingdom	—	1,772	—	—	—	—	1,772
Other	—	11,820	—	—	—	—	11,820
Total	**—**	**38,113**	**—**	**—**	**—**	**—**	**38,113**

Country at 31 December 2018 (€m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
US	—	5,580	—	—	—	—	5,580
Germany	—	5,385	—	—	—	—	5,385
Belgium	—	2,929	—	—	—	—	2,929
The Netherlands	—	2,609	—	—	—	—	2,609
UK	—	2,272	—	—	—	—	2,272
Other	—	8,617	(1)	—	—	(1)	8,616
Total	**—**	**27,392**	**(1)**	**—**	**—**	**(1)**	**27,391**

Table 10: 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 at 30 June 2019.

Gross carrying values (€ms)	≤ 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 material non-performing or forborne exposures during the year to 30 June 2019.

Changes in the stock of general and specific credit risk adjustments for credit impaired assets: BNY Mellon SA/NV did not incur any impaired exposures during the year to 30 June 2019. and, therefore, no general or specific credit risk adjustments were noted.

Changes in the stock of defaulted loans and debt securities: BNY Mellon SA/NV did not incur any defaulted loans or debt securities during the year to 30 June 2019.

6 Article 453 CRR - Credit risk mitigation

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Total net credit risk exposures (includes on- and off-balance sheet amounts)	€32,402m	31-Dec-18: €27,392m
Total net credit risk exposures secured (includes on- and off-balance sheet amounts)	€5,711m	31-Dec-18: €4,892m

BNY Mellon SA/NV manages credit risk through a variety of credit risk mitigation strategies including collateral and master 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 customise 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 resulting from adverse market conditions.

As of 30 June 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 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.

6.5 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/Fitch external rating of Baa3/BBB-/BBB- respectively). Whilst this approach undoubtedly constrains the number of eligible placement counterparties as well as the deposit spread, it also ensures that exposures are well controlled and less likely to default.

In addition, to ensure compliance with the Large Exposures and Shadow Banking Regime, 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 11: 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 underling exposure with that of the institution providing the credit protection.

There are no exposures covered by credit derivatives at 30 June 2019.

	Exposures		Exposures secured by		
At 30 June 2019 (€m)	**unsecured carrying amount**	**total secured**	**collateral**	**financial guarantees**	**credit derivatives**
Total cash and cash balances with central banks	13,439	—	—	—	—
Total loans and advances to customers	6,325	5,563	5,563	—	—

	Exposures		Exposures secured by		
At 30 June 2019 (€m)	**unsecured carrying amount**	**total secured**	**collateral**	**financial guarantees**	**credit derivatives**
Total investment securities	11,955	148	—	148	—
Total off-balance sheet exposures	176	—	—	—	—
Total other assets	507	—	—	—	—
Total exposures	**32,402**	**5,711**	**5,563**	**148**	**—**
Of which defaulted	—	—	—	—	—

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 30 June 2019. Using guarantees has the effect of replacing the risk-weight of the underling exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

7 Article 444 CRR - External credit rating assessment institutions

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Risk-weighted asset density	11%	
	31-Dec-18: 11%	
Total credit risk exposure post CCF and CRM	€32,409m	
	31-Dec-18: €22,601m	

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, Moody's and Fitch Ratings as its chosen ECAIs. There has been no change to these ECAIs during the year.

Table 12: 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. Risk-weighted asset ('RWA') density provides a synthetic metric on the riskiness of each portfolio.

	Exposures before CCF and CRM		Exposures post CCF and CRM			
Exposure class at 30 June 2019 (€m)	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Central governments and central banks	18,885	—	18,978	—	—	—%
Corporates	4,828	—	2,501	—	1,699	68%
Covered bonds	852	—	852	—	85	10%
Institutions	9,914	176	6,530	35	1,354	21%
Multilateral development banks	895	—	895	—	—	—%
Other items	507	—	507	—	519	102%
Public sector entities	1,497	—	1,552	—	55	4%
International organisations	377	—	377	—	—	—%
Regional governments or local authorities	182	—	182	—	6	3%
Total	**37,937**	**176**	**32,374**	**35**	**3,718**	**11%**

Table 13: EU CR5 - Credit risk exposure by risk-weight post CCF and CRM

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

Exposure class at 30 June 2019 (€m)	Risk-weight post CCF and CRM									
	0%	**10%**	**20%**	**50%**	**100%**	**150%**	**250%**	**Others**	**Total**	**Unrated**
Central governments and central banks	18,978	—	—	—	—	—	—	—	**18,978**	**—**
Corporates	—	—	165	1,400	877	59	—	—	**2,501**	**720**
Covered bonds	—	852	—	—	—	—	—	—	**852**	**—**
Institutions	—	—	6,429	136	—	—	—	—	**6,565**	**536**
Multilateral development banks	895	—	—	—	—	—	—	—	**895**	**—**
Other items	—	—	—	—	500	—	8	—	**508**	**507**
Public sector entities	1,276	—	276	—	—	—	—	—	**1,552**	**102**
International organisations	377	—	—	—	—	—	—	—	**377**	**—**
Regional governments or local authorities	150	—	32	—	—		—	—	**182**	**—**
Total	**21,676**	**852**	**6,902**	**1,536**	**1,377**	**59**	**8**	**—**	**32,410**	**1,865**

Exposure class at 31 December 2018 (€m)	Risk-weight post CCF and CRM									
	0%	**10%**	**20%**	**50%**	**100%**	**150%**	**250%**	**Others**	**Total**	**Unrated**
Central governments and central banks	13,038	—	—	—	—	—	—	—	**13,038**	**—**
Corporates	—	—	173	793	652	34	—	—	**1,652**	**444**
Covered bonds	—	795	—	—	—	—	—	—	**795**	**—**
Institutions	—	—	4,323	149	—	—	—	—	**4,472**	**291**
Multilateral development banks	990	—	—	—	—	—	—	—	**990**	**—**
Other items	—	—	—	—	301	—	8	—	**309**	**309**
Public sector entities	842	—	21	—	—	—	—	—	**863**	**—**
International organisations	395	—	—	—	—	—	—	—	**395**	**—**
Regional governments or local authorities	88	—	—	—	—	—	—	—	**88**	**—**
Total	**15,353**	**795**	**4,517**	**942**	**953**	**34**	**8**	**—**	**22,602**	**1,044**

8 Article 439 CRR - Exposure to counterparty credit risk

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Counterparty credit risk exposure
(Post CRM techniques)

€750m

31-Dec-18: €279m

Risk-weighted assets for counterparty credit risk

€450m

31-Dec-18: €132m

Counterparty credit risk is the likelihood or probability that one of those involved in a contract (recorded in either the trading book or non-trading book) might default before fulfillment of its cash-flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

Table 14: 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.

Counterparty credit risk (€m)

Derivatives - Mark-to-market method	30 June 2019	31 December 2018
Gross positive fair value of contracts	299	295
Potential future credit exposure	492	425
Netting benefits	**(41)**	**(298)**
Net current credit exposure	750	422
Collateral held notional value	—	155
Exposure and collateral adjustments	—	(12)
Net derivatives credit exposure	**750**	**279**
Risk-weighted assets	450	132
SFT - under financial collateral comprehensive method		
Net current credit exposure	—	—
Net SFT credit exposure	—	—
Risk-weighted assets	—	—
Total counterparty credit risk exposure	**750**	**279**

Note: SFT (Securities Financing Transactions)

8.1 Credit valuation adjustment

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

Table 15: EU CCR2 - Credit valuation adjustment capital charge

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

At 30 June 2019 (€m)	Exposure value	RWA
All portfolios subject to the standardised approach	746	120
Total subject to the CVA capital charge	**746**	**120**

Table 16: EU CCR3 - CCR exposures by regulatory portfolio and risk

This table shows the breakdown of counterparty credit risk exposures by exposure class and risk-weight attributed according to standardised approach.

Exposure class at 30 June 2019 (€m)	0%	20%	50%	100%	150%	Others	Total	Unrated
Central governments and central banks	10	—	—	—	—	—	10	—
Corporates	—	—	—	377	—	—	377	—
Covered bonds	—	—	—	—	—	—	—	—
Institutions	—	363	1	—	—	—	364	—
Multilateral development banks	—	—	—	—	—	—	—	—
Other items	—	—	—	—	—	—	—	—
Total	**10**	**363**	**1**	**377**	**—**	**—**	**751**	**—**

Exposure class at 31 December 2018 (€m)	0%	20%	50%	100%	150%	Others	Total	Unrated
Central governments and central banks	10	—	—	—	1	—	11	—
Corporates	—	—	—	94	—	—	94	—
Covered bonds	—	—	—	—	—	—	—	—
Institutions	—	173	1	—	—	—	174	—
Multilateral development banks	—	—	—	—	—	—	—	—
Other items	—	—	—	—	—	—	—	—
Total	**10**	**173**	**1**	**94**	**1**	**—**	**279**	**—**

Table 17: EU CCR5-A - Impact of netting and collateral held on exposure values

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

At 30 June 2019 (€m)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit	Collateral held	Net credit exposure
Derivatives	792	(41)	751	—	751
Securities Financing Transactions	—	—	—	—	—
Cross-product netting	—	—	—	—	—
Total	**792**	**(41)**	**751**	**—**	**751**

Composition of collateral for exposures to counterparty credit risk: BNY Mellon SA/NV held €0 million collateral relating to CCR as at 30 June 2019.

9 Article 445 CRR - Exposure to market risk

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Market risk exposure amount	€74m 31-Dec-18: €0m	↑
Market risk capital requirements	€6m 31-Dec-18: €0m	↑

RWA for Market risk is calculated as the net foreign-exchange position. At 30 June 2019 the net foreign-exchange position was €74 million which exceeded 2% of the total own funds. This was mainly driven by the change of the net position in:

- USD from Long (€13 million) in Q1 2019 to Long (€48 million) in Q2 2019
- GBP from Short (€-4 million) in Q1 2019 to Short (€-0.4 million) in Q2 2019

Net FX Long position in other currencies is €21 million in Q2 2019 and €20 million in Q1 2019.

In Q1 2019 in accordance with CRR Art. 351, RWA for Market risk was calculated as the net foreign-exchange position to be €39 million which did not exceed 2% of the total own funds and was therefore not required to be disclosed.

Market risk is defined as the risk arising from adverse change in financial markets due to factors such as prices, rates, implied vitalities, or correlation of other market factors. Market risk factors include, but are not limited to, interest rates, foreign exchange rates, market liquidity, equity prices, credit spreads, pre-payment rates, commodity prices and issuer risk associated with 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 does not run a trading book. The Corporate Treasury FX swap activity is classified as held for trading from an accounting perspective. The Markets FX trading and sales activity is fully back-to-back (on a trade by trade basis) with BNY Mellon London Branch, hence no market risk resides in the trading book of BNY Mellon SA/NV.

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

a) BNY Mellon SA/NV revenues are denominated in a mix of currencies whereas a high proportion of BNY Mellon SA/NV's costs are denominated in Euro. Apart from the risk of currency mismatch between revenues and cost, BNY Mellon SA/NV is not significantly exposed to this risk

b) CVA risk relates to the FX swaps used in the context of Treasury management and FX swaps client activity

c) 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

d) The securities portfolio bears additional credit spread risk

e) 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 my result in a liability for BNY Mellon SA/NV

Table 18:EU MR1 - Market risk

This table shows the components of the capital requirements and risk-weighted assets for market risk using the standardised approach at 30 June 2019.

Position risk components at 30 June 2019 (€m)	Risk-weighted assets	Capital requirements
Foreign exchange risk	74	6
Total	**74**	**6**

10 Article 446 CRR - Operational risk

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Operational risk exposure amount

€1,145m ⇔

31-Dec-18: €1,145m

Operational risk capital requirements

€92m ⇔

31-Dec-18: €92m

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 & System Failures
- Damage to Physical Assets
- Employment Practices & Workplace Safety
- Clients, Products & 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.

10.1 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 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 Polices and are prescribed through the enterprise Operational Risk program, 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 polices. These activities are prescribed through the enterprise operational risk program, 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 ('OREs')

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 ('KRIs')

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.

Organization 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 Second Line of Defense group that provides oversight and challenge of the first 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 KG 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.

10.2 Capital resource requirement

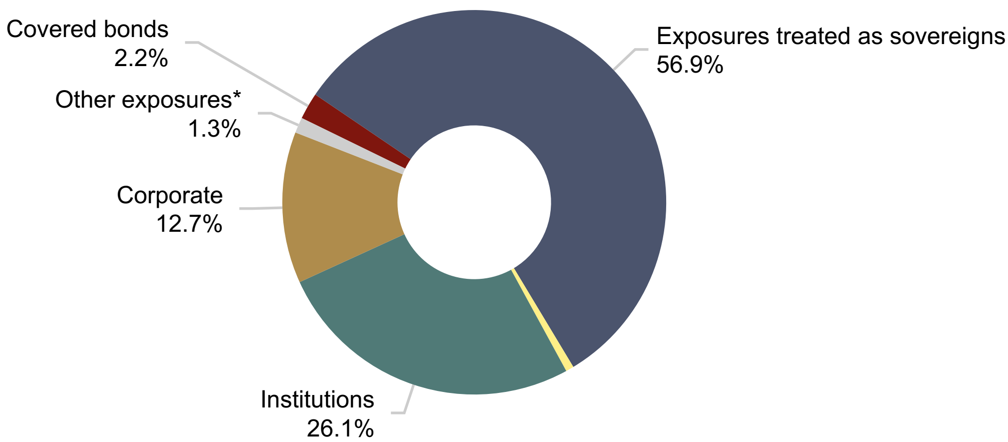
Capital requirement for operational risk Pillar 2 (using an internal hybrid model) resulted in an amount of €307 million at 31 March 2019 (31 December 2018: €298 million), versus the Pillar 1 calculation of €92 million (30 December 2018: €93 million) at 30 June 2019.

11 Article 451 CRR - Leverage

The following metrics present BNY Mellon SA/NV's risk components as at 30 June 2019.

Total leverage ratio exposure	€38,712m	
	31-Mar-19: €38,128m	
Leverage ratio	7.8%	
	31-Mar-19: 7.9%	

CRR banking book leverage ratio exposures at 30 June 2019



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:

$$\textit{Leverage ratio} = \frac{\textit{Capital measure}}{\textit{Exposure measure}}$$

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
- Derivatives exposures

- Security financing transaction ('SFT') exposures
- 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 30 June 2019 is presented below:

Table 19: LR1 - Leverage ratio summary

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

Leverage ratio summary at 30 June 2019 (€m)	
Total assets as per published financial statements	35,929
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	—
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	—
Adjustments for derivative financial instruments	452
Adjustments for securities financing transactions ('SFT')	—
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	35
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	—
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	—
Other adjustments	2,296
Total leverage ratio exposure	**38,712**

Table 20: LR2 - Leverage ratio common disclosure

Regulatory leverage ratio exposures at 30 June 2019 (€m)	
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	37,964
Asset amounts deducted in determining Tier 1 capital	(38)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**37,926**
Derivative exposures	
Replacement cost associated with derivatives transactions	286
Add-on amounts for PFE associated with derivatives transactions	465

Regulatory leverage ratio exposures at 30 June 2019 (€m)	
Exposure determined under Original Exposure Method	—
Total derivative exposures	**751**

Securities financing transaction exposures	
SFT exposure according to Article 220 of CRR	—
SFT exposure according to Article 222 of CRR	—
Total securities financing transaction exposures	**—**

Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	176
Adjustments for conversion to credit equivalent amounts	(141)
Total off-balance sheet exposures	**35**

Capital and total exposures	
Tier 1 capital	**3,025**
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	—

Leverage ratios	
Total exposures	**38,712**
End of quarter leverage ratio	**7.814114486%**

Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	—

Table 21: LR3 - Composition of on-balance sheet exposures

This table shows the composition of on-balance sheet exposures excluding derivatives at 30 June 2019.

CRR leverage ratio exposures at 30 June 2019 (€m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**37,926**
Trading book exposures	—
Banking book exposures, of which:	37,926
Covered bonds	852

CRR leverage ratio exposures at 30 June 2019 (€m)

Exposures treated as sovereigns	21,580
Exposures to regional governments, Multilateral Development Banks, international organisations and Public Sector Entities not treated as sovereigns	256
Institutions	9,914
Corporate	4,828
Other exposures*	496

** This amount is after asset amounts deducted from tier 1 capital (I.e: goodwill and intangible)*

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 2019, 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.

Appendix 1 - Other risks

Liquidity risk

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

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-custodian. 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.

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 which may affect the financial position of the whole Group, for example reputational contagion or Group default.

As part of a large complex and interconnected company, BNY Mellon SA/NV has a number of dependencies on BNY Mellon. These range from business leadership, dependency on certain IT systems and support services provided by central functions.

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.

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

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

Acronym	Description
EHQLA	Extremely High Quality Liquid Assets
EMEA	Europe, Middle East and Africa
ERGC	EMEA Remuneration Governance Committee
ESRMC	EMEA Senior Risk Management Committee
EU	European Union
EUR	Euro
EWI	Early Warning Indicators
ExCo	Executive Committee
FCA	Financial Conduct Authority
FMUs	Financial market utilities
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
G-SIFI	Global Systemically Important Financial Institution
GCA	Global Custody Agreement
GSP	Global Securities Processing
HLA	High-level Assessment
HQLA	High Quality Liquid Assets
HRCC	Human Resources Compensation Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICA	Internal Capital Assessment
ICAAP	Internal Capital Adequacy Assessment Process
ICRC	Incentive Compensation Review Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance

Acronym	Description
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets
IT	Information Technology
KRI	Key Risk Indicator
KYC	Know your customer
LCR	Liquidity Coverage Ratio
LERO	Legal Entity Risk Officer
LOB	Line of Business
LOD	Line of Defense
MiFID II	Markets in Financial Instruments Directive II
MNA	Master Netting Agreements
MRMG	Model Risk Management Group
MRT	Material Risk Taker
NAV	Net Asset Value
NBB	National Bank of Belgium
NoCo	Nomination Committee
NSFR	Net Stable Funding Ratio
O-SII	Other systemically important institution
OCI	Other Comprehensive Income
OEICs	Open-ended Investment Companies
ORMF	Operational Risk Management Framework
ORSA	Operational Risk Scenario Analysis
P/L	Profit and Loss
PFE	Potential Future Exposure
PRA	Prudential Regulatory Authority
RCoB	Risk Committee of the Board
RCSA	Risk and Control Self-Assessment
RM	Risk Manager
RMC	Risk Management Committee

Acronym	Description
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
SREP	Supervisory review and evaluation process
SRO	Senior Risk Officer

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

The following terms may be used in this document:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 3 - CRD IV reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures	Pillar 3 disclosures published on company's internet site	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	see Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450)	see Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	see 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 disclosure material information		
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements	see Pillar 3 policy	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies	4 Article 435 CRR - Risk management objectives and policies	26
435 (1) (a)	Strategies and processes to manage those risks	4.1 Risk objectives	28
435 (1) (b)	Structure and organisation of the risk management function	4.2 Risk governance	29
435 (1) (c)	Scope and nature of risk reporting and measurement systems	4 Article 435 CRR - Risk management objectives and policies	26
435 (1) (d)	Policies for hedging and mitigating risk	4 Article 435 CRR - Risk management objectives and policies	26

435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	4 Article 435 CRR - Risk management objectives and policies	26
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	4 Article 435 CRR - Risk management objectives and policies	26
435 (2) (a)	Number of directorships held by directors	4.2 Risk governance	29
435 (2) (b)	Recruitment policy of Board members, their experience and expertise	4.2 Risk governance	29
435 (2) (c)	Policy on diversity of Board membership and results against targets	4.2 Risk governance	29
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	4.2 Risk governance	29
435 (2) (e)	Description of information flow on risk to Board	4.2 Risk governance	29

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;		
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	17
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	Table 2: CC2 - Reconciliation of regulatory capital	18
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments	Table 3: CC1 - Composition of regulatory capital	19
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments	Table 3: CC1 - Composition of regulatory capital	19
437 (1) (d) (i)	Each prudent filter applied	Table 2: CC2 - Reconciliation of regulatory capital	18
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 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	24
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	N/A	N/A
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	N/A	N/A
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 6: EU OV1 - Overview of RWAs	25
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Table 6: EU OV1 - Overview of RWAs	25

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	53
439 (b)	Discussion of process to secure collateral and establishing reserves	8 Article 439 CRR - Exposure to counterparty credit risk	53
439 (c)	Discussion of management of wrong-way exposures	8 Article 439 CRR - Exposure to counterparty credit risk	53
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	N/A - a credit ratings downgrade is managed at the BNY Mellon Corp level	N/A
439 (e)	Derivation of net derivative credit exposure	8 Article 439 CRR - Exposure to counterparty credit risk	53
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	8 Article 439 CRR - Exposure to counterparty credit risk	53
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	N/A - BNY Mellon does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type	N/A - BNY Mellon does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable	N/A	N/A

Capital buffers

440 (1) (a)	Geographical distribution of relevant credit exposures	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1)	N/A	N/A

Indicators of global systemic importance

441 (1)	Disclosure of the indicators of global systemic importance	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1)	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired	5.7 Analysis of past due and impaired exposures	43
442 (b)	Approaches for calculating credit risk adjustments	5.7 Analysis of past due and impaired exposures	43
442 (c)	Disclosure of pre-CRM EAD by exposure class	N/A	N/A
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class	N/A	N/A
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class	N/A	N/A
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class	N/A	N/A
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type	Table 7: EU CR1-A - Credit quality of exposures by exposure class and instrument	43
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	Table 9: EU CR1-C - Credit quality of exposures by geography	46
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments	5.7 Analysis of past due and impaired exposures	43
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	5.7 Analysis of past due and impaired exposures	43
Unencumbered assets			
443	Disclosures on unencumbered assets	N/A	N/A
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes	7 Article 444 CRR - External credit rating assessment institutions	51
444 (b)	Exposure classes associated with each ECAI	N/A	N/A
444 (c)	Explanation of the process for translating external ratings into credit quality steps	N/A	N/A
444 (d)	Mapping of external rating to credit quality steps	7 Article 444 CRR - External credit rating assessment institutions	51
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	7 Article 444 CRR - External credit rating assessment institutions	51
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	9 Article 445 CRR - Exposure to market risk	56

Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	10 Article 446 CRR - Operational risk	58
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives	No non-trading book exposure in equities	N/A
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	No non-trading book exposure in equities	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	No non-trading book exposure in equities	N/A
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
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models	N/A	N/A
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency	N/A	N/A
Exposure to securitisation positions			
449	Exposure to securitisations positions	N/A	N/A
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices	N/A	N/A
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	N/A	N/A
450 (1) (b)	Information on link between pay and performance	N/A	N/A
450 (1) (c)	Important design characteristics of the remuneration system	N/A	N/A
450 (1) (d)	Ratios between fixed and variable remuneration	N/A	N/A
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based	N/A	N/A
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	N/A	N/A
450 (1) (g)	Aggregate quantitative information on remuneration by business area	N/A	N/A
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	N/A	N/A

450 (1) (i)	Number of individuals being remunerated EUR 1 million or more per financial year	N/A	N/A
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority	N/A	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio	11 Article 451 CRR - Leverage	63
451 (1) (b)	Breakdown of total exposure measure	Table 20: LR2 - Leverage ratio common disclosure	64
451 (1) (c)	Derecognised fiduciary items	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio	11 Article 451 CRR - Leverage	63
451 (2)	EBA to publish implementation standards for points above	BNY Mellon follows the implementation standards	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting	6.1 Netting	48
453 (b)	How collateral valuation is managed	6.2 Collateral valuation and management	48
453 (c)	Description of types of collateral used	6.3 Collateral types	49
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	6.5 Credit concentration risk	49
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives	Table 11: EU CR3 - Credit risk mitigation techniques - overview	49
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements	2 Article 437 CRR - Own funds	17

Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	Table 5: CCA - Main features of regulatory capital instruments	21
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	Table 4: TLAC1 - Transitional own funds	20
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	Table 4: TLAC1 - Transitional own funds	20
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 Nerincx, 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 Nerincx, 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 Nerincx, 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 Nerincx, 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 I 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 I April 2017, in the process of being published.

COORINATED 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 o 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 0N 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 LIOUIDATION

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 [•l

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 juin

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

EUR92.500

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 (*fonds propres/eigen vermogen*) as defined in Article II.1 §I 1^0 c) of the 2006 Decree.

"Interest Event" means any of the following events:

(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:

(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 3^0 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 3^0 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 1^0 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 affect 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 1^0 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 personelle) 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 (concours/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:

(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 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 arsing 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 (*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 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 (*fonds propres/eigen vermogen*) as defined in Article II.1 §1 1^0 c) of the 2006 Decree.

"Interest Event" means any of the following events.

(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:

(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:

(i) the Borrower's own funds on a company basis or on a consolidated basis falls below the requirements set out in Article Ill. 1 §1 3^0 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 3^0 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 1^0 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 affect 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 personelle)) 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 (concours/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 UInterest 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 arsing 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.

BNY MELLON

THE BANK OF NEW YORK MELLON SA/NV
46 RUE MONTOYERSTRAAT
1000 BRUSSELS - BELGIUM
V.A.T. BE 0806.743.159 – COMPANY NO.0806.743.159
BRUSSELS RPM-RPR.

bnymellon.com