THE BANK OF NEW YORK MELLON SA/NV

2013 ANNUAL REPORT

BNY MELLON

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KEY FINANCIAL FIGURES &

This a summary of key figures extracted from the consolidated financial statements disclosed from page 43 onwards.

	2013	2012
	In € '000	**In € '000**
STATEMENT OF COMPREHENSIVE INCOME		
Net interest income	54,575	54,088
Net fee and commission income	331,698	258,763
Profit before taxes from continuing operations	**165,466**	**121,279**
NET PROFIT FOR THE YEAR	**134,226**	**88,966**

	2013	2012
	In € '000	**In € '000**
ASSETS		
Cash and cash balances with central banks	8,803,730	14,769,857
Derivative financial instruments	435,068	76,558
Loans and advances to customers	39,038,573	35,955,565
Financial instruments - available-for-sale	3,765,957	2,394,482
Other assets	203,571	143,764
Property, plant and equipment	16,115	14,058
Goodwill and other intangible assets	585,430	579,245
Tax assets	52,897	48,446
TOTAL ASSETS	**52,901,341**	**53,981,777**
LIABILITIES		
Derivatives financial instruments	377,120	44,511
Financial liabilities measured at amortized cost	50,096,706	51,785,069
Other liabilities	144,049	158,001
Provisions	9,939	-
Tax liabilities	84,057	79,939
TOTAL LIABILITIES	**50,711,871**	**52,067,520**
TOTAL EQUITY	**2,189,470**	**1,914,256**
TOTAL LIABILITIES AND EQUITY	**52,901,341**	**53,981,777**
CLIENT ASSETS		
Assets under custody (€ trillions)	2.9	2.86
TOTAL	**2.9**	**2. 86**
PERSONNEL		
Number of employees		
In Belgium	*741*	*755*
Abroad	*869*	*501*
TOTAL	**1,610**	**1,256**

Letter from the CEO

The Bank of New York Mellon SA/NV was granted its banking license in 2009 and became operational the same year. Initially we provided Asset Servicing, Global Collateral Management and Cash Processing Services. We are now five years later. We have added Global Market Services, Corporate Trust and Depositary Receipts to our portfolio. Our organization has extended to branch offices in London, Frankfurt, Amsterdam, Paris, Dublin and Luxembourg. Throughout the years, the importance of Europe as a significant region for BNY Mellon's growth has resulted in establishing a more localized presence for our business in Brussels. It also provides us with the opportunity to further strengthen our global position. We are now evolving to become a complete securities services entity that supports all businesses across EMEA.

Today, BNY Mellon SA/NV has reached a milestone in its young existence. We became a significant financial institution, not only in Belgium, but also in the eyes of the European Central Bank. We are continuing our ambitious plan to consolidate other European BNY Mellon financial entities. In the meantime, BNY Mellon CSD SA/NV was established, received its *Certificate of Operational Readiness* and signed the T2S Framework Agreement with the Eurosystem in order to outsource settlement to the T2S settlement platform, set to go live in 2015.

As a member of the BNY Mellon family, we also think permanently about our cost structure, organizational optimization and streamlining our governance. We are reducing the number of legal entities, not only to decrease administration and paper work, but also to improve the speed of decision making, launching new products to the market and to consolidate regulatory requirements.

From a client perspective, we have seen the trust and confidence confirmed in the past year. Clients appreciate the solidity of BNY Mellon as a global player, US based with a solid footprint in Europe. The fact that we have a Continental European presence has been welcomed by our clients. By taking responsibility and playing our role on the European continent, we contribute to BNY Mellon's strategy to meet the increasingly complex investing needs of our clients, by singularly focusing on the investment lifecycle.

BNY Melllon SA/NV had a successful year in 2013, with solid financial results that highlight our focus on driving growth, optimizing our structure, powering operational excellence and helping our clients to succeed.

Regardless of the low-interest-rate environment, with slow economic growth in almost every part of the world, 2014 has already confirmed our ability to meet our strategic and financial goals. Together with our staff, the Executive Team, the Board of Directors and our regulatory partners we are working to provide our clients long term solutions within the rewarding framework of the BNY Mellon organization.

Wim Hautekiet
Chief Executive Officer
The Bank of New York Mellon SA/NV

REPORT OF THE BOARD OF DIRECTORS [1]

[1] This report was established according to the article 119 of the Belgian Company Code

1. Profile: The Bank of New York Mellon SA/NV

The Bank of New York Mellon SA/NV ("BNY Mellon SA/NV" hereafter) is a 100% owned subsidiary of The Bank of New York Mellon. The Bank of New York Mellon is the main banking entity of The Bank of New York Mellon Corporation (BNY Mellon).

BNY Mellon is an NYSE listed financial holding company focusing its activities on Investment Management (Asset and Wealth Management) and Investment Services (Asset Servicing, Corporate Trust, Global Markets, Global Collateral Services, Depository Receipt Services and Broker Dealer Services). Investment Services represents 59% of the fee revenues of BNY Mellon.

BNY Mellon SA/NV is BNY Mellon's main banking subsidiary in the EMEA region and focuses its activities on the Investment Services segment. Its main activity is Asset Services, which is provided both to third party and to internal clients within BNY Mellon.

BNY Mellon SA/NV is strategically important for the BNY Mellon group as it is the primary contracting entity for Asset Servicing in Europe. BNY Mellon SA/NV manages a network of approximately 100 subcustodians to support multiple product lines and to streamline cash management. BNY Mellon SA/NV also facilitates the expansion of BNY Mellon into other EU countries through the establishment of a network of branches or passporting of services. BNY Mellon SA/NV's current strategic priority is to evolve from an Asset Servicing based bank to a full service bank that supports all Investment Services businesses of BNY Mellon across the region.

The Investment Services segment generates substantial operational cash balances that are managed by the Treasury of BNY Mellon SA/NV to minimize the risk while ensuring return.
The client base of BNY Mellon SA/NV consists of international institutional clients investing in or issuing financial assets. Main client segments are pension funds, insurance companies, financial institutions and asset managers.

1.1. Asset Servicing

The Asset Servicing business, comprises mainly global and local custody but also services such as Depot Banking, Institutional Accounting, FX Services, Fund Accounting and Transfer Agency. BNY Mellon SA/NV provides most of these products to its international client base.

The financial results of the Asset Servicing business are driven by a number of factors which include: the level of client transaction activity, the volatility of the securities markets and the market value of assets under administration and custody. Market interest rates impact both securities lending revenue and the earnings on client deposit balances. Broker dealer fees depend on the level of activity in the fixed income and equity markets and the financing needs of customers, which typically are higher when the equity and fixed income markets are volatile.

Our Asset Servicing business also generates foreign exchange revenues, which are influenced by the volume of client transactions and the spread realized on these transactions, market volatility in major currencies, the level of cross-border assets held in custody for clients, the level and nature of underlying cross-border investments and other transactions undertaken by corporate and institutional clients.

Business expenses principally are driven by correspondent expenses, staffing levels and technology investments.

1.2. Other Services

In addition to Assets Services, BNY Mellon SA/NV provides a range of other investment services such as Broker Dealer and Advisory services, Global Collateral Services, Global Markets, Corporate Trust and Depositary Receipt services.

BNY Mellon SA/NV clients contract with BNY Mellon SA/NV for all of the above services except Depositary Receipt services. BNY Mellon SA/NV only provides the latter services to other legal entities within The Bank of New York Mellon (BNY Mellon) group. BNY Mellon SA/NV's main service is Global Custody (part of Asset Servicing).

2. External Factors Influencing BNY Mellon SA/NV

Global economies are slowly recovering with continued growth in the US, and Europe expected to get out of recession in the second half of 2013.

In the emerging economies, the worst case scenarios have not materialized with an orderly deceleration in China to more sustainable growth level.

However due to fragility of the recovery, interest rates remained at historically low levels in the main currencies BNY Mellon SA/NV is operating, increasing pressure on margin.
In that environment, the regulatory reforms pace has not decreased. Several laws and regulations are entering into force, including Dodd-Frank, CRDIV (Basel III) and Single Supervisory Mechanism (SSM).

This requires continuous investment in supporting these evolutions in BNY Mellon SA/NV. It also creates opportunities for offering new solutions to our clients to address these changes. The creation of the CSD in Europe is one of these opportunities.

3. Business Evolution in 2013

3.1. Main Events

Since December 2012, BNY Mellon SA/NV is recognized as an Assimilated Settlement Institution delivering ancillary banking services to BNY Mellon CSD SA/NV.

In February 2013 BNY Mellon SA/NV has merged with The Bank of New York Mellon (Ireland) Limited.

As a consequence BNY Mellon SA/NV has acquired a branch in Ireland (the Dublin branch) and has increased the breadth of businesses it delivers, adding Corporate Trust and Depositary Receipts to the core Asset Services businesses.

In November 2013 BNY Mellon SA/NV has been selected as one of the six significant Belgian Banks in scope of the European Central Bank (ECB) Comprehensive Assessment of European banking system in the framework of the Single Supervisory Mechanism regulation.

Finally in an effort to diversify its revenue basis, BNY Mellon SA/NV has acquired capability to offer direct FX sale to clients. However this is expected to have significant impact starting from next year only.

3.2. Analysis of Financial Figures

In this difficult business environment, BNY Mellon SA/NV has managed to increase its net earnings after taxes to €134 million compared to €89 million in 2012.

This performance is mainly driven by the merger with the Irish Bank, a lower contribution to Financial Stability Funds and a lower effective tax rate compared to 2012.

The merger with the Irish Bank has allowed BNY Mellon SA/NV to diversify its business with the addition of Corporate Trust and Depository Receipt services. The new Dublin branch brought a positive contribution to results of €15 million.

With continuously low interest rates and the conservative risk appetite of BNY Mellon SA/NV, the net interest margin remained basically flat versus 2012 despite higher average balance sheet and additional investment in covered bonds portfolio in Q1 2013.

In these market conditions the gains on non-qualifying economic hedges are €25 million lower than previous year, reflecting decreasing margins on forward rates.

At constant perimeter BNY Mellon SA/NV has enjoyed stable fees revenues, the decrease in securities lending fees being offset by core assets services revenues.
Sharing of FX revenue has increased in line with higher activities on the markets which our clients are operating in.

Total revenue is in addition positively impacted by the expansion of the listed derivative business in our Frankfurt branch and by a non-repeating gain on the sales of bonds from our Liquid Asset Buffer.

Thanks to its focus on expense control BNY Mellon SA/NV has maintained a positive operational leverage, expenses increasing significantly less than revenue.

Expenses evolution is mainly driven by a decreasing contribution to Financial Stability Funds in line with BNY Mellon SA/NV Assimilated Settlement Institution status, offset by the restructuring provisions.

The effective tax rate has stabilized versus the high level of 2012 due to the impact of the swap derecognition in the Frankfurt branch.

BNY Mellon SA/NV total spot balance sheet has decreased by € 1.0 billion versus 2012, mostly due to a decrease in deposits.

At the end of 2013 total balance sheet amounted to €52.9 billion, with total deposits at €49.74 billion mainly from related parties (66%).

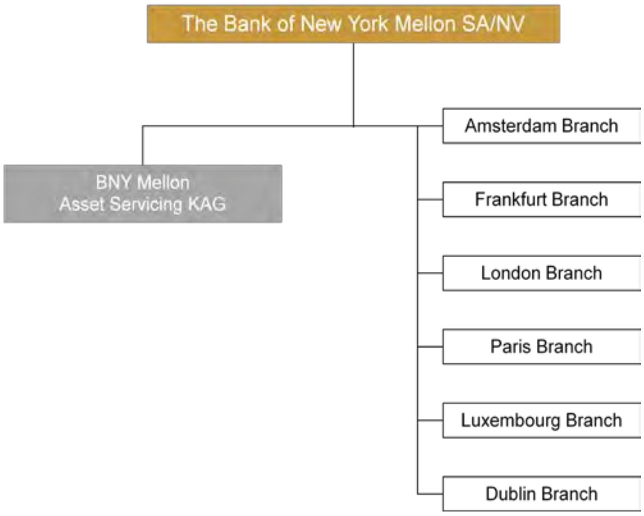
This is principally invested in loans and advance (€39 billion), with maturity below 1 week, mainly with related parties and in Liquid Assets, i.e. cash balances with central banks (€8.8 billion) and Available For Sale Financial Instruments (€3.8 billion).

Although the overall investment strategy of BNY Mellon SA/NV did not fundamentally change, a larger part of our liquid assets have been invested in covered bonds portfolio in order to optimize our interest revenue while maintaining our risk appetite and liquidity ratios.

4. Structure and Corporate Governance

4.1. Structure of BNY Mellon SA/NV

As at 31 December 2013 BNY Mellon SA/NV has six branches across Europe and a subsidiary based in Frankfurt. The structure of BNY Mellon SA/NV is shown below.



Shareholding Structure and the agenda of the General Meetings

The shareholder structure of BNY Mellon SA/NV is given in the table below.

Shareholder Structure on 31 December 2013	*Number of ordinary shares*	*%*
The Bank of New York Mellon (BNY Mellon)	1,544,765	99.99%
BNY International Financing Corporation (BNY IFC)	1	0.001%
Total	1,544,766	100%

BNY Mellon is located at 1 Wall Street, New York, New York 10286, United States. BNY IFC is a subsidiary of BNY Mellon (institutional bank) which in its turn is a subsidiary of BNY

Mellon Corporation (the holding company). BNY IFC is located at the same address and holds 1 share of BNY Mellon SA/NV.

The annual meeting of shareholders of BNY Mellon SA/NV is held each year in May. The items submitted to the annual meetings of shareholders for a decision typically include:

- the appointment of Board of Directors;
- the confirmation from the Board of the general business strategy to be adopted in the following year;
- the appointment of statutory auditors;
- the vote of the discharge of the Board of Directors and auditors;
- the approval of the annual consolidated financial statements and allocation of results

4.2. Composition and activities of the Board and its Committees

The table below shows the members of the Board and its committees on 31 December 2013:

Name	*Position*
Non-Executive Directors	
Michael Cole-Fontayn	Chairman of the European Bank and Chair of Nomination and Remuneration Committee
Jim McEleney	Member of the Audit, Nomination and Remuneration Committee
An Other Look to Efficiency s.p.r.l. (Represented by Olivier Lefebvre)	Independent Member of the Audit, Risk and Remuneration Committee
Jürgen Marziniak	Independent Member of the Audit, Risk and Nomination Committee
Andrew J. Bell	Member of the Audit and Risk Committee
John M. Roy	Chairman of the Audit Committee
Brian Ruane	Member of the Risk Committee
Hani Kablawi	Chair of the Risk Committee
Executive Directors	
Wim Hautekiet	Chief Executive Officer President of the Executive Committee
Joe Duffy	Deputy Chief Executive Officer Member of the Executive Committee
Edward Kemp	Chief Risk Officer Member of the Executive Committee
Tom Casteleyn	Member of the Executive Committee
Annik Bosschaerts	Chief Operating Officer Member of the Executive Committee
Eric Pulinx	Chief Financial Officer Member of the Executive Committee

Changes in the composition of the Board and the committees in 2013

On 28 May 2013, the term of Mr. James Maitland's office as non-executive member of the Board of Directors ended. On 18 July 2013 Mr. Joe Duffy was appointed as executive member of the Board of Directors and deputy Chief Executive Officer and Mr. Jürgen Marziniak as independent director. On 25 September 2013 Mr. Eric Pulinx was appointed as executive member of the Board of Director and Chief Financial Officer.

Report on the activities of the Board

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

- defining the general business strategy, objectives and values of BNY Mellon SA/NV in line with these of BNY Mellon
- plan and monitor the implementation of the general business strategy, objectives and values within BNY Mellon SA/NV
- drafting annual and interim reports and accounts
- approving and assessing on a regular basis the management, internal control and independent control function structure
- assessing the efficiency and integrity of the internal control structure, in particular regarding the financial reporting process
- selecting and evaluating the members of the Executive Committee and other key managers
- ensuring the succession planning for key managers
- approving policies and procedures as may be required by law or otherwise appropriate
- reviewing the Company's processes for protecting the Company's assets and reputation
- reviewing processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct

The structure of the Board's Committees and report on its activities

The Board establishes advisory committees under its responsibility to help it manage and control BNY Mellon SA/NV. As at 31 December 2013 the Board had five committees - Audit, Risk, Nomination, Remuneration and Executive Committees - that are established following the recommendations of the Belgian regulatory bodies in terms of governance (the National Bank of Belgium and the Financial Services and Markets Authority).

The Audit Committee is empowered by the Audit Charter to assist the Board in fulfilling its regulatory and oversight responsibilities in respect of: (i) the financial reporting process, including the statutory audit of the annual and consolidated accounts; (ii) the effectiveness of BNY Mellon SA/NV internal control, internal audit and risk management systems and (iii) the independence of the statutory audit firm and in particular the provision of non-audit services to BNY Mellon SA/NV.

The Chairman of the Audit Committee, John M. Roy has an extensive experience in financial management in BNY Mellon SA/NV. He is currently Executive Vice President and Head of Financial Management and Analysis of BNY Mellon. Prior to his current position John M. Roy was International CFO, in charge among other of all EMEA financial functions.

The Risk Committee assists the Board in fulfilling its regulatory and oversight responsibilities in respect of (i) the Company's overall risk appetite, tolerance and strategy; (ii) the Company's risk appetite statement; (iii) the capital adequacy position of the Company.

The Nomination Committee assists the Board in fulfilling its regulatory and oversight responsibilities in respect of (i) the (re-) appointment of directors and committee members and (ii) the composition of the Board and its committees.

The Remuneration Committee is responsible for reviewing: (i) BNY Mellon SA/NV's remuneration policy statement ("Remuneration Policy Statement") in light of applicable laws, regulations and Corporate policies; (ii) the compensation plans ("Compensation Plans") applicable within BNY Mellon SA/NV against the Remuneration Policy; and (iii) practices, including awards paid, in light of the Remuneration Policy, applicable laws and regulations and Corporate policies.

The Executive Committee ("ExCo") of BNY Mellon SA/NV has been established by BNY Mellon SA/NV's Board of Directors in accordance with Art. 26 of the Act of 22 March 1993 on the status and oversight of credit institutions and Art 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. In addition, members of the executive committee participate to key governance bodies of BNY Mellon SA/NV, namely:

- Risk Management Committee
- Belgian Asset and Liability Committee
- Credit Risk Oversight Committee
- Stress Testing Oversight Committee
- EMEA Asset and Liability Committee (EMEA ALCO)
- Business Acceptance Committees (BACs)

5. Subsequent Events

No subsequent events to report.

6. Proposal of Allocation of Net Income

The net profit for the year amounts to €134.2 million. Earnings retained as of the end of 2013 amount to € 641.4 million.

According to Belgian company law, the legal reserve of BNY Mellon SA/NV has to be funded until it reaches at least 10% of its capital, i.e. €150.8 million done through annual contributions of 5% of the net income of the year. The board of directors will propose to the shareholders to approve the allocation of €6.7 million to the legal reserve for the 2013 financial year.

The Board proposes not to distribute any dividend in 2013.

Allocation of Profit	*In Mio €*
Profit of the current year	134,2
Allocation to the legal reserve	6,7
Dividend of the current year	-
Profit brought-forward	127,5

The Board has formally adopted a (non-)dividend policy by which all profits are systematically carried forward and recommended the same for approval to the shareholders' meeting. This (non-)dividend policy allows the Board to take interim profits into account when calculating the Tier 1 capital ratio requirements. On 17 May 2011, the shareholders unanimously ratified this Board resolution. During 2013, the Board continued to apply the (non-)dividend distribution policy.

7. Contingent Liability

Claims – Legal actions

In April 2009 and November 2010, two clients filed a claim related to securities lending against different entities of BNY Mellon, including BNY Mellon SA/NV. These actions were made on a jointly liable basis and the lawsuit was managed by the parent company. Settlement agreements have been reached respectively in December 2013 and February 2014, and the lawsuits were closed. Those settlements had no impact on the books of BNY Mellon SA/NV.

8. Research & Development

There are no research & development activities performed by BNY Mellon SA/NV.

9. Risk Management

9.1. General

BNY Mellon SA/NV acknowledges risk taking as a fundamental characteristic of providing financial services. It is inherent to the business of banking and arises in every transaction BNY Mellon SA/NV undertakes. The capacity to take risk and pursue profits is constrained by the balance sheet and the reputation of the BNY Mellon brand in the marketplace.

Risk is inherent in BNY Mellon SA/NV's activities. Within BNY Mellon SA/NV, risk is managed through a process of ongoing identification, assessment and monitoring, subject to risk limits and other controls. The risk management process is critical to BNY Mellon SA/NV's continuing profitability and each individual within BNY Mellon SA/NV is accountable for the risk exposures relating to their responsibilities. BNY Mellon SA/NV is exposed to credit risk, liquidity risk and non-trading market risk including interest rate risk. BNY Mellon SA/NV is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. BNY Mellon's policy is to monitor these business risks through BNY Mellon's strategic planning process.

9.1.1 Risk Management Framework

Risk Appetite

BNY Mellon SA/NV's Board of Directors owns and regularly reviews its risk appetite within a defined risk appetite framework.

The Board approves the risk appetite statement, which has been developed and proposed by the Executive Committee.

In relation to any new product, business or activity that is proposed to be undertaken in BNY Mellon SA/NV, specific analysis against the current risk profile of BNY Mellon SA/NV and any consequent impact on ongoing compliance with BNY Mellon SA/NV's risk appetite must be conducted before any new product, business or activity can be undertaken

Risk Management Committee ("RMC")

The Committee derives its authority and mandate from the BNY Mellon SA/NV Executive Committee.

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

The aim of the Committee is to establish and maintain a capable, effective forward looking risk organisation that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The Committee provides a risk-based challenge to the business (1st line of defence), establishes and maintains a risk culture, advises the business board and governance committee as second line of defence 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 following responsibilities for BNY Mellon SA/NV RMC are agreed by BNY Mellon SA/NV Executive Committee:

- Ensure that all material business change that impacts on the SA/NV is subject to appropriate due diligence and challenge before being implemented
- Review and challenge risks associated with strategic initiatives and ensure management has appropriate risk management plans to address these risks

- Ensure that appropriate new business acceptance processes exist for all business being contracted through SA/NV. Review summary of all new Business Acceptance decisions.
- Review and approve capital adequacy for the risks undertaken in light of material business changes on the SA/NV. Consider impact of risk issues on capital for BNY Mellon SA/ NV and challenge management actions in relation to any capital adequacy concerns
- Receive and review Risk Management, Compliance and Internal and External Audit reporting and, where appropriate, challenge management actions to address or remediate risk and compliance issues
- Work collaboratively with the ExCo for building a risk appetite framework and statement that includes metrics and recommend it for Board approval
- Review annually the Business Resumption/Continuity plan and the results of business continuity tests
- Review adequacy of risk management resources
- Review adherence to Risk Appetite thresholds and risk control policies or regulation through the review of exception based reporting; where breaches occur, ensure management undertakes appropriate remedial action and challenge any delays.
- Identify measure, monitor and report exposures for BNY Mellon SA/NV top risks including a forward looking risk analysis
- Identify trends and themes in top risks and breaches against Risk Appetite thresholds and risk policies or regulation
- Escalate material risks, issues and/or trends requiring attention to the BNY Mellon SA/NV Executive Committee and Board and relevant EMEA Committees, as appropriate, in accordance with the EMEA escalation policy

BNY Mellon SA/NV meetings are held on a monthly basis prior to the second Executive Committee of the month. Ad hoc meetings can be called at the discretion of the committee chair.

Accountability

BNY Mellon SA/NV RMC is chaired by the Company’s CEO and reports into the ExCo. Any significant issues raised at the RMC are also escalated to other appropriate corporate regional oversight committees, as appropriate.

Stress Testing Oversight Committee (“STOC”)

The STOC operates under authority delegated by the ExCo and the European Stress Testing Oversight Committee (ESTOC). The STOC acts on behalf of all subsidiaries, branches and businesses of BNY Mellon SA/NV.

The key purpose of the STOC is to own and manage the stress testing schedule, including those designed and performed for the recovery planning of BNY Mellon SA/NV and its subsidiary, branches and businesses.

For both the purpose of ICAAP and of recovery planning, the responsibilities of the STOC include but are not limited to (i) overseeing the adequacy of the stress testing scope, schedule and approach in accordance with the EMEA Stress Testing Framework; (ii) agreeing the working groups or workshop composition and timing for scenario development; (iii) developing scenarios for BNY Mellon SA/NV; (iv) assessing the amounts, types and distribution of capital recommendations resulting from the stress testing process, sensitivity analysis and quantitative modeling and making appropriate recommendations to the ExCo, (v) escalating material issues and recommendations as appropriate to the ExCo and the ESTOC; (vi) considering formal reports from EMEA Regulatory Risk reviews of the quarterly and annual stress testing process and relevant Internal Audit reviews and producing an action plan to implement any recommendations; and (vii) approving the recovery triggers and escalation framework; reviewing, challenging and approving the ICAAP report and the Recovery Plan.

The STOC aims to meet monthly and a minimum of ten times per year, with ad hoc meetings called at the discretion of the committee Chair.

The STOC reports to the ExCo and the ESTOC, while it also reports total capital position and available capital to the Asset and Liability Committee.

Asset and Liability Committee ("ALCO")

The ALCO is responsible for overseeing the asset and liability management activities of (a) the consolidated balance sheet of BNY Mellon SA/NV and its branches and subsidiary, as well as (b) the local balance sheet of The Bank of New York Mellon Brussels Branch, and for ensuring compliance with all treasury related regulatory requirements.

The key responsibilities of the ALCO are the following:

- Responsible for overseeing the asset and liability management activities
- Ensuring compliance to group policy and guidance set throughout BNY Mellon globally is understood and executed locally
- Ensuring adequate liquidity and overseeing liquidity management, including liquidity crisis management
- Overseeing asset and liability volume and pricing activity
- Monitoring interest rate risk sensitivity
- Approving Placement Policies for branches and subsidiaries
- Balancing Net Interest Income maximization with interest rate and credit risk
- Monitoring the fixed income investment portfolio
- Ensuring compliance with all regulatory requirements
- Ensuring effective functioning of ALCOs or Branch Liquidity Oversight Committees in the branches or subsidiaries
- Resolving escalated issues of ALCOs or Branch Liquidity Oversight Committees in the branches or subsidiaries
- Approving policies related to above activities

Business Acceptance Committees ("BAC")

The objectives of the BACs (which are organized per business line) are to provide oversight and guidance for the activities of BNY Mellon SA/NV and other EMEA entities related to any piece of business that deviates from the standard in terms of:

- fees pricing
- legal contract
- operational requirements
- risks profile
- deal structure

BACs are held regularly or on an ad hoc basis, depending on business requirements and volumes.

The BACs cover the following:

- new business acceptance
- existing business
- fee renegotiation
- new operational requirements
- additional risk profile

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. Indeed, the process is the following: when deals come to the BAC, the forms used indicate whether the deal relates to BNY Mellon SA/NV or not. If it does, then:

- the BAC coordinator ensures that BNY Mellon SA/NV representatives are invited to attend when the BAC reviews client business booked in or processed by BNY Mellon SA/NV;
- the minutes of any approvals reflect whether a deal relates to BNY Mellon SA/NV or not.

BNY Mellon SA/NV incremental risks generated by deals are monitored by BAC and reported to BNY Mellon SA/NV RMC (reviewing reports generated by the relevant business BAC).

Credit Risk Oversight Committee ("CROC")

The Credit Risk Oversight Committee was established to provide guidance, additional oversight and following actions for aged client overdrafts.

9.1.2 Risk Assessment Methodology and Reporting Systems

BNY Mellon SA/NV's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. BNY Mellon SA/NV also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.
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, with additional emphasis on selected industries. 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 Board of Directors, the Executive Committee and the Risk Management Committee. Senior management assesses the appropriateness of the allowance for any credit losses on a monthly basis.

9.1.3 Risk Mitigation

As part of its overall risk management, BNY Mellon SA/NV uses derivatives and other instruments to manage exposures resulting from changes in interest rates. This use is limited to the economical coverage of the liquidity invested in part of its debt instruments portfolio.

9.1.4 Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of BNY Mellon SA/NV's performance to developments affecting a particular industry or geographical location.

Under European and Belgian bank regulations, all large individual exposures have to stay below a 25% threshold of their own funds. Subject to these capital adequacy requirements, BNY Mellon SA/NV applies the same rule internally. In 2014 BNY Mellon SA/NV has enacted a Master Netting Agreement with BNY Mellon. In order to avoid excessive concentrations of risk, BNY Mellon's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

9.2. Credit Risk

Credit risk for BNY Mellon SA/NV is the risk of default from counterparties or clients for loans, commitments, securities and other assets where the realization of the value of the assets is dependent on their ability to perform.

Types of activities which can be source of credit exposures to BNY Mellon SA/NV:

- Money market activity where placements, mainly short term in nature, are made with high quality financial institutions, including intra-group
- Nostro balances with correspondents, custodians and central depositories, being long positions held to ensure liquidity of settlement activities
- Customer overdrafts mostly operational credit-related to global custody activities. These are short term in exposure, typically intra-day or overnight; in occasional instances, exposure can result from granting of more traditional credit products
- Issuer risk from a bond portfolio; a bond portfolio with ECB eligible bonds is needed because BNY Mellon SA/NV has to provide collateral and liquidity against actual business activities
- Derivative clearing services provided by the Frankfurt Branch of BNY Mellon SA/NV (exposures to CCPs, clients and carry brokers)
- Securities lending

Credit Risk counterparties in treasury and money market activity are banks and financial institutions; borrowers in custody activity are mainly institutional clients such as mutual funds, pension funds and banks, as custody clients. At a high level, Asset Servicing clients are grouped as regulated funds, unregulated funds and corporate holding companies.

9.2.1 Credit Risk Management Framework

BNY Mellon SA/NV Credit unit is embedded in the Risk sector of BNY Mellon with certain credit officers having responsibilities at regional level. BNY Mellon SA/NV's credit unit is an integral part of BNY Mellon's EMEA regional credit risk management. In BNY Mellon, credit risk is managed by exposure type:

- Type "A" exposure consists of traditional credit products where usually committed facilities are extended to borrowers. The approval authority is determined in function of the credit division or business line the client belongs to.
- Type "B" exposure, operational credit, is by far the most frequent type of credit supporting BNY Mellon SA/NV clients' custody activity. Extensions of credit are provided for BNY Mellon SA/NV's processing business. Other types of exposures include foreign exchange activities, related to securities settlement. Operational credit is a specialized unit within Credit Risk Management designed to approve measure, monitor and control extensions of operational credit and other operational related facilities.

9.2.2 Credit Risk Monitoring and Control

On a daily basis, information concerning the main sources of credit risk is collected and individual cases requiring investigation are followed up to determine resolution status or if escalation or additional controls and procedures are required. Data is aggregated, analyzed and reported in the monthly RMC and through the Credit Risk hierarchy.

Global custody overdrafts are monitored and controlled to ensure that approved exposure levels are not exceeded, or are approved by a suitable credit officer in the light of individual circumstances. Custody client overdrafts are monitored, tracked and escalated on an intraday and/or next day basis. Criteria in relation to large exposure limits, ageing, borrower rating, limits, Assets under Custody, origin of the overdraft are monitored and any exposure above set thresholds is reported daily to a Credit Portfolio Manager.

Securities lending monitors daily the volume of outstanding on-loan contracts and follow up on collateralization levels. Instances of insufficient collateralization are escalated to the appropriate division for follow-up.

Derivative financial instruments

BNY Mellon SA/NV maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts) by amount and maturity. Credit risk arising from derivative financial instruments is, at any time, limited to the positive current fair values of these financial instruments (plus a regulatory "add-on" reflecting the future credit risk exposure of these derivatives).

Collateral or other security is usual practice to cover the credit risk exposure on these instruments, except where BNY Mellon SA/NV requires margin deposits from counterparties.
Settlement risk arises where a payment in cash, securities or equities is made in the expectation of a corresponding similar receipt. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk exposures resulting from the daily market transactions of BNY Mellon SA/NV.

9.2.3 Monitoring Sovereign Risks

The past 15 months have been an active time in managing counterparty and sovereign risk. Risk Management of BNY Mellon has actively managed through events in the macro-economy, unstable political situations in regions, acts of nature and threats of a regional debt contagion, events impacting employees, clients and business operations. Thus far, no direct credit losses have been recorded in BNY Mellon SA/NV from these events. Credit risk management will continue to give attention to global events and be responsive to world-wide conditions.

9.3. Liquidity Risk and Funding Management

BNY Mellon SA/NV defines liquidity as the ability to access funding or convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress, in order to meet its short term obligations.

Funding Liquidity Risk is the risk that BNY Mellon SA/NV cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without adversely affecting daily operations or financial conditions. Liquidity risks can arise from funding mismatches, market constraints from inability to convert assets to cash, inability to raise cash in the markets, deposit run-off, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputational risks also can affect BNY Mellon SA/NV's liquidity risk profile and are considered in the liquidity risk framework.

The management of liquidity risk is the responsibility of the Belgium ALCO. Risk Management performs independent monitoring and control over the activities of the treasury related operational functions.

Liquidity Risk Appetite

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 the firm.
The Board of BNY Mellon SA/NV has a low appetite for liquidity risk. BNY Mellon SA/NV will at all times maintain liquidity resources that are adequate both as to amount and quality to ensure there is no significant risk, either in normal or stressed market conditions, that liabilities cannot be met as they fall due. Internal Liquidity metrics are defined to ensure adequate headroom in respect of regulatory liquidity requirements.

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. The Board of Directors of BNY Mellon SA/NV has approved the following oversight, controls and metrics which are part of the liquidity risk appetite for the entity:

- Belgium Asset and Liability Committee (ALCO) has responsibility for oversight of liquidity management activities across BNY Mellon SA/NV. Belgium ALCO monitors compliance to the liquidity risk appetite in its monthly meetings.
- At all times BNY Mellon SA/NV's actual liquid asset buffer shall be at least equal to the target liquid asset buffer calculated to take account of the output of liquidity stress testing.
- At all times, liquid assets (including, for this purpose, <1 month intercompany placements) shall be greater than 70% of all interest bearing assets.
- BNY Mellon SA/NV, through the workings of ALCO, undertakes liquidity stress testing on an ongoing basis to constantly challenge the assumptions behind the liquidity of the balance sheet. The results of such stress tests are translated into management actions where appropriate.

BNY Mellon SA/NV performs some treasury and liquidity activities. These consist in managing the liquidity of the client base. Clients mainly deposit funds on demand accounts of BNY Mellon SA/NV. Simultaneously BNY Mellon SA/NV invests mostly in cash deposits with BNY Mellon or its subcustodians. Investments are all less than a year, ensuring a reduced liquidity risk. In addition, BNY Mellon SA/NV maintains deposits with the Central Banks of most of the countries it is active in.

Funding Strategy

The BNY Mellon SA/NV balance sheet is liability driven. BNY Mellon SA/NV does not have “strategic” business driven assets that require funding. As a result, and by the nature of its business, BNY Mellon SA/NV normally finds itself in very large long liquidity position. While on a given day, the entity may be exceptionally looking for liquidity in a specific currency, out of the 30 it actively manages, BNY Mellon SA/NV has never found itself in an overall liquidity shortfall situation since its creation.

The liability side consists of mostly the long cash balances kept by BNY Mellon global custody and corporate trust clients on the sight accounts. These clients deposit cash directly with BNY Mellon SA/NV or with another BNY Mellon entity, which, in turn deposits cash with BNY Mellon SA/NV.

It should be noted that deposits from Global Custody clients are linked to their global custody activity. Therefore although client cash deposits are short term, clients could not take out all their cash without severely impacting their global custody operation. These deposits are therefore highly “sticky”, even in times of liquidity stress.

Cash on the balance sheet is deployed in the following ways:
- used to fund operational overdrafts
- used to fund securities and other liquid assets of the liquid asset buffer
- placed short term (maximum one month) in the Interbank Market
- placed short term (maximum one month) with other BNY Mellon entities
- placed with Central Banks

While overdrafts occur on specific client accounts, they are mainly of technical nature and very short duration. They never influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.

BNY Mellon SA/NV acts as a settlement bank to BNY Mellon CSD. Participants of BNY Mellon CSD will be required to open cash accounts with BNY Mellon SA/NV for cash settlement purposes. In addition BNY Mellon CSD has also outsourced its operational functions to BNY Mellon SA/NV including provision of financial and liquidity risk management for the CSD liquidity position. Consequently, as BNY Mellon CSD will only account for Participants securities accounts, it has minimal or no liquidity risk arising in the CSD legal entity. BNY Mellon SA/NV treats cash deposits from BNY Mellon CSD customers similar to its other investment servicing clients and therefore this does not create any additional liquidity risk for BNY Mellon SA/NV.

Liquidity Risk Management Strategy

To limit liquidity risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

Looking forward to Capital Requirements Directive (CRD IV), BNY Mellon SA/NV has been building a liquid asset buffer composed of assets that would qualify as highly liquid under the CRD IV and the Capital Requirement Regulation (CRR). This buffer is mainly composed of the items below and is invested in securities or tenders of EUR central banks, managed by the treasury group:

- overnight deposits at central banks
- certificates of deposits
- UK gilts
- Dutch government bonds, and
- other central placements

Liquidity Risk Assessment Methodology and Monitoring

BNY Mellon SA/NV has developed internal control processes and a contingency plan for managing liquidity risk. Firstly, the liquidity measurement is performed by means of specific liquidity risk limits and ratios that are documented in the Liquidity Policy and Contingency Funding Plan for BNY Mellon SA/NV and also in the Placement Policy for BNY Mellon SA/NV.

Secondly, as a banking entity regulated by the NBB, BNY Mellon SA/NV must comply with the NBB circular updating the requirements in terms of “Sound liquidity requirements” (CBFA-2009-18). A framework for liquidity stress testing was developed whereby scenarios are developed and assessed on a quarterly basis.

BNY Mellon SA/NV’s Treasury Department manages liquidity by looking for significant changes in funding trends on a daily basis. Adjustments to the invested position are made accordingly. Daily estimated cash position available or required is calculated by the Liquidity Support team. Estimated cash position for a specific currency is provided to the Brussels trading desk, allowing the traders to perform an effective liquidity management. The day after, the accuracy of the estimate is controlled by comparing the actual and the anticipated positions.

Internal stress testing is undertaken by BNY Mellon which takes the position of BNY Mellon SA/NV into account and is based on similar assumptions as the stress test done at group level. The liquidity stress tests consider the combination worst case scenario, firm idiosyncratic liquidity, parent liquidity and market liquidity crises scenarios. The results of the stress tests show that BNY Mellon SA/NV is able to face a liquidity event under all developed scenarios and that the current size and position of the liquidity asset buffer is considered more than adequate for BNY Mellon SA/NV.

A Contingency Funding Plan (CFP) has been developed for responding to increasingly severe disruptions to BNY Mellon SA/NV’s ability to fund some or all of its activities in a timely manner and at a reasonable cost. This plan is commensurate with BNY Mellon SA/NV’s relatively simple treasury operation, its conservative liquidity risk profile and its role in the financial systems in which BNY Mellon SA/NV operates.

By the nature of its business, BNY Mellon SA/NV finds itself in very large long liquidity position. The liability side consists mostly of the long cash balances kept by BNY Mellon’s global custody clients on the sight accounts opened on BNY Mellon books and linked to their activities in the global securities markets. Most deposits consist of re-investment of BNY Mellon Brussels and London branches corporate trust clients’ deposits into BNY Mellon SA/NV.

On the asset side of the balance sheet, while overdrafts occur on specific client accounts, they are mainly of technical nature and very short duration. They never influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.

9.4. Market Risk

Market risk is the risk of loss due to adverse changes in the financial markets. Where BNY Mellon SA/NV takes market risk in its usual course of business, we seek to stem potential losses by limiting positions that could have a material negative impact on BNY Mellon SA/NV.

The three types of market risk exposure categories are as follows:

- Equity risk or the price risk associated with a trading book. BNY Mellon SA/NV does not have a trading book, that is, it is not involved in debt, equity or commodities trading. As a consequence, BNY Mellon SA/NV is not exposed to this risk and it is not expected to change in the near future.
- Interest rate risk is the risk associated with changes in interest rates that impacts net interest income from interest earning assets and interest paying liabilities.
- Currency risk or the risk that a change in foreign exchange rates will create adverse impacts on the financial performance. BNY Mellon SA/NV is naturally exposed to exchange risk as it operates in more than 100 markets and in the majority of the world's currencies, resulting in long and short FX positions. In order to mitigate this, foreign exchange positions on the balance sheet are closed daily, while those generated by the translation of the P&L in EUR are closed monthly.

Furthermore, BNY Mellon SA/NV does not enter into speculative operations. For this reason, market risk is considered as very low within BNY Mellon SA/NV. It has to be mentioned that BNY Mellon SA/NV enters into currency swaps to optimize its treasury management. The currency swaps do not create market risk issues. The interest risk aspect of the transactions is limited as the deals are mostly overnight.µ

9.4.1 Market risk management

The Market risk policy is determined and revised by BNY Mellon's Risk Policy Sector in conjunction with the Business line. The risk measurement is in accordance with BNY Mellon's Risk Policy Manual.

The BNY Mellon SA/NV Market Risk is assessed and monitored by the Control and Risk functions under the direction of the Chief Risk Officer of BNY Mellon SA/NV. In addition, Market Risk assessment and monitoring are conducted independently by BNY Mellon's Risk Policy function.

Market risks are reported during the monthly RMC and ALCO. BNMYSA runs very little market risk. It does not have a portfolio of securities for trading purposes and does not run foreign exchange positions for trading purposes. The only securities BNY Mellon SA/NV has are part of its liquid assets buffer, so not a trading portfolio, or are the result of operational errors. The amounts have, historically, been low. Upon creation of the position, it is immediately incorporated into the risk management tools.

BNY Mellon SA/NV is a part of BNY Mellon's market risk assessment process. BNY Mellon uses a Value-at-Risk (VAR) methodology to monitor market risk. The BNY Mellon's VAR is calculated daily on a variance/covariance basis, uses a one-day time horizon and a 99% confidence level.

9.4.2 Market Risk – Non-trading

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk framework

For BNY Mellon SA/NV, the duration of the liabilities is predominantly short term.

Currently, placements are mostly at a week horizon. The interest sensitivity is generated by the building up of the securities portfolio as part of the liquidity asset buffer. These securities being available for sale, management has concluded that the impact of interest rate risk is minimal due to short term duration of interest bearing instruments.

Nonetheless, interest rate risk is a standard agenda item of Belgium ALCO. The BNY Mellon's International Treasury Team has responsibility for setting the maturities of deposits of BNY Mellon SA/NV. At present, interest rate gaps are monitored by this team.

9.5. Operational Risk

Operational risk is the risk of loss resulting from people, systems, inadequate or failed internal processes 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.

BNY Mellon SA/NV manages operational risk within the Basel II framework. Key operational risks for BNY Mellon SA/NV include:

- Internal and External Fraud
- Corporate actions
- Transaction processing errors
- Sub-custodian bankruptcy
- Business continuity

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, it is this risk that materializes the biggest loss events.
The main responsibilities of these persons are:

- Ensure the lines of business comply with Corporate Risk Policy, from an operational risk perspective.
- Work closely with line of business management to understand the business, identify risk issues, ensure the risks are assessed and are monitored.
- Ensure that risk identification and assessment techniques are in place and maintained (both high level and granular assessments).
- Ensure that appropriate risk monitoring is in place, maintained and challenged (particularly RCSA control gaps, action plans and Key Risk Indicators) and that trends are

identified and actions are being taken and escalated where appropriate to the line of business, the risk management sector and the local risk committee.
- Assess emerging risks, including those related to new client take-on, new products or significant process/business changes and challenge risk mitigating solutions as appropriate.
- Participate in appropriate business risk meetings/committees to identify opportunities to challenge risk mitigators/controls and reduce risk.

10. Additional Information regarding BNY Mellon SA/NV

Registered Office

The Bank of New York Mellon SA/NV
Rue Montoyer 46
1000 Brussels
Belgium

Corporate Headquarters

BNY Mellon
One Wall Street
New York, NY 10286
United States

Auditors

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren - Réviseurs d'Entreprises CVBA/SCRL, B00001
Based in Avenue du Bourget 40, 1130 Brussels, Belgium
Represented by: Erik Clinck, Partner (A01179)

BOARD STATEMENT

The Board of Directors has the responsibility of establishing the annual accounts and consolidated financial statements of The Bank of New York Mellon SA/NV (BNY Mellon SA/NV) as of and for the year ended December 31, 2013 with regard to the regulatory requirements of the Belgian Royal Decree of September 23, 1992 relating to the annual accounts and consolidated financial statements of credit institutions.

On 23 April, 2014, the annual accounts and consolidated financial statements of BNY Mellon SA/NV were discussed at the Board of Directors.

The Board states that, to the best of its knowledge and in good faith, the BNY Mellon SA/NV's annual accounts and consolidated financial statements give a true and fair view of the financial position and of the results of BNY Mellon SA/NV and that the information provided does not include any omission in kind, significantly affecting the true and fair view of the annual accounts and consolidated financial statements.

The annual accounts and consolidated financial statements as of December 31, 2013 will be submitted for approval to the ordinary shareholders meeting to be held on 27 May 2014.

In 2013, there has been no decision taken by the Board, or the Executive Committee, which requires the respective application of Art. 523 and Art. 524ter of the Belgian Company Code on conflicts of interest.

Brussels, 23 April, 2014

For the Board of Directors

Wim Hautekiet
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE

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Rapport du commissaire à l'assemblée générale de The Bank of New York Mellon SA/NV pour l'exercice clos le 31 décembre 2013

Conformément aux dispositions légales, nous vous faisons rapport dans le cadre de notre mandat de commissaire. Ce rapport inclut notre rapport sur les comptes consolidés pour l'exercice de 12 mois clos le 31 décembre 2013, tels que définis ci dessous, ainsi que notre rapport sur d'autres obligations légales et réglementaires.

Rapport sur les comptes consolidés - opinion sans réserve

Nous avons procédé au contrôle des comptes consolidés de The Bank of New York Mellon SA/NV (« la Société ») et de ses filiales (conjointement le « Groupe ») pour l'exercice de 12 mois clos le 31 décembre 2013, établis sur la base des normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et des dispositions légales et réglementaires applicables en Belgique. Ces comptes consolidés comprennent l'état consolidé de la situation financière (bilan) au 31 décembre 2013, le compte de résultat consolidé, l'état consolidé des variations des capitaux propres et un état consolidé des flux de trésorerie pour l'exercice de 12 mois clos à cette date, ainsi que les annexes reprenant un résumé des principales méthodes comptables et d'autres notes explicatives. Le total de l'état consolidé de la situation financière s'élève à 52.901.341 ('000) EUR et l'état du résultat global consolidé se solde par un bénéfice de l'exercice de 134.226 ('000) EUR.

Responsabilité de l'organe de gestion relative à l'établissement des comptes consolidés

L'organe de gestion est responsable de l'établissement des comptes consolidés donnant une image fidèle conformément aux normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et des dispositions légales et réglementaires applicables en Belgique, ainsi que de la mise en place du contrôle interne que l'organe de gestion estime nécessaire pour permettre l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Responsabilité du commissaire

Notre responsabilité est d'exprimer une opinion sur ces comptes consolidés sur la base de notre contrôle. Nous avons effectué notre contrôle selon les normes internationales d'audit. Ces normes requièrent de notre part de nous conformer aux exigences déontologiques, ainsi que de planifier et de réaliser l'audit en vue d'obtenir une assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les comptes consolidés. Le choix des procédures mises en œuvre, y compris l'évaluation du risque que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, relève du jugement du commissaire. En procédant à cette évaluation des risques, le commissaire prend en compte le contrôle interne du Groupe relatif à l'établissement de comptes consolidés donnant une image fidèle, cela afin de définir des procédures d'audit appropriées selon les circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle

KPMG

Rapport du commissaire à l'assemblée générale de The Bank of New York Mellon SA/NV pour l'exercice clos le 31 décembre 2013

interne du Groupe. Un audit consiste également à apprécier le caractère approprié des méthodes comptables retenues, le caractère raisonnable des estimations comptables faites par l'organe de gestion ainsi qu'à apprécier la présentation d'ensemble des comptes consolidés.

Nous avons obtenu de l'organe de gestion et des préposés de la Société, les explications et informations requises pour notre contrôle.

Nous estimons que les éléments probants recueillis sont suffisants et appropriés pour fonder notre opinion sans réserve.

Opinion sans réserve

A notre avis, les comptes consolidés donnent une image fidèle du patrimoine et de la situation financière consolidée du Groupe au 31 décembre 2013, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice de 12 mois clos à cette date, conformément aux normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique.

Rapport sur d'autres obligations légales et réglementaires

L'organe de gestion est responsable de l'établissement et du contenu du rapport de gestion sur les comptes consolidés.

Dans le cadre de notre mandat et conformément à la norme belge complémentaire aux normes internationales d'audit (normes ISA) applicables en Belgique, notre responsabilité est, à tous égards significatifs, de vérifier le respect de certaines obligations légales et réglementaires. Sur cette base, nous faisons la déclaration complémentaire suivante, qui n'est pas de nature à modifier la portée de notre opinion sur les comptes consolidés:

- Le rapport de gestion sur les comptes consolidés traite des mentions requises par la loi, concorde, dans tous ses aspects significatifs, avec les comptes consolidés et ne présente pas d'incohérences significatives par rapport aux informations dont nous avons eu connaissance dans le cadre de notre mandat.

Kontich, le 13 mai 2014

KPMG Réviseurs d'Entreprises
Commissaire
représentée par

Erik Clinck
Réviseur d'Entreprises

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF

		2013	2012
	Notes	**In € '000**	**In € '000**
Interest income	2	147,384	**168,421**
Interest expense	2	(92,810)	**(114,333)**
Net interest income		54,574	**54,088**
Fee and commission income	3	633,689	**543,044**
Fee and commission expense	3	(301,991)	**(284,281)**
Net fee and commission income		331,698	**258,763**
Gains /(losses) on non qualifying economic hedges	4	25,600	**50,872**
Gains /(losses) on derecognition of assets other than held for sale, net	15	-	**(96)**
Other operating income	5	3,880	**2,011**
Net operating income		**415,752**	**365,638**
Personnel expenses[3]	6	139,353	**126,500**
Depreciation of Property, Plant and Equipment	15	3,500	**3,068**
Amortization of Intangible assets (other than goodwill)	16	15,040	**13,551**
Provisions	19	7,206	**1**
Other operating expenses	7	85,188	**101,240**
Total operating expenses		**250,287**	**244,361**
Profit before tax from continuing operations[1]		**165,465**	**121,279**
Tax expense (income) related to profit or (loss) from continuing operations	8	31,239	**32,314**
NET PROFIT FOR THE YEAR[2]		**134,226**	**88,966**

[1] BNY Mellon SA/NV has no discontinued operations; accordingly, no profit or loss allocated to discontinued operations has been presented on the face of the consolidated statement of comprehensive income.

[2] All net profit is attributable to the equity holders of the parent.

[3] The comparative figure of the net defined benefit expense has not been presented in accordance to IAS 19RE due to limited effect. For further details on the net defined benefit expense presented as per IAS 19RE please refer to explanatory notes 1.3 and 21.2.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER

	Notes	2013 In € '000	2012 In € '000
NET PROFIT FOR THE YEAR		**134,226**	**88,966**
Other comprehensive income			
Items that are or may be reclassified to profit or loss		(18,315)	13,737
Net unrealized (loss)/gain on available-for-sale financial assets		(25,719)	18,352
Related tax		7,404	(4,615)
Items that will never be reclassified to profit or loss		4,165	(15,602)
Net actuarial gains /(losses) on defined benefit pension plans[2]	21.2	6,352	(22,105)
Related tax	8.3	(2,187)	6,503
Other comprehensive income for the year, net of tax		**(14,150)**	**(1 ,865)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX[1]		**120,076**	**87,101**

[1] All comprehensive income for the year, net of tax is attributable to the equity holders of the parent.

[2]The comparative figure of the net actuarial gains/ (losses) on defined benefit pension plans has not been presented in accordance to IAS 19RE due to limited effect. For further details on the re-measurement gains/(losses) as per IAS 19RE please refer to explanatory notes 1.3 and 21.2.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL

	Notes	2013 In € '000	2012 In € '000
ASSETS			
Cash and cash balances with central banks	9	8,803,730	14,769,857
Derivative financial instruments	13	435,068	76,558
Loans and advances to customers	10	39,038,573	35,955,565
Financial instruments - available-for-sale	11	3,765,957	2,394,482
Current tax assets	8	12,951	20,922
Other assets	14	203,571	143,764
Property, plant and equipment	15	16,115	14,058
Goodwill and other intangible assets	16	585,430	579,245
Deferred tax assets	8	39,946	27,325
TOTAL ASSETS		**52,901,341**	**53,981,777**
LIABILITIES			
Derivative financial instruments	13	377,121	44,511
Deposits by central banks	17	760,748	-
Deposits by credit institutions	17	34,057,879	37,279,025
Due to customers	17	14,916,781	13,700,495
Subordinated liabilities	17	345,500	345,500
Other financial liabilities	17	15,797	460,048
Current tax liabilities	8	42,240	36,134
Other liabilities[1]	18	144,049	158,001
Provisions	19	9,939	-
Deferred tax liabilities	8	41,817	43,804
TOTAL LIABILITIES		**50,711,871**	**52,067,520**
EQUITY			
Issued capital	22	1,508,654	1,392,558
Share premium	22	33,333	33,333
Retained earnings		632,665	462,112
Other reserves		14,818	26,253
TOTAL EQUITY		**2,189,470**	**1,914,256**
TOTAL LIABILITIES AND EQUITY		**52,901,341**	**53,981,777**

The accompanying notes are an integral part of these consolidated financial statements.

[1]The comparative figure of the net defined benefit obligation has not been presented on the face of the consolidated statement of financial position in accordance to IAS 19RE due to limited effect. For further details on the net defined benefit asset/ (obligation) presented as per IAS 19RE please refer to explanatory notes 1.3 and 21.2.

CONSOLIDATED STATEMENT OF CHANGES IN

	Attributable to equity holders of BNY Mellon SA/NV				
	Issued capital	**Share premium**	**Retained earnings**	**Other reserves**	**Total**
	In '000 €	**In '000 €**	**In '000 €**	**In '000 €**	**In '000 €**
At 1 January 2012	**1,392,558**	**33,333**	**373,146**	**25,375**	**1,824,412**
Profit/loss for the year	-	-	88,966	-	88,966
Share-based payments (Note 24)	-	-	-	2,743	2,743
Net gain/(loss) from Other Comprehensive income	-	-	-	(1,865)	(1,865)
At 31 December 2012	**1,392,558**	**33,333**	**462,112**	**26,253**	**1,914,256**
Total comprehensive income					
Profit/loss for the year	-	-	134,226	-	134,226
Net gains/(loss) from Comprehensive income	-	-	-	(13,687)	(13,687)
Impact IAS19 revised	-	-	(655)	(462)	(1,117)
Share-based payments (Note 24)	-	-		2,714	2,714
Total comprehensive income	-	-	133,571	(11,435)	122,136
Transactions with owners					
Business combination between entities under common control[1]	116,096	-	36,982	-	153,078
Transactions with owners	116,096	**-**	36,982	**-**	153,078
At 31 December 2013	**1,508,654**	**33,333**	**632,665**	**14,818**	**2,189,470**

The accompanying notes are an integral part of these consolidated financial statements.

[1]Business combination refers to the impact from the merger with BNY Mellon Ireland Limited.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2013	2012
		In € '000	In € '000
Net Profit (Loss) for the year		134,226	88,966
Adjustments [1]		39,129	53,547
Cash flows from operating profits before changes in operating assets and liabilities		**173,355**	**142,513**
Increase (decrease) in operating assets (excl. cash & cash equivalents):		**4,872,800**	**5, 531,711**
Increase (decrease) in loans and receivables		3,083,008	5,747,575
Increase (decrease) in available-for-sale assets		1,371,475	(322,340)
Increase (decrease) in financial assets held for trading		358,510	28,799
Increase (decrease) in other assets		59,807	77,677
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):		**(1,366,047)**	**11,492,116**
Increase (decrease) in advances from central banks		760,748	
Increase (decrease) in deposits from credit institutions		(3,221,145)	8,146,162
Increase (decrease) in deposits (other than credit institutions)		1,216,286	3,243,616
Increase (decrease) in financial liabilities held for trading		332,610	(34,646)
Increase (decrease) in other financial liabilities		(444,251)	101,924
Increase (decrease) in other liabilities		(10,295)	35,061
Cash flow from operating activities		**(6,065,492)**	**6,102,918**
Income taxes refunded (paid)		(26,779)	(6,778)
Net cash flow from operating activities		**(6,092,271)**	**6,096,140**
INVESTING ACTIVITIES			
Purchase of tangible assets		(1,705)	(3,437)
Disposal of intangible assets		365	
Purchase of intangible assets		(202)	(917)
Other cash payments related to investing activities		(25,392)	(96)
Net cash flow from investing activities		**(26,934)**	**(4,450)**
FINANCING ACTIVITIES			
Proceeds /(Payments) from issuance of subordinated liabilities		-	(39,166)
Other cash proceeds related to financing activities		153,078	-
Net cash flow from financing activities		**153,078**	**(39,166)**
Net increase in cash and cash equivalents		**(5,966,127)**	**6,052,524**
Cash and cash equivalents at beginning of the period		14,769,857	8,717,333
Cash and cash equivalents at the end of the period		**8,803,730**	**14,769,857**
Components of cash and cash equivalents:			
Cash and cash balances with central banks	9	8,803,730	14,769,857

[1]The adjustments include the non cash items of the consolidated statement of comprehensive income and other comprehensive income.

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL

ACCOUNTING POLICIES

1. Accounting Policies

1.1. Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and defined benefit pension plans that have been measured at fair value. The consolidated financial statements are presented in Euro (€) and all values are rounded to the nearest € Thousand, except where otherwise indicated.

Statement of Compliance

The consolidated financial statements of The Bank of New York Mellon SA/NV, its branches and subsidiaries (hereinafter “BNY Mellon SA/NV”) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

Presentation of Consolidated Financial Statements

BNY Mellon SA/NV presents its consolidated statement of financial position broadly in order of liquidity.

Basis of Consolidation

The consolidated financial statements comprise the individual financial statements of BNY Mellon SA/NV as of and for the year ended 31 December 2013. The individual financial statements of BNY Mellon SA/NV’s subsidiaries are prepared for the same reporting year as BNY Mellon SA/NV. The accounting policies of subsidiaries are consistent with those of the parent.

All balances and transactions between BNY Mellon SA/NV’s entities and gains and losses there from are eliminated on consolidation.

Subsidiaries are consolidated from the date on which control is transferred to BNY Mellon SA/NV. Control is achieved when BNY Mellon SA/NV has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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. Subsidiaries are deconsolidated on the date BNY Mellon SA/NV ceases to have the control.

The results of subsidiaries acquired or disposed of during a financial year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal.

No non-controlling interests are presented in the consolidated financial statements since BNY Mellon SA/NV owns 100% of each its subsidiaries’ issued share capital.

1.2. Use of Significant Accounting Judgments, Estimates and Assumptions

In the process of applying BNY Mellon SA/NV's accounting policies, management makes many estimates and judgments:

Estimates and Assumptions

The key areas in which changes to management's assumptions concerning future economic and market conditions, and other key sources of estimation uncertainty at the reporting date, have a significant risk of affecting the carrying amounts of assets and liabilities within the next financial year, are described below. BNY Mellon SA/NV based its assumptions and estimates on conditions existing and information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of BNY Mellon SA/NV. Such changes are reflected in the assumptions when they occur.

Going Concern

BNY Mellon SA/NV's business activities, together with the factors likely to affect its future development, performance and position are set out in the Board of Directors' report. In addition, the explanatory notes, which includes BNY Mellon SA/NV's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk, is an integral part of the consolidated financial statements.

In the opinion of the management, BNY Mellon SA/NV has adequate liquidity and capital. BNY Mellon SA/NV's management performs an annual going concern review that considers, under a stress test scenario, BNY Mellon SA/NV's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the consolidated financial statements are approved. As a consequence, BNY Mellon SA/NV's management believes that BNY Mellon SA/NV is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Based on the above assessment of BNY Mellon SA/NV's financial position, liquidity and capital, the management has concluded that BNY Mellon SA/NV has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the consolidated financial statements are approved). Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon BNY Mellon SA/NV's ability to continue as a going concern. Accordingly, the annual consolidated financial statements continue to be prepared on the going concern basis of accounting.

Impairment Losses on Loans and Advances

BNY Mellon SA/NV reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recognized in the consolidated statement of comprehensive income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the existence and extent of any impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Impairment losses on loans and advances are disclosed in more detail in the explanatory notes.

Impairment of Available-for-sale Investments

BNY Mellon SA/NV reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Pension Obligation

The cost of the defined benefit pension obligation is determined using an actuarial valuation. The actuarial calculation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See explanatory notes for discussion of assumptions used.

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to one cash generating unit, which is BNY Mellon SA/NV itself. This decision is based on the interdependencies of the entities within BNY Mellon SA/NV from a client and operating perspective. Furthermore, management decisions are taken at the level of the Board of BNY Mellon SA/NV before being implemented in the various entities.
The recoverable amount for BNY Mellon SA/NV used in the goodwill impairment exercise has been calculated based on the value in use which is determined by discounting the future cash flows expected to be generated by the business. The calculation of the value in use is based on certain key assumptions. These key assumptions are disclosed in detail in the explanatory notes.

1.3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. The following new and amended IFRS and IFRIC interpretations were considered.

Amendment to IFRS 7 (Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities)

As a result of the amendments to IFRS 7, BNY Mellon SA/NV has expanded its disclosures about the offsetting of financial assets and financial liabilities.

IAS 19 Revised: Post-employment Defined Benefit Plans

The IASB amended and reissued IAS 19 in June 2011. Significant changes in the revised standard include the elimination of the “corridor method”, the introduction of a new approach to calculating and presenting defined benefit liabilities in “other comprehensive income”, and the recognition of taxes on future premiums in the defined benefit obligation.

Furthermore, the revised IAS 19 introduces the requirement to align the expected return on plan assets and the discount rate of the defined benefit liability to a high quality corporate bond rate, instead of our best estimate.

We have assessed the impact of the new standard as not material, being limited to an increase of the defined benefit obligation of €2.1 million, resulting in a reduction net of tax of €0.7 million and €0.5 million in retained earnings and in accumulated other comprehensive income respectively as of 31 December 2012. Accordingly, we have not restated the 2012 financial statements for the impact of the change but rather reflected the accounting policy change in the current period. The change in accounting policy did not impact the fair value of plan assets.

IFRS 10 (Consolidation) – IFRS 11 (Joint arrangements) – IFRS 12 (Interest in other entities)

The application of these IFRS does not have any impact on the consolidated financial statements of BNY Mellon SA/NV.

IFRS 13 Fair CV Value Measurement

This standard applies to other IFRS that require or permit fair value measurements or disclosures. It provides a single IFRS framework measuring fair value and requires additional disclosures about fair value measurement. More particularly, the standard defines fair value based on an "exit price" notion and uses a fair value hierarchy resulting in a market based rather than entity specific measurement. The hierarchy categorises the inputs used in valuation techniques in three levels:

- level one inputs: quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date
- level two inputs: inputs (other than quoted prices used in level one) that are observable for the asset or liability, either directly or indirectly
- level three inputs: unobservable inputs for the asset or liability

This standard has not significantly affected fair value measurements and has not resulted in significant additional disclosures.

IAS 32 Financial Instruments

The IASB amended both IFRS 7 and IAS 32 in December 2011 to improve disclosures in netting arrangements associated with financial assets and financial liabilities. The impact on these Consolidated Financial Statements is not significant.

1.4. Forthcoming Changes in IFRS

BNY Mellon SA/NV will apply the new or revised IFRS standards detailed below as from their endorsement by the European Commission. Overall, we do not expect these changes to have any significant impact on the Consolidated Financial Statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements outlines the requirements for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of control and establishes control as the determining factor in whether an entity should be included within the financial statements of the parent company.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

This IFRS will not affect the BNY Mellon SA/NV consolidation scope.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements establishes financial reporting principles for investors in joint arrangements. The core principle is that a party to a joint arrangement determines the type of arrangement in which it is involved by assessing its rights and obligations, and accounts for those rights and obligations accordingly.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Ventures.

This IFRS will not affect our Consolidated Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Its objective is to require an entity with any such interests to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities
- the effects of those interests on its financial position, financial performance and cash flows.

This standard tends to integrate the disclosure requirements on interests in other entities, currently included in several standards, and present those requirements in a single IFRS.
This standard may impact disclosure requirements only.

IFRIC Interpretation 21 - Levies

This interpretation addresses how an entity should account for liabilities to pay levies imposed by governments (other than income taxes), particularly when the entity should recognize a liability for a levy.

We expect this interpretation to have no significant effect on our annual financial statements.

1.5. Summary of Accounting Policies and Disclosures

1.5.1 Foreign Currency Translation

The consolidated financial statements are presented in Euro (€). Items included in the financial statements of each of BNY Mellon SA/NV's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency") which is Euro for all BNY Mellon SA/NV's entities.

Translations of Transactions and Balances

Foreign currency transactions are converted into the functional currency using the spot rate of the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as the gains and losses from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in “other operating income/expenses” in the consolidated statement of comprehensive income.

BNY Mellon SA/NV has no non-monetary items that are measured at historical cost in a currency other than Euro.

1.5.2 Recognition of Income and Expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to BNY Mellon SA/NV and the revenue can be reliably measured. Income and expense are not offset in the consolidated statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of BNY Mellon SA/NV. The following specific recognition criteria must also be met before revenue is recognized.

1.5.2.1 Interest and Similar Income and Expense

The interest income and expense is recognized using the Effective Interest Rate (EIR) for all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Once the value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

BNY Mellon SA/NV’s loans to, and deposits from, banks and customers primarily relate to BNY Mellon SA/NV’s clients' cash accounts operated in connection with their securities settlement activity, with balances generally changing on a daily basis. Time deposits and the re-deposits of surplus funds rarely have maturities of more than three months and, accordingly, the EIR method generally is not used for such transactions.

Interest income and expense on derivative instruments are recorded in profit and loss on an accrual basis.

1.5.2.2 Fees and commission income

BNY Mellon SA/NV earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, custody and other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition or clearing of shares and/or other financial instruments or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to performance are recognized at settlement date of the transaction when fulfilling the corresponding criteria.

1.5.2.3 Dividend Income

Dividend income is recognized when BNY Mellon SA/NV's right to receive the payment is established.

1.5.2.4 Gains and Losses on Non Qualifying Economic Hedges

All gains and losses from changes in fair value of derivative financial assets and liabilities that act as economic hedges but that do not qualify for hedge accounting treatment are recognized in this caption.

1.5.2.5 Gains and Losses on Cleared Derivatives

BNY Mellon SA/NV clears derivatives with a clearing broker or exchange on behalf of its clients. Gross trades are not recognized but rather net income from such transactions is recognized in profit or loss on a trade date basis.

1.5.3 Financial Instruments – Initial Recognition and Subsequent Measurement

All financial assets and liabilities initially are recognized on the trade date, i.e., the date that BNY Mellon SA/NV becomes a party to the contractual provisions of the instrument, and are measured initially at their fair value plus transaction costs. The classification of financial instruments at initial recognition depends on management's intent for which the financial instruments were acquired and the characteristics of the instruments, as explained below.

1.5.3.1 Derivative Financial Instruments Held for Trading

BNY Mellon SA/NV uses derivatives such as currency swaps. Derivatives are recognized in the statement of the financial position at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in the "Gains and losses on non qualifying economic hedges".

Cleared Derivatives: Futures

For Futures style products, margin posted/received contractually represents settlement of a position rather than posting collateral. Accordingly, the gains and losses on open positions of clients resulting from market price fluctuation on each trading day represent amounts due to/from the relevant clearer, and corresponding amounts due to from the relevant clients. As settlement generally is daily, such payables/receivables generally represent a day's gains or losses only. When payment is made the payable/receivable is derecognized as extinguished or settled. These amounts will be recorded as receivables/payables in the records of BNY Mellon SA/NV based on the fact the MTM was called by the exchange at EOD and settlement will occur prior to 9 AM on the next business day as a direct debit from our account.

Cleared Derivatives: Options

Amounts paid at inception of an option contract (option premium) are settled with the clearer and by our client. As noted above, the contractual relationship in between the clearing member, the client and the exchange is back-to-back principal trades. Accordingly, BNY Mellon SA/NV will show for each trade a derivative asset and corresponding derivative liability.

No variation margin is paid to long option holders. However short option holders who are out of the money will be called short option premiums. This variation margin contractually represents collateral posted with the counterparty institution. BNY Mellon SA/NV posts collateral with the clearer and calls collateral from its clients.

BNY Mellon SA/NV does not hold derivatives embedded in other financial instruments.

1.5.3.2 Available-for-sale Financial Instruments

Available-for-sale financial instruments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at initial recognition as at fair value through profit or loss[2]. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions (e.g. debt component of the liquid asset buffer). BNY Mellon SA/NV has not classified any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial instruments are subsequently measured at fair value.

Unrealized gains and losses are recognized in other comprehensive income, with cumulative gains and losses recognized in the “other reserve”. When the investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the consolidated statement of comprehensive income in “other operating income”. When BNY Mellon SA/NV holds more than one investment in the same security, they are deemed to be disposed of on a first-in-first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial instruments are recognized in the consolidated statement of comprehensive income as “other operating income” when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income in “impairment losses on financial investments” and removed from the “other reserve”.

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[2] The financial assets booked at fair value through the profit and loss accounts are designated as such when initially booked.

1.5.3.3 *Loans and Advances to Customers*

"Loans and advances to customers" refer to non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that BNY Mellon SA/NV intends to sell immediately or in the near term and those that BNY Mellon SA/NV upon initial recognition designates as at fair value through profit or loss
- Those that BNY Mellon SA/NV, upon initial recognition, designates as available for sale, or
- Those for which BNY Mellon SA/NV may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and advances to customers include loans to central governments, credit institutions as well as corporate clients.

A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

After initial measurement, loans and advances to customers subsequently are measured at amortized cost using the EIR, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "interest and similar income" in the consolidated statement of comprehensive income. Any losses arising from impairment are recognized in the consolidated statement of comprehensive income in "credit loss expenses" a caption that is part of "Net Operating Income". As no impairment has been recognized this year, these captions have a nil value and are not presented on the face of the consolidated statement of comprehensive income.

1.5.3.4 *Financial Liabilities Measured at Amortized Cost*

BNY Mellon SA/NV classifies its financial liabilities as measured at amortized cost using the EIR, except derivative financial instruments that are measured at fair value. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

These comprise deposits by credit institutions, amounts due to customers, subordinated and other financial liabilities presented on the face of the consolidated statement of financial position.

1.5.3.5 *Reclassification of Financial Assets*

BNY Mellon SA/NV may reclassify, in certain circumstances, financial instruments out of the "available-for-sale" category and into the "loans and receivables" category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the "available-for-sale" category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recognized in equity is recycled to the consolidated statement of comprehensive income.

Reclassification is at the discretion of management, and is determined on an instrument by instrument basis. BNY Mellon SA/NV does not reclassify any financial instruments into the fair value through profit and loss category after initial recognition. In 2013 as in previous years BNY Mellon SA/NV has not recorded any reclassifications of financial assets.

1.5.4 Derecognition of Financial Assets and Financial Liabilities

1.5.4.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- BNY Mellon SA/NV has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement where either
  - BNY Mellon SA/NV has transferred substantially all the risks and rewards of the asset, or
  - BNY Mellon SA/NV has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When BNY Mellon SA/NV has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of BNY Mellon SA/NV’s continuing involvement in the asset. In that case, BNY Mellon SA/NV also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that BNY Mellon SA/NV has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that BNY Mellon SA/NV could be required to repay.

1.5.4.2 Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

1.5.5 Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position as BNY Mellon SA/NV retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within “financial liabilities at amortized cost”, reflecting the transaction’s economic substance as a loan to BNY Mellon SA/NV. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest, is recognized in the consolidated statement of financial position, within “loans and advances to customers”, reflecting the transaction’s economic substance as a loan by BNY Mellon SA/NV. The difference between the purchase and resale prices is recognized in “net interest income” and is accrued over the life of the agreement using the EIR.

1.5.6 Securities Lending and Borrowing

Securities lending and borrowing transactions are collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the consolidated statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “net trading income”. See the explanatory notes.

1.5.7 Determination of Fair Value

The fair value for financial instruments traded in active markets at the consolidated statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

BNY Mellon SA/NV has only level 1 and level 2 financial instruments. As such BNY Mellon SA/NV does not use any internal valuation models with unobservable data for the determination of the fair value. As a result, no day 1 profits or losses are recognized.
An analysis of fair values of financial instruments and further details as to how they are measured are provided in the explanatory notes.

1.5.8 Impairment of Financial Assets

BNY Mellon SA/NV assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.5.8.1 *Financial Assets Carried at Amortized Cost*

For financial assets carried at amortized cost (such as loans and advances to customers), BNY Mellon SA/NV assesses individually whether objective evidence of impairment exists for financial assets that are individually significant. BNY Mellon SA/NV does not make any collective assessment for impairment, as its holdings of financial assets are considered to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to BNY Mellon SA/NV. If, in a period subsequent to recognition of an impairment loss, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "credit loss expense". The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

1.5.8.2 *Available-for-sale Financial Investments*

In the case of debt instruments classified as available-for-sale, BNY Mellon SA/NV assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income – is removed from equity and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income; increases in the fair value after impairment are recognized in other comprehensive income.

1.5.9 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Please see explanatory note 27.2.2.

1.5.10 Leasing

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset(s). This assessment is made at inception.

Leases that do not transfer to BNY Mellon SA/NV substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight line basis over the lease term. Contingent rentals payable are recognized as an expense in the period in which they are incurred.

BNY Mellon SA/NV does not enter into leasing contracts as a lessor.

1.5.11 Cash and Cash Equivalents

Cash and cash equivalents as referred to in the cash flow statement include notes and coins on hand and balances held with Central Banks with an original maturity of three months or less. Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

1.5.12 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to the residual value over the estimated useful life as follows:

Long leasehold property	-	40 years
Leasehold improvements	-	Over the lesser of the estimated useful life of the asset and the remaining term of the lease
Motor vehicles	-	4 years
Furniture, fixtures and other equipment	-	4 to 10 years

The estimated useful life of property, plant and equipment is reviewed and, in case of revision, depreciation is adjusted prospectively. Property, plant and equipment is derecognized on disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in “other operating income” or “other operating expense” in the consolidated statement of comprehensive income in the year the asset is derecognized.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. There are no restrictions on title, and none of the property or equipment is pledged as security for liabilities.

1.5.13 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) of the acquired business, generally at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the consolidated statement of comprehensive income in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized, but is reviewed for impairment at least once a year or if events or changes in circumstances indicate that the carrying value may be impaired.
An impairment loss is recognized if the carrying amount of the cash generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses relating to goodwill are not reversed in future periods.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

1.5.14 Intangible Assets Other Than Goodwill

BNY Mellon SA/NV’s other intangible assets include the value of computer software and client contracts. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to BNY Mellon SA/NV.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization of intangible assets is included as a separate expense line “amortization of intangible assets (other than goodwill)” in the statement of comprehensive income.

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	-	3 to 5 years
Client contracts (customer lists)	-	5 to 15 years

BNY Mellon SA/NV has no intangible assets with an indefinite useful life.

BNY Mellon SA/NV does not develop software internally.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

1.5.15 Impairment of Non-financial Assets

BNY Mellon SA/NV assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, BNY Mellon SA/NV estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units (CGUs) or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes. BNY Mellon SA/NV has determined that the CGU is to be defined as BNY Mellon SA/NV itself. This decision is based on the interdependencies of the entities within BNY Mellon SA/NV from a client and operating perspective. Furthermore, management decisions are taken at the level of the Board of BNY Mellon SA/NV before being implemented in the various entities.

For previously impaired assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, BNY Mellon SA/NV estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income in the period in which it arises.

1.5.16 Pension Benefits

1.5.16.1 Defined Benefit Pension Plan

BNY Mellon SA/NV operates five defined benefit pension plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the Projected Unit Credit Cost Method. The discount rates used in the actuarial valuations are based on rates of high quality corporate bonds in the relevant markets that have maturity dates approximating the terms of BNY Mellon SA/NV's obligations. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Under IAS 19 Revised BNY Mellon SA/NV determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). Consequently, the net interest income (cost) on the net defined benefit liability (asset) comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect of the asset ceiling.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a pension plan, the past service cost is recognized immediately. The past service cost is recognized in the net benefit expense that is part of "personnel expenses" in the statement of comprehensive income.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. An economic benefit is available to BNY Mellon SA/NV if it is realizable during the life of the plan or on settlement of the plan liabilities.

1.5.16.2 Defined contribution pension plan

BNY Mellon SA/NV also operates three defined contribution pension plans. The contributions payable to those plans are recognized as an expense under “personnel expenses” when they fall due. Unpaid contributions are recorded as a liability.

1.5.17 Provisions

Provisions are recognized when BNY Mellon SA/NV has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

1.5.18 Share-based Payment Transactions

Employees (including senior executives) of BNY Mellon SA/NV receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (‘equity-settled transactions’). Equity instruments granted are shares and options over shares of The Bank of New York Mellon Corporation.

BNY Mellon SA/NV uses a lattice based binomial method to calculate the fair value on the date of the grant.

The cost of equity settled transactions is recognized, together with a corresponding credit to in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’). The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and BNY Mellon SA/NV’s best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of comprehensive income expense or credit for a period is recognized in “personnel expenses” and represents the movement in cumulative expense recognized as at the beginning and end of that period.

When the terms of an equity-settled award are modified, the minimum expense recognized in “personnel expenses” is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. The entity shall recognize the incremental fair value granted if the modification increases the fair value of the instruments granted, or the fair value of additional equity instruments granted, if the modification increases the number of equity instruments.

When an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

All other long term and post-employment benefits are recognized under the “personnel expenses” caption.

1.5.19 Taxes

1.5.19.1 Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

1.5.19.2 Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date.

Current tax and deferred tax relating to items recognized outside profit or loss are similarly recognized outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.5.20 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by BNY Mellon SA/NV’s shareholders. Dividends for the year that are approved after the reporting date are disclosed as a subsequent event.

1.5.21 Equity reserves

The reserves recorded in equity of BNY Mellon SA/NV include:

- retained earnings comprising the profit and loss for the year and
- ‘other’ reserve which comprises: (i) the impact of the share based payment, (ii) changes in fair value of available-for-sale investments and (iii) net gain (loss) on actuarial gains or losses from the defined benefit pension plans, including tax effects thereon.

1.5.22 Segment Reporting

Segment disclosures are required for entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. This is not the case for BNY Mellon SA/NV. As a result, BNY Mellon SA/NV does not report an operating segment reporting by business nor by geographic market.

2. Interest and Similar Income and Expense

Interest and similar income	2013	2012
	in € '000	in € '000
Cash and cash balances with Central Banks	7,174	18,871
Financial instruments -available-for-sale	35,816	35,333
Loans and advances to customers	104,393	114,124
Other assets	1	93
Total	**147,384**	**168,421**

Interest and similar expense	2013	2012
	in € '000	in € '000
Deposits	62,694	84,017
Subordinated loans	30,116	30,316
Total	**92,810**	**114,333**

The net interest income has remained stable despite the limited average augmentation in the consolidated statement of financial position and additional investment in covered bonds, but compensated by low interest rates at the ECB and also in the market.

3. Net Fees and Commission Income and Expenses

	2013	2012
	In € '000	In € '000
Fee and commission income		
Global Custody	427,376	438,936
Securities Lending	3,327	6,833
Depotbank Services	9,608	2,636
Institutional Accounting	8,471	9,791
American Depositary Receipt	63,215	0
Clearing and settlement	6,227	8
Other	115,465	84,840
	633,689	543,044
Fee and commission expenses		
Custody	154,661	152,092
Clearing and settlement	204	1,154
Other	147,126	131,035
	301,991	284,281
Net fees and commission income and expenses	**331,698**	**258,763**

The net fee income increases following the merger with our Irish branch, despite the continuous price pressure experienced in the market.

4. Gains (losses) on Non-qualifying Economic Hedges and other Derivatives

	2013	2012
	In € '000	In € '000
Interest rate swaps	0	(2,303)
Forward foreign exchange contracts	25,600	53,175
	25,600	**50,872**

As BNY Mellon decided to cover its position on interest rate risk related to the pfandbriefs at the group level, BNY Mellon SA/NV does not hold any IRS in 2013. Forward points on swap transactions that act as economic hedges totaling €25.6 million have been presented in this caption.

Also, starting in late 2013, BNY Mellon SA/NV did commence a derivative clearing activity (with option and futures). BNY Mellon SA/NV acts like an agent but, according to market practices, BNY Mellon SA/NV is part of the contract and has accounted for the positions on derivatives accordingly. However, due to the contract nature of derivative clearing, positions are always “back to back”. As a consequence, the net result on the P&L is nihil.

5. Other Operating Income

	2013	2012
	In € '000	**In € '000**
Gains/(losses) from sales of available-for-sale financial instruments	1,797	98
Non trading exchange differences	0	452
Other	2,083	1,461
	3,880	**2,011**

Exchanges differences and other income are negative in 2013 and presented in other operating expenses.

6. Personnel Expenses

	2013	2012
	In € '000	**In € '000**
Wages and salaries	97,750	85,584
Social security charges	21,710	19,864
Pension costs – Defined benefit plan (Note 21.2)	8,526	3,858
Pension costs – Defined contribution plan (Note 21.1)	2,026	207
Share based payments (Note 24)	2,714	2,743
Other	6,627	14,244
	139,353	**126,500**

The increase in Personnel expenses, including in the pension costs related to defined contribution plan expenses is driven by the merger with the Irish entity during the year 2013. Other expenses consist mainly of the commuting programs for employees, the temporary clerical assistance from external agencies and the costs related to external IT consultants.

7. Other Operating Expenses

	2013	2012
	In € '000	**In € '000**
Marketing expenses	364	181
Professional fees	26,561	20,048
IT expenses	10,056	11,982
Operational lease expenses	7,810	8,982
Non trading exchange differences	1,709	0
Other	38,688	60,047
	85,188	**101,240**

Other operating expenses decrease mainly due to the exceptional increase in 2012 in other expenses that comprise the Financial Stability contribution (14.39 € Mio).

8. Income Tax

The components of income tax expense for the years ended 31 December 2013 and 2012 are:

	2013	2012
	In € '000	**In € '000**
Current tax		
Current income tax	40,641	8,511
Adjustment in respect of current income tax of prior years		
Deferred tax		
Relating to origination and reversal of temporary differences	(9,402)	23,803
	31,239	**32,314**

8.1. Reconciliation of the Total Tax Charge

Reconciliation between the tax expense and the accounting profit multiplied by Belgium's domestic tax rate for the years ended 31st of December 2013 and 2012 is as follows:

	2013	2012
	In € '000	**In € '000**
Accounting profit before taxes	**165,466**	**121,279**
1. Tax expense using Belgian statutory rate of 33.99% (2012:33.99%)	56,242	41,223
2. Effect of different tax rates in other jurisdictions	(8,864)	(4,833)
3. Income not subject to tax	-	-
4. Non tax deductible expenses	1,868	2,746
5. Effect of utilization of previously unrecognized tax losses	(919)	-
6. Effect from under or over provisions in prior years	(5,895)	6,076
7. Other increase (decrease) in statutory tax charge	(11,193)	(12,898)
Income tax expense reported in the consolidated of comprehensive statement	**31,239**	**32,314**

The effective income tax rate of 2013 is 18.88% (2012: 26.64%).

8.2. Income Tax Effects Relating to Comprehensive Income

	2013			2012		
	Before tax amount	**Tax (expense) benefit**	**Net of tax amount**	**Before tax amount**	**Tax (expense) benefit**	**Net of tax amount**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Net gain/(loss) on actuarial gains and losses	6,352	(2,187)	4,165	(22,105)	6,503	(15,602)
Available-for-sale financial assets	(25,719)	7,404	(18,315)	18,352	(4,615)	13,737
Total	**(19,367)**	**5,217**	**(14,150)**	**(3,753)**	**1,888**	**(1,865)**

8.3. Deferred Tax

The following table shows deferred tax recorded on the consolidated statement of financial position and changes recorded in the income tax expense:

	Deferred tax assets 2013	Deferred tax liabilities 2013	Statement of Comprehensive Income 2013	OCI 2013	Deferred tax assets 2012	Deferred tax liabilities 2012
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Pensions	5,418	(154)	(117)	(2,183)	6,920	(2,431)
Temporary difference on goodwill deductible	1,260	(15,538)	(5,225)	-	963	(10,016)
Client contracts not recognized for tax purposes	-	-	-	-	-	-
Temporary difference on intangibles assets deductible	-	(10,227)	3,087	-	-	(13,314)
Other liabilities not recognized for tax purposes	77	-	10	-	67	-
Losses available for offsetting against future taxable income	52,665	(30,488)	13,592	-	39,967	(31,382)
Fair value of financial instruments held-for-trading	-	-	-	-	-	-
Revaluation of financial instruments – available-for-sale	-	(1,915)	7	7,400	-	(7,946)
Other temporary differences	1,126	(4,095)	(1,952)	-	4,703	(4,010)
	60,545	**(62,417)**			**52,620**	**(69,099)**
Amounts offset	***(20,600)***	***20,600***			***(25,295)***	***25,295***
Total	**39,946**	**(41,817)**	**9,402**	**5,217**	**27,325**	**(43,804)**

9. Cash and Cash Balances with Central Banks

	2013	2012
	In € '000	In € '000
Deposits with the National Bank of Belgium	153,582	466,916
Deposits with other Central Banks	8,650,148	14,302,941
	8,803,730	**14,769,857**

Deposits with the National Bank of Belgium and with other central banks mainly represent mandatory reserve deposits and are not available for use in the day-to-day operations of BNY Mellon SA/NV.

The level of deposits at the other Central Banks is very depending on client deposits and the level of investments in bonds. The decrease is explained by the decrease in the spot balance sheet as of December 2013 and the increase of investment in bonds (Note 11), as well as an increase of spot exposure to BNY Mellon (Note 10).

10. Loans and Advances to Customers

	2013	2012
	In € '000	**In € '000**
Loans and advances to		
Central Governments	4,960	2,620
Credit institutions	38,622,813	35,673,405
Non credit institutions	410,734	278,766
Corporate	66	775
Less: Allowance for impairment losses	-	-
	39,038,573	**35,955,565**

The increase of loans to credit institutions is due to an increase of deposits to BNY Mellon group proportionally to deposits at Central Banks. BNY Mellon SA/NV balance sheet is dependent on clients' deposits, which generally are invested in Central bank deposits, Government bonds and deposits to BNY Mellon (main component of loans and advances to credit institutions).

After having performed impairment testing according to accounting policies, BNY Mellon SA/NV management concluded that no impairment should be accounted for.

This is consistent with the nature of business of BNY Mellon SA/NV and its counterparties. BNY Mellon SA/NV deals with high quality rated counterparts and on a very short term basis, as explained in note 27, which presents an ageing breakdown of financial assets and liabilities. No past due loans and advances exist and, as a consequence, no impairment recognized.

11. Financial Instruments - Available-for-sale

	2013	2012
	In € '000	**In € '000**
Equities	**-**	**121**
Debt instruments issued by	**3,765,957**	**2,394,361**
Central governments	2,356,658	2,182,314
Credit institutions	1,409,299	178,224
Non Credit institutions	-	33,823
	3,765,957	**2,394,482**

The available-for-sale portfolio has increased by 57.3%. The aim of this portfolio is solely to have an adequate liquid asset buffer.

12. Financial Assets Pledged as Collateral

Part of the available for sale debt instruments portfolio in the total amount of €246 million (2012: €529 million) is used to support the activity in Germany, mainly to provide Collateral for the Derivatives Clearing activity at Eurex and to collateralize client cash deposits with BNY Mellon that are above the deposit insurance ceiling.

13. Derivative Financial Instruments

The table below shows the fair values of derivative instruments, together with their notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Derivatives held for trading	**2013**	**2013**	**2013**	**2012**	**2012**	**2012**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Options	82,272	82,272	6,453,251	-	-	-
Futures	219,290	219,290	6,533,578	-	-	-
Forward foreign exchange contracts	133,500	75,559	4,841,662	76,558	44,511	7,281,169
	435,062	**377,121**	**17,828,491**	**76,558**	**44,511**	**7,281,169**

Derivatives often involve, at their inception, a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of BNY Mellon SA/NV.

Over-the-counter derivatives may expose BNY Mellon SA/NV to the risks associated with the absence of an exchange market on which to close out an open position.

BNY Mellon SA/NV's exposure under derivative contracts is closely monitored as part of the overall management of BNY Mellon SA/NV's market risk. Currently, concerning OTC derivatives, BNY Mellon SA/NV has only forward foreign exchange contracts related to its treasury activity. All options and futures are related to derivative clearing and are listed derivatives.

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. BNY Mellon SA/NV has credit exposure to the counterparties of

forward contracts. Additionally, forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk, thus resulting also in market risk exposure.
In a currency swap, BNY Mellon SA/NV pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Options

Option contracts provide the buyer the option but not the obligation to buy (call) or sell (put) a specific underlying asset at an agreed price. BNY Mellon SA/NV clears listed option contracts on behalf of its clients and therefore has credit exposure to the counterparty and central counterparty or carry broker. As all client contracts have an offsetting position with an exchange or carry broker there is no market risk in the transaction.

Futures

Futures contracts provides the buyer the right to buy an underlying asset at a specific price and date in the future, contracts can be closed before settlement date to realize the gain or loss. BNY Mellon SA/NV clears listed futures contracts on behalf of its clients and therefore has credit exposure to the counterparty and central counterparty or carry broker. As all client contracts have an offsetting position with an exchange or carry broker there is no market risk in the transaction.

Disclosures concerning the fair value of derivatives are provided in Note 23.

In addition to the derivatives disclosed in the table above, BNY Mellon SA/NV also holds equities resulting from various transactions that are classified as trading. These are always very small amounts (as of 2013 it amounts to €6 million).

14. Other Assets

	2013	2012
	In € '000	**In € '000**
Employee benefits	-	-
Prepaid charges	4,958	3,573
Accrued income (other than interest income from financial assets)	70,239	44,479
Accounts receivable, including:	93,796	71,109
From affiliated companies	*35,656*	*12,837*
Miscellaneous	34,578	24,603
	203,571	**143,764**

The accounts receivable balance at year end is high partially due to operational reasons. Miscellaneous assets include operating transactions that are in a suspense account until clarification that result from daily activity of BNY Mellon SA/NV.

15. Property, Plant and Equipment

2013	Leasehold improvements	Computer equipment	Furniture, fixtures and other equipment	Total
	In € '000	In € '000	In € '000	In € '000
At 1 January	9,752	1,280	3,025	14,058
Additions	582	265	857	1,705
Business combinations	3,720	8	324	4,052
Disposals	-	-	-	-
Depreciation charge for the year	(1,785)	(819)	(896)	(3,500)
Other	(198)	-	-	(198)
Impairment losses recognized in profit or loss	-	-	-	-
At 31 December	**12,071**	**734**	**3,310**	**16,115**
Gross carrying amount	20,132	8,793	7,406	
Accumulated depreciation and impairment	(8,061)	(8,059)	(4,096)	

2012	Leasehold improvements	Computer equipment	Furniture, fixtures and other equipment	Total
	In € '000	In € '000	In € '000	In € '000
At 1 January	9,026	2,042	2,715	13,783
Additions	2,249	197	992	3,438
Disposals	-	(40)	(55)	(95)
Depreciation charge for the year	(1,467)	(920)	(625)	(3,012)
Impairment losses recognized in profit or loss	(56)	-	-	(56)
At 31 December	**9,752**	**1,280**	**3,025**	**14,058**
Gross carrying amount	14,945	8,944	6,416	
Accumulated depreciation and impairment	(5,193)	(7,664)	(3,391)	

The increase in property, plant and equipment is due to the merger with the Irish entity during 2013.

16. Goodwill and Other Intangible Assets

2013	Goodwill	Computer software	Client Contracts	Total
	In € '000	In € '000	In € '000	In € '000
At 1 January	522,908	10,231	46,105	579,245
Additions from separate acquisition	-	202	-	202
Business combinations	13,904		7,437	21,341
Retirement & disposals	-	(365)	-	(365)
Amortization charge for the year	-	(7,351)	(7,689)	(15,040)
Foreign currency translation effects	-	11	-	11
Other movements	30	6	-	36
At 31 December	**536,843**	**2,734**	**45,853**	**585,430**
Gross carrying amount	536,843	18,246	82,944	
Accumulated depreciation and impairment	-	(15,512)	(37,091)	

2012	Goodwill	Computer software	Client Contracts	Total
	In € '000	In € '000	In € '000	In € '000
At 1 January	522,908	15,751	53,160	591,819
Additions from separate acquisition	-	917	-	917
	-	(59)	-	(59)
Amortization charge for the year	-	(6,497)	(7,055)	(13,551)
	-	26	-	26
Other movements	-	94	-	94
At 31 December	**522,908**	**10,231**	**46,105**	**579,245**
Gross carrying amount	522,908	29,320	68,600	
Accumulated depreciation and impairment	-	(19,208)	(22,494)	

16.1. Impairment Testing of Goodwill

BNY Mellon SA/NV's management has tested the goodwill for impairment at BNY Mellon SA/NV level, which was determined to be the cash generating unit. We refer to section 1 (Accounting policies) for the determination of the cash generating unit.

No impairment losses on goodwill were recognized during the year ended 31 December 2013 (2012: nil).

The recoverable amount for BNY Mellon SA/NV has been calculated based on the value in use. This value in use was determined by discounting the future cash flows expected to be generated from the cash generating unit's continuing use. Unless indicated otherwise, value in use in 2013 was determined similarly as in prior years. The calculation of the value in use was based on the following key assumptions

- Cash flows were projected based on net earnings after taxes (corrected for "non-cash" gains/losses) and the 5-year business plan as in prior years. Terminal cash flows were extrapolated using a constant growth rate of 1.5 percent (2012: 3 percent), which is based on the long-term growth assumption of the BNY Mellon SA. The forecast period is based on the BNY Mellon SA's forecasting horizon with respect to the operation of its activities.
- A discount rate of 8 percent (2012: 11 percent) was applied in determining the recoverable amounts for the cash generating unit. This discount rate was computed based on the BNY Mellon SA/NV's estimated cost of equity.

The key assumptions described above may change as economic and market conditions change.

BNY Mellon SA/NV Management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount of the cash generating unit to decline below the carrying amount.

17. Financial Liabilities Measured at Amortized Cost

	2013	2012
	In € '000	In € '000
Deposits by Central Banks	**760,748**	**-**
Deposits from credit institutions	**34,057,879**	**37,279,025**
Current accounts / overnight deposits	34,019,081	37,271,476
Deposits with agreed maturity	38,798	7,549
Deposits (other than from credit institutions)	**14,916,781**	**13,700,495**
Current accounts / overnight deposits	14,893,999	13,630,959
Deposits with agreed maturity	22,783	69,537
Subordinated liabilities (Note 20)	**345,500**	**345,500**
Other financial liabilities	**15,797**	**460,048**
	50,096,706	**51,785,068**

All the liabilities were issued by BNY Mellon SA/NV.

BNY Mellon SA/NV has not had any defaults of principal, interest or other breaches with regard to all liabilities during 2013 (2012: nil €).

BNY Mellon SA/NV experienced a peak in client deposits at year end, driving the increase of the total balance sheet.

18. Other Liabilities

	2013	2012
	In € '000	**In € '000**
Employee benefits	19,517	23,832
Social security charges	23,505	10,892
Leasing liabilities	2,482	2,776
Accrued charges (other than from interest expenses on financial liabilities)	27,189	37,690
Other debts	65,717	73,222
Other	5,639	9,589
	144,049	**158,001**

The other liabilities have decreased since 2012 mainly due a decrease in miscellaneous items.

19. Provisions

	Restructuring costs	Pending legal issues	Other provisions
	In € '000		
At 1 January 2012	1,516	-	-
Amounts released	(1,516)		
At 31 December 2012	**-**	**-**	**-**
Current (less than one year)			
Non-current (more than one year)			
At 31 December 2012	**-**	**-**	**-**
At 1 January 2013	-	-	-
Amounts provisioned	6.357	3,049	533
Amounts utilized	-	-	-
At 31 December 2013	**6,357**	**3,049**	**533**

In order to decrease operating costs, BNY Mellon SA/NV has implemented a job relocation plan. Approximately 200 jobs have been reallocated from Brussels to global and regional delivery centers of BNY Mellon (Pune, Manchester and Pittsburgh) over the years 2009 to 2013. The Brussels office maintains client facing functions, specialized processing activities and numerous shared services functions.

As of end of 2012, all of the remaining obligations under restructuring provision have been settled against the liability; this explains the decrease in the amount of provision in 2012.

However, during 2013, the plan continued and additional jobs are being reallocated. This explains the increase as of 2013.

The legal provision includes mainly legal claims of the Frankfurt branch.

20. Subordinated Liabilities

BNY Mellon SA/NV is the borrower of a perpetual loan of €92.5 million (2012: € 92.5 million) to be used for general corporate purposes. Interest will accrue on the loan at the rate of 8.18% per annum. The interest is accrued and calculated on the basis of the actual number of days elapsed and a year of 360 days.

BNY Mellon SA/NV is also the borrower of a perpetual loan of €253 million (2012: €253 million) to be used for general corporate purposes. Interest accrues on the loan at the rate of 8.75% per annum. The interest is accrued and calculated on the basis of the actual number of days elapsed and a year of 360 days.

Notwithstanding the fact that the loan is perpetual, it may be repaid at the option of BNY Mellon SA/NV (after written approval of the National Bank of Belgium):

- 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.

21. Retirement Benefit Plan

21.1. Defined Contribution Plan

BNY Mellon SA/NV has two defined contribution plans to which BNY Mellon SA/NV pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plans are held separately from those of BNY Mellon SA/NV in a fund under the control of trustees.

The total expense of €2 million (2012: €0.2 million) charged to the consolidated statement of comprehensive income represents contributions payable to these plans by BNY Mellon SA/NV at rates specified in the rules of the plan.

21.2. Defined Benefit Plan[3]

Employee benefits

The group operates four defined benefit plans: one in Belgium, one in the Netherlands and two in Germany. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Nature of benefits provided by the Plans

Both of the German Plans and the Netherlands Plan are final salary plans and provide pension benefits linked to salary at retirement or earlier date of leaving service. The plans are open to future accrual. The Belgian Plan provides a lump sum to members at retirement and has been closed to new employees since April 2007.

Regulatory framework in which the Plans operates

The group operates defined benefit pension plans in Belgium, Germany and the Netherlands under broadly similar regulatory frameworks. Benefit payments are made from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition.

Other entity's responsibilities for governance of the Plans

Trustees have the primary responsibility for governance of the Plans. Benefit payments are from Trustee administered funds and Scheme assets are held in Trusts which are governed by local regulations and practice in each country. Responsibility for governance of the Plans - including investment decisions and contribution rates - lies jointly with the Company and Trustee Board. The Trustee Board is comprised of representatives of the Company and members in accordance with local regulations and practice.

Risks to which the Plans expose the Company

- Asset volatility - If plan assets underperform the discount rate a deficit results. As the German plans are entirely invested in fixed income assets, there is a possibility of underperformance against the discount rate and so an increase to the deficit.
- Inflation risk - The majority of benefits in the German and Dutch plans are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation). The Belgian Plan is less sensitive to inflation as a lump sum is provided at retirement.
- Longevity - Increases in life expectancy will increase plan liabilities, the inflation-linkage of the benefits for the German and Belgian Plans also means that inflationary increases result in a higher sensitivity to increases in life expectancy.

[3] This explanatory note has been prepared in accordance to IAS19 Revised: post employment defined benefit plan. The comparative figures in this note have been restated accordingly.

Plan amendments, curtailments or settlements

There was a change to the funding policy for Death in Service (DIS) benefits in respect of the Belgian Plan. These DIS benefits were formerly funded externally via an insurance policy but from 1 April 2013 DIS benefits are provided from the Plan. In line with IAS19, the additional liability in respect of this was recognised as a past service cost of €1.5 million and fully recognised in the 2013 pension expense.

A past service credit of €0.2 million has been recognised in the 2013 pension expense in respect of changes to the Plan in the Netherlands. There were two changes to the plan rules applicable to the active participants of the Plan:

- Decrease in the accrual rate (2.05% from 2.15%)
- Increase to the retirement age (67 from 65)

In line with the requirements of IAS19, this plan amendment was recognised as a past service credit.

Funding arrangements and funding policy that would affect future contributions

The funding requirements of the individual plans are based on the actuarial measurement frameworks sets out in the funding policies of the plans and are in accordance with the statutory requirements of the plans in the various jurisdictions. BNY Mellon SA/NV undertakes separate actuarial valuations for funding purposes for each of the individual plans and pays contributions to the plans in line with the outcomes of these valuations.

Asset-liability matching strategies

BNY Mellon SA/NV ensures that the investment positions are managed within an ALM framework that has been developed to achieve long term investments that are in line with the obligations under the pension schemes. Within this framework, BNY Mellon SA/NV's ALM objective is to match assets to pension obligations by investing in long term interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors the duration and the expected yield of the investments to ensure they are matching the expected cash flows arising from the pension obligations.

Net benefit expense (recognized under personnel expenses)

	2013	2012
	In € '000	In € '000
Current service cost	5,461	3,983
Past service cost	1,355	-
Administrative expenses	139	233
Operating expense/ (income)	**6,955**	**4,216**
Net interest on the net benefit obligation/ (asset)	836	79
Finance expense/ (income)	**836**	**79**
Net benefit expense	**7,791**	**4,295**

	2013	2012
	In € '000	In € '000
Actual return/(deficit) on plan assets	3,089	15,242

The amounts of the defined benefit obligation and plan assets for the previous three years are reported below. No historical data prior to 2010 is available, since BNY Mellon SA/NV adopted IFRS as of 2010. The figures for 2011 and 2010 were reported as per IAS 19.

Net defined benefit (obligation)/asset

	2013	2012	2011	2010
	In € '000	**In € '000**	**In € '000**	**In € '000**
Fair value of plan assets	88,633	84,123	65,934	33,863
Defined benefit obligation	(108,149)	(108,583)	(68,818)	(41,049)
As of 31 December	**(19,516)**	**(24,460)**	**(2,884)**	**(7,185)**
Adjustments (the ‘asset ceiling’)	-	-	-	-
Net defined benefit (obligation) / asset	**(19,516)**	**(24,460)**	**(2,884)**	**(7,185)**

The movement in net defined benefit asset/ (obligation) is as follows:

	2013	2012
	In € '000	**In € '000**
As of 1 January	**(24,460)**	**(3,474)**
Employer contributions	5,417	5,931
Business combinations	-	(433)
Net benefit expense	(7,791)	(4,295)
Remeasurement gain/(losses) recognized in OCI	7,318	(22,189)
As of 31 December	**(19,516)**	**(24,460)**

The retirement benefit liability is recognized under “personnel expenses” (Note 6). BNY Mellon SA/NV expects to contribute €5,002,000 to its defined benefit pension plan in 2013 (2012: €8,177,000).

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
	In € '000	**In € '000**
Defined benefit obligation at 1 January 2013	108,583	69,408
Current service cost	5,461	3,983
Past service cost	1,355	-
Liabilities assumed in a business combination	(698)	433
Interest cost	3,869	3,800
Benefits paid	(3,159)	(2,751)
Experience (gains)/ losses	(2,135)	(4,526)
Actuarial gains/(losses) arising from changes in financial assumptions	(11,747)	38,154
Actuarial gains/(losses) arising from changes in demographic assumptions	6,620	82
Defined benefit obligation at 31 December 2013	**108,149**	**108,583**

Changes in fair value of plan assets are as follows:

	2013	2012
	In € '000	In € '000
Fair value of plan assets at 1 January 2013	84,123	65,934
Employer contributions	5,417	5,931
Interest income	3,033	3,721
Return on plan assets excluding interest income	56	11,521
Benefit paid	(3,159)	(2,751)
Assets acquired in business combinations	(698)	-
Administrative expenses	(139)	(233)
Fair value of plan assets at 31 December 2013	**88,633**	**84,123**

The cumulative amount of gains and losses recognized in other comprehensive income is presented below:

Gains and losses recognized in other comprehensive income

	2013	2012
	In € '000	In € '000
As of 1 January	23,504	1,315
Recognized during the year	(7,318)	22,189
As of 31 December	**16,186**	**23,504**

The re-measurement effects recognized in other comprehensive income

	2013	2012
	In € '000	In € '000
Return on plan assets excluding interest income	56	11,521
Experience (gains)/ losses	2,135	4,526
Actuarial gains/(losses) arising from changes in financial assumptions	11,747	(38,154)
Actuarial gains/(losses) arising from changes in demographic assumptions	(6,620)	(82)
Adjustments (the ‘asset ceiling’)	-	-
Total gains/ (losses) recognized	**7,318**	**(22,189)**

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows (weighted average):

	2013	2012
Equity instruments, of which:	37.8%	34.1%
Quoted (notably domestic equities)	*37.2%*	*32.6%*
Unquoted	*0.6%*	*1.5%*
Debt instruments, of which:	64.7%	68.5%
Quoted (notably fixed interest government bonds and corporate bonds)	*34.9%*	*39.6%*
Unquoted (notably fixed interest government bonds)	*29.8%*	*28.9%*
Property	2.1%	2.3%
Quoted	*1.2%*	*1.1%*
Unquoted	*0.9%*	*1.1%*
Cash	4.4%	5.4%
Quoted	*4.4%*	*5.4%*
Unquoted	*0.0%*	*0.0%*
Other assets	-9.0%	-10.3%
Quoted	*1.4%*	*0.1%*
Unquoted	*-10.4%*	*-10.4%*
	100.00%	**100.00%**

The overall expected rates of return on assets is determined based on the market prices including published brokers' forecasts prevailing on the date of valuation, applicable to the period over which the obligation is to be settled.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of BNY Mellon SA/NV at 31 December 2013. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Actuarial assumptions and sensitivity analysis

Assumptions are set based on actuarial advice with reference to the duration of the individual plans and market conditions in each territory. These individual plan assumptions are equivalent to liability-weighted assumptions as follows:

	2013	2012
Discount rate	3.55%	3.55%
Future salary increases	3.60%	3.65%
Inflation	1.80%	1.80%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into the average life expectancy beyond the retirement age of 65 of 21.5 years for men (2012: 21.43) and 24.6 years for women (2012: 24.43). No medical cost assumption is used in determining pension obligations.

Based on the assumptions set out above, the impact on the present value of the defined benefit obligations of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below.

Value of obligations at year end if:		**31 December 2013**
Discount rate reduced by	1.00%	137,113
Discount rate increased by	1.00%	86,775
Inflation reduced by	1.00%	105,523
Inflation increased by	1.00%	111,228
Life expectancy decreased by	1 year	106,494
Life expectancy increased by	1 year	109,774

The above analyses assume that assumption changes occur in isolation. In practice this is unlikely to occur and some assumptions may be correlated, such as pension increases and RPI inflation. The same method (project unit method) has been applied when calculating these sensitivities.

22. Issued Capital and Reserves

Authorized, issued and fully paid	**2013**	**2012**
	In '000	**In '000**
Ordinary shares of €976.7 each	1,545	1,425
% Convertible preference shares (Note 24)	-	-
	1,545	**1,425**

As of 31 December 2013 BNY Mellon SA/NV recorded issued capital and share premium in a total amount of €1,509 million and € 33 million respectively.

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

23. Fair Value of Financial Instruments

23.1. Determination of Fair Value and Fair Value Hierarchy

BNY Mellon SA/NV uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Level 1 prices are regularly and effortless available from an exchange, a dealer, broker or a similar counterparty. The fair value measurement of financial instruments with quoted prices is based on a mark-to-market valuation derived from currently available transaction prices with no valuation (modeling) technique needed.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. Observable inputs imply existence of an active market and should be highly used compared to the unobservable inputs. Risk free rates and exchange rates are observable inputs. The valuation techniques based on observable inputs are reference to the current fair value of a similar instrument or a discounted cash flow model.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The level 3 category implies that the market is not active and that assumptions and internally developed valuation techniques are put in place to determine the fair value of the financial instrument.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy of BNY Mellon SA/NV:

2013	Level 1	Level 2	Level 3	Total
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Derivative financial instruments				
Futures	219,290	-	-	219,290
Options (listed)	82,272	-	-	82,272
Forward foreign exchange contracts	-	133,500	-	133,500
Financial investments available-for-sale (Quoted)				
Debt securities	2,356,658	1,409,299	-	3,765,957
Equities held for trading	6	-	-	6
	2,658,226	**1,542,799**	**-**	**4,201,025**
Financial liabilities				
Derivative financial instruments				
Futures	219,290	-	-	219,290
Options (listed)	82,272	-	-	82,272
Forward foreign exchange contracts	-	75,559	-	75,559
	301,562	**75,559**	**-**	**377,121**

2012	Level 1	Level 2	Level 3	Total
	In € '000	In € '000	In € '000	In € '000
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	-	76,558	-	76,558
Financial investments available-for-sale (Quoted)				
Debt securities	2,039,287	355,074	-	2,394,361
Equities	-	121	-	121
	2,039,287	**431,753**	**-**	**2,471,040**
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	-	44,511	-	44,511
	-	**44,511**	**-**	**44,511**

BNY Mellon SA/NV did not transfer any financial instruments from level 1 to level 2 and from level 1 and level 2 to level 3 of the fair value hierarchy in 2013 or 2012.

23.2. Financial Instruments Recorded at Fair Value

A description of the determination of fair value per class of financial instruments is presented below. The fair value determinations incorporate BNY Mellon SA/NV's estimate of assumptions that a market participant would make when valuing the instruments.

23.2.1 Derivatives

All BNY Mellon SA/NV OTC derivative products are valued using internally developed models that use as their basis readily observable market parameters and as a result these are classified as Level 2 of the valuation hierarchy. Such derivatives are the forward foreign exchange contracts used for treasury management.

Other derivatives resulting from derivative clearing business are only listed derivatives and, as such, classified as level 1.

23.2.2 Financial Instruments - Available-for-sale

Available-for-sale financial assets classified within Level 1 mainly consist of government securities that are actively traded in highly liquid over-the-counter markets. These securities are valued using recent quoted unadjusted prices.

If quoted market prices are not available, the fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For securities where quotes from recent transactions are not available for identical securities, BNY Mellon SA/NV determines fair value primarily based on pricing sources with reasonable levels of price transparency. Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g. vintage, position in the securitization structure) and ascertain variables such as speed of prepayment and discount rate for the types of transaction and apply them to similar types of bonds. BNY Mellon SA/NV views these as observable transactions in the current marketplace and classifies such securities as Level 2.

23.3. Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements:

23.3.1 Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

23.3.2 Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. As BNY Mellon SA/NV has high quality counterparts, credit risk does not significantly influence the fair value. From an economic viewpoint, credit risk is very low at BNY Mellon SA/NV. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. Set out below is a comparison, by class, of the carrying amounts and fair values of BNY Mellon SA/NV's financial instruments that are not carried at fair value in the consolidated financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

For all instruments not measured at fair value, for which we disclose a fair value, the fair value measurement qualifies as Level 1.

	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash balances with Central Banks	8,803,730	8,803,730	14,769,857	14,769,857
Loans and advances to customers	39,038,573	39,038,573	35,955,565	35,955,565
Financial liabilities				
Financial liabilities at amortized cost	50,096,706	50,096,706	51,785,068	51,785,068

The table below shows the interest income and expense that relates to financial instruments measured at amortized cost:

Interest income from financial instruments measured at amortized cost	**2013**	**2012**
	in € '000	**in € '000**
Cash and cash balances with Central Banks	7,174	18,871
Loans and advances to customers	104,393	114,124
Total	**111,567**	**132,995**

Interest expense from financial instruments measured at amortized cost	**2013**	**2012**
	in € '000	**in € '000**
Deposits	62,694	84,017
Subordinated loans	30,116	30,316
Total	**92,810**	**114,333**

24. Share-based Payment

The share-based payment plans are described below. There have been no cancellations of or modifications to, any of the plans during 2013.

A Long Term Incentive Plan is operated by BNY Mellon, under which both stock options and restricted stock units are granted to senior employees under this plan.

Share options are granted at fair market value at the date of grant and vest 25% each year on the anniversary of the grant, awards automatically lapse on the 10th anniversary of the grant, each grant under the plan is issued with its own set of terms and conditions as described earlier. The plan is administered in the US and there are a number of exercise methods available to scheme participants including "cashless for cash" and "buy and hold" options.

Restricted Stock units are also issued under the plan and vest fully on the 3rd anniversary of the grant, awards are calculated in whole units and are transferred to participants as stock when the award vests and the restrictions are lifted.

The expense recognized for employee services received during the year is shown in the following table:

	2013	2012
	In € '000	**In € '000**
Expense arising from equity-settled share-based payment transactions	2,714	2,743
Total expense arising from share-based payment transactions	**2,714**	**2,743**

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year. The WAEP has been converted in Euro based on the average rate YTD (1.37021).

Options

	2013			2012		
	No.	**WAEP USD**	**WAEP EUR**	**No.**	**WAEP USD**	**WAEP EUR**
Outstanding at the beginning of the year	737,380	29.87	23.23	641,736	31.77	22.82
Exercisable at the beginning of the year	480,566	32.02	24.91	384,616	34.42	24.72
Staff transfers during the year	(100,790)	-	-	168,124	-	-
Granted during the year	-	-	-	83,426	22.03	17.14
Vested during the year	-	-	-	126,722	28.40	22.09
Forfeited during the year	(544)	25.40	18.53	(11,985)	26.16	20.35
Exercised during the year	(17,895)	21.23	15.50	(22,528)	18.02	14.02
Expired during the year	-	-	-	(121,393)	32.05	24.93
Outstanding at the end of the year	618,151	31.00	22.62	737,380	29.87	23.23
Exercisable at the end of the year	483,526	32.25	23.54	480,566	32.02	24.91

Restricted stock

	2013	2012
	No.	**No.**
Outstanding at the beginning of the year	198,555	151,550
Exercisable at the beginning of the year	192,311	147,444
Internal staff transfers during the year	(4,875)	19,436
Granted during the year	-	131,274
Vested and exercised during the year	-	(103,253)
Forfeited during the year	(92)	(452)
Outstanding at the end of the year	193,588	198,555
Exercisable at the end of the year	179,130	192,311

The weighted average remaining contractual life of options outstanding at year end is 5.13 years (2012: 5.90 years).

The range of exercise price of options outstanding at year end amounts from USD 18.02 to USD 45.40.

The expected life of options and expected volatility of BNY Mellon stock both are based on historical data and hence reflect the assumption that historical data is indicative of future trends, which may also not necessarily be the actual outcome. No other features of option grants were incorporated into the measurement of fair value.

The share price and exercise price are the same and equal the price of BNY Mellon stock on the date of grant. No stock options were granted during 2013 and thus there is no available input data to the model used for equity-settled options for the year ended 31 December 2013.

	2013	2012
Fair value at measurement date (USD)	NA	5.50
Share price (USD)	NA	22.03
Exercise price (USD)	NA	22.03
Dividend yield	NA	2.96%
Expected volatility	NA	34.45
Risk-free interest rate	NA	1.38
Expected life of option (years)	NA	6.93

25. Contingent Liabilities, Commitments and Leasing Arrangements

25.1. Legal Claims

In April 2009 and November 2010, two clients client filed a claim related to securities lending against different entities of BNY Mellon, including BNY Mellon SA/NV. These actions are made on a jointly liable basis.

This lawsuit is managed by the parent company; provisioning for the claims has been done to the extent necessary to reflect the estimated exposure for BNY Mellon SA/NV. No amounts have been provided during 2013 concerning these legal claims.

25.2. Off-balance Sheet

The off-balance sheet items consist mainly of: (i) the assets under custody (AUC) totaling €2,902 billion at 31 December 2013 (2012: €2,862 billion)), (ii) securities lending, (iii) repurchase and reverse repurchase agreements and (iv) lease arrangements. The breakdown of the off-balance sheet positions are provided in the table below.

Overview of off balance sheet positions:

CATEGORY	2013	2012
	In € Mio	In € 'Mio
Securities collateral given (Note 12)	246	529
Cash collateral received	98	-
Repo transactions	330	178
Liquidity lines given	100	-
Assets under custody	2,901,519	2,861,852
Securities lending:	(12)	312
Guarantee given	*377*	*14,568*
Collateral received	*389*	*14,256*
TOTAL	**2,902,281**	**2,862,871**

25.3. Securities Lending Indemnification

BNY Mellon SA/NV enters into collateralised securities borrowing and lending transactions as agent for customers.

In exceptional cases, for transactions in which BNY Mellon SA/NV provides a borrower indemnification, risk of credit loss occurs only if the borrower defaults and the value of the collateral held is not sufficient to restore the full value of the lent securities to the lender, where the market risk related to the collateral is for the account of the lender.

Where BNY Mellon SA/NV provides Collateral indemnification, any loss realised as a result of any deficiency (upon liquidation or otherwise) in the value of any collateral held in respect of any loan of the securities on loan is for the account of BNY Mellon SA/NV. Generally this refers to non-cash collateral. When cash is received as collateral and reinvested in the market on behalf of the customer, additional market risk arises. The market risk is assumed by the customer who has, prior to any securities lending taking place on their behalf, agreed to cash reinvestment guidelines which form a part of their securities lending agreement, which also documents that all market risk on cash reinvestment is for the account of the customer.

We identified a risk of €377 million (2012: €14.6 billion) as of December 2013 for which collateral was received for an amount of €389 million (2012: €14.3 billion), therefore BNY Mellon SA/NV’s net business risk exposure is limited. The securities lending indemnification diminished following the review of contracts.

25.4. Lease Arrangements

BNY Mellon SA/NV has entered into commercial operating leases on premises and equipment. These leases have an average life of 4 years for machine and equipment rental commitments and 9 years for premises lease commitments with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2013 and 2012 are as follows:

	2013	2012
	In € '000	**In € '000**
Within one year	10,570	10,660
After one year but not more than five years	37,564	31,800
More than five years	39,959	29,419
	88,093	**71,879**
of which:		
car lease	*3,914*	*3,330*
premises lease	*84,179*	*68,549*

The increase in the minimum lease payments is notably due to the premises lease of €24.6 million belonging to Dublin branch.

26. Related Party Disclosures

26.1. Key Management Compensation

Key management personnel refer to the members of the Board of Directors, the Committees and senior management as set out in the Report of the Board of Directors.

	2013	2012
	In € '000	**In € '000**
Short-term employee benefits	1,983	2,561
Post-employment benefits	82	93
Other long-term benefits	30	87
Termination benefits	-	-
Share based payments	436	905
	2,531	**3,646**

This caption has decreased as a result of the decrease in the average number of the key management members. Key management does not receive any special compensation.

More information regarding the share based payments are disclosed in Note 24.

26.2. Transactions with Key Management Personnel of BNY Mellon SA/NV

BNY Mellon SA/NV does not enter into transactions, arrangements and agreements involving directors, senior management and their relatives. There are no mortgages or personal loans granted, etc. to key management. Therefore there is nothing to report as transactions with key management.

26.3. Transactions with Related Parties

The following is a summary of the balances relating to transactions with BNY Mellon SA/NV's parent (i.e. ultimate parent and ultimate controlling party only), the companies included in its consolidated financial statements and other companies related to BNY Mellon SA/NV:

Amounts payable to and amounts receivable from related parties

	2013			2012		
	Parent	**Own subsidiaries**	**Other entities of the group**	**Parent**	**Own subsidiaries**	**Other entities of the group**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Assets : loans and advances	2,803,237	2	31,762,531	1,912,731	-	29,303,405
Current accounts	1,016,342	2	3,458,504	1,049,433	-	8,229,895
Term loans	1,786,895		28,304,027	863,299	-	21,073,510
Other receivables	-	277	-	-	747	-
TOTAL ASSETS	**2,803,237**	**279**	**31,762,531**	**1,912,731**	**747**	**29,303,405**
Deposits	3,391,602	2,009	28,963,144	2,579,146	-	32,876,839
Subordinated liabilities	-	-	345,500	-	-	345,500
Other liabilities	7,624	586	19,574	5,747	504	13,099
TOTAL LIABILITIES	**3,399,226**	**2,595**	**29,328,218**	**2,584,893**	**504**	**33,235,438**

Expenses and income generated by transactions with related parties

	2013			2012		
	Parent	**Own subsidiaries**	**Other entities of the group**	**Parent**	**Own subsidiaries**	**Other entities of the group**
	In € '000	**In € '000**	**In € '000**	**In € '000**	**In € '000**	**In € '000**
Interest expenses	165		85,010	273	0	100,154
Fees and commissions	71,690	2,337	91,364	60,311	884	86,190
Other	9,634	322	3,034	11,259	748	2,420
TOTAL EXPENSES	**81,489**	**2,659**	**179,408**	**71,843**	**1,632**	**188,764**
Interest Income	26,894		62,771	7,957	8	77,443
Fees and commissions	62,120	3,270	289,478	69,326	1,509	269,286
Other			1,215			
TOTAL INCOME	**89,014**	**3,270**	**353,464**	**77,283**	**1,517**	**346,729**

26.4. Terms and Conditions of Transactions with Related Parties

The above mentioned outstanding balances arose from the ordinary course of business. Outstanding balances at the year-end are unsecured. Nonetheless, the term deposits with BNY Mellon are covered by a master agreement that contains a right to withdraw prior to maturity date subject to early withdrawal penalty (break clause). The legal enforceability thereof has been confirmed following a request from NBB in order to ensure that BNY Mellon SA/NV can recover its US deposits even in case the parent would be under stress. For the year ended 31 December 2013, receivables on related parties are not considered to be doubtful and hence no provision for doubtful debt has been made.

26.5. Consolidated Subsidiaries

The consolidated financial statements include the separate financial statements of BNY Mellon SA/NV and the subsidiaries in the following table:

Name of subsidiary	**County of incorporation**	**% equity interest**	**% equity interest**
		2013	**2012**
BNY Mellon Service KAG	DE	100%	100%
Stichting Administratiekantoor BNY Mellon Global Custody	NL	100%	100%

26.6. Business Combinations

In February 2013 BNY Mellon SA/NV has merged with The Bank of New York Mellon (Ireland) Limited and as a consequence has acquired the Dublin branch in Ireland. Following the merger, the shareholders' equity of the Bank has increased by €116 million. The additional impact on the BNY Mellon SA/NV's equity amounted to €153 million as of the date of acquisition.

The figures of the Dublin Branch are included in the consolidated financial statements of BNY Mellon SA/NV effectively starting from 1 January 2013. The net profit for the month January 2013 was €'000 68. In 2013 Dublin Branch contributed total income, notably fee and commission income, of €62.4 million and a net profit of €15 million to BNY Mellon SA/NV's result. Dublin Branch proved a solid contributor to BNY Mellon SA/NV's results, notably to Corporate Trust and Depository Receipts activities.

The following table summarizes the recognized amounts of assets and liabilities of the branch at the date of the acquisition:

As of 1 February 2013	In € million
Total assets	662
Total liabilities	509
Equity	153

The recognized assets include goodwill of € 14 million. None of the goodwill recognized is expected to be deductible for tax purposes.

27. Risk Management

27.1. General

BNY Mellon SA/NV acknowledges risk taking as a fundamental characteristic of providing financial services. It is inherent to the business of banking and arises in every transaction BNY Mellon SA/NV undertakes. The capacity to take risk and pursue profits is constrained by the balance sheet and the reputation of the BNY Mellon brand in the marketplace.

Risk is inherent in BNY Mellon SA/NV's activities. Within BNY Mellon SA/NV, risk is managed through a process of ongoing identification, assessment and monitoring, subject to risk limits and other controls. The risk management process is critical to BNY Mellon SA/NV's continuing profitability and each individual within BNY Mellon SA/NV is accountable for the risk exposures relating to its responsibilities. BNY Mellon SA/NV is exposed to credit risk, liquidity risk and non-trading market risk including interest rate risk. BNY Mellon SA/NV is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. BNY Mellon's policy is to monitor these business risks through BNY Mellon's strategic planning process.

27.1.1 Risk Management Framework

Risk Appetite

BNY Mellon SA/NV's Board of Directors owns and regularly reviews its risk appetite within a defined risk appetite framework.

The Board approves the risk appetite statement, which has been developed and proposed by the Executive Committee.

In relation to any new product, business or activity that is proposed to be undertaken in BNY Mellon SA/NV, specific analysis against the current risk profile of BNY Mellon SA/NV and any consequent impact on ongoing compliance with BNY Mellon SA/NV's risk appetite must be conducted before any new product, business or activity can be undertaken

Risk Management Committee ("RMC")

The Committee derives its authority and mandate from the BNY Mellon SA/NV Executive Committee.

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

The aim of the Committee is to establish and maintain a capable, effective forward looking risk organisation that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The Committee provides risk-based challenge to the Business (1st line of defence) establishes and maintains a risk culture, advises the business board and governance committee as second line of defence 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 following responsibilities for BNY Mellon SA/NV RMC are agreed to by the BNY Mellon SA/NV Executive Committee:

- Ensure that all material business change that impacts on the SA/NV is subject to appropriate due diligence and challenge before being implemented
- Review and challenge risks associated with strategic initiatives and ensure management has appropriate risk management plans to address these risks
- Ensure that appropriate new business acceptance processes exist for all business being contracted through the SA/NV; review summary of all new Business Acceptance decisions
- Review and approve capital adequacy for the risks undertaken in light of material business changes on the SA/NV; consider impact of risk issues on capital for BNY Mellon SA/NV and challenge management actions in relation to any capital adequacy concerns
- Review annually the Business Resumption/Continuity plan and the results of business continuity tests
- Receive and review Risk Management, Compliance and Internal and External Audit reporting and, where appropriate, challenge management actions to address or remediate risk and compliance issues
- Work collaboratively with ExCo for building a risk appetite framework and statement that includes metrics and recommend it for Board approval
- Review adequacy of risk management resources
- Review adherence to Risk Appetite thresholds and risk control policies or regulation through the review of exception based reporting; where breaches occur, ensure management undertakes appropriate remedial action and challenge any delays
- Identify, measure, monitor and report exposures for BNY Mellon SA/NV top risks including a forward looking risk analysis
- Identify trends and themes in top risks and breaches against Risk Appetite thresholds and risk policies or regulation
- Escalate material risks, issues and/or trends requiring attention to the BNY Mellon SA/NV Executive Committee and Board and relevant EMEA Committees, as appropriate, in accordance with the EMEA escalation policy

BNY Mellon SA/NV meetings are held on a monthly basis prior to the second Executive Committee of the month. Ad hoc meetings can be called at the discretion of the committee chair.

Accountability

BNY Mellon SA/NV RMC is chaired by the Company's CEO and reports into the ExCo. Any significant issues raised at the RMC is also escalated to other appropriate corporate regional oversight committees, as appropriate.

Stress Testing Oversight Committee ("STOC")

The STOC operates under authority delegated by the ExCo and the European Stress Testing Oversight Committee (ESTOC). The STOC acts on behalf of all subsidiaries, branches and businesses of BNY Mellon SA/NV.

The key purpose of the STOC is to own and manage the stress testing schedule, including those designed and performed for the recovery planning of BNY Mellon SA/NV and its subsidiary, branches and businesses.

For both the purpose of ICAAP and of recovery planning, the responsibilities of the STOC include but are not limited to (i) overseeing the adequacy of the stress testing scope, schedule and approach in accordance with the EMEA Stress Testing Framework; (ii) agreeing the working groups or workshop composition and timing for scenario development; (iii) developing scenarios for BNY Mellon SA/NV; (iv) assessing the amounts, types and distribution of capital recommendations resulting from the stress testing process, sensitivity analysis and quantitative modeling and making appropriate recommendations to the ExCo, (v) escalating material issues and recommendations as appropriate to the ExCo and the ESTOC; (vi) considering formal reports from EMEA Regulatory Risk reviews of the quarterly and annual stress testing process and relevant Internal Audit reviews and producing an action plan to implement any recommendations; and (vii) approving the recovery triggers and escalation framework; reviewing, challenging and approving the ICAAP report and the Recovery Plan.

The STOC aims to meet monthly and a minimum of ten times per year, with ad hoc meetings called at the discretion of the committee Chair.

The STOC reports to the ExCo and the ESTOC, while it also reports total capital position and available capital to the Asset and Liability Committee

Asset and Liability Committee ("ALCO")

The ALCO is responsible for overseeing the asset and liability management activities of (a) the consolidated balance sheet of BNY Mellon SA/NV and its branches and subsidiary, as well as (b) the local balance sheet of The Bank of New York Mellon Brussels Branch, and for ensuring compliance with all treasury related regulatory requirements.

The key responsibilities of the ALCO are the following:

- Responsible for overseeing the asset and liability management activities
- Ensuring compliance to group policy and guidance set throughout BNY Mellon globally is understood and executed locally
- Ensuring adequate liquidity and overseeing liquidity management, including liquidity crisis management

- Overseeing asset and liability volume and pricing activity
- Monitoring interest rate risk sensitivity
- Approving Placement Policies for branches and subsidiaries
- Balancing Net Interest Income maximization with interest rate and credit risk
- Monitoring the fixed income investment portfolio
- Ensuring compliance with all regulatory requirements
- Ensuring effective functioning of ALCOs or Branch Liquidity Oversight Committees in the branches or subsidiaries
- Resolving escalated issues of ALCOs or Branch Liquidity Oversight Committees in the branches or subsidiaries
- Approving policies related to above activities

Business Acceptance Committees (“BAC”)

The objectives of the BACs (which are organized per business line) are to provide oversight and guidance for the activities of BNY Mellon SA/NV and other EMEA entities related to any piece of business that deviates from the standard in terms of:

- fees pricing
- legal contract
- operational requirements
- risks profile
- deal structure

BACs are held regularly or on an ad hoc basis, depending on business requirements and volumes.

The BACs cover the following:

- new business acceptance
- existing business
- fee renegotiation
- new operational requirements
- additional risk profile

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. Indeed, the process is the following: when deals come to the BAC, the forms used indicate whether the deal relates to BNY Mellon SA/NV or not. If it does, then:

- the BAC coordinator ensures that BNY Mellon SA/NV representatives are invited to attend when the BAC reviews client business booked in or processed by BNY Mellon SA/NV;
- the minutes of any approvals reflect whether a deal relates to BNY Mellon SA/NV or not.

BNY Mellon SA/NV incremental risks generated by deals are monitored by BAC and reported to BNY Mellon SA/NV RMC (reviewing reports generated by the relevant business BAC).

Credit Risk Oversight Committee (“CROC”)

The Credit Risk Oversight Committee was established to provide guidance, additional oversight and following actions for aged client overdrafts.

27.1.2 Risk Assessment Methodology and Reporting Systems

BNY Mellon SA/NV's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. BNY Mellon SA/NV also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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, with additional emphasis on selected industries. 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 Board of Directors, the Executive Committee and the Risk Management Committee. Senior management assesses the appropriateness of the allowance for any credit losses on a monthly basis.

27.1.3 Risk Mitigation

As part of its overall risk management, BNY Mellon SA/NV uses derivatives and other instruments to manage exposures resulting from changes in interest rates. This use is limited to the economical coverage of the liquidity invested in part of its debt instruments portfolio. For further details please see section 13.

27.1.4 Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of BNY Mellon SA/NV's performance to developments affecting a particular industry or geographical location.

Under European and Belgian bank regulations, all large individual exposures have to stay below a 25% threshold of their own funds. Subject to these capital adequacy requirements, BNY Mellon SA/NV applies the same rule internally. In 2014 BNY Mellon SA/NV has enacted a Master Netting Agreement with BNY Mellon. In order to avoid excessive concentrations of risk, the BNY Mellon's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

27.2. Credit Risk

Credit risk for the BNY Mellon SA/NV is the risk of default from counterparties or clients for loans, commitments, securities and other assets where the realization of the value of the asset is dependent on their ability to perform.

Types of activities which can be source of credit exposures to BNY Mellon SA/NV:

- Money market activity where placements, mainly short term in nature, are made with high quality financial institutions, including intra-group.
- Nostro balances with correspondents, custodians and central depositories, being long positions held to ensure liquidity of settlement activities.
- Customer overdrafts mostly operational credit related to global custody activities. These are short term in exposure, typically intra-day or overnight. In occasional instances, exposure can result from granting of more traditional credit products.
- Issuer risk from a bond portfolio. A bond portfolio with ECB eligible bonds is needed because BNY Mellon SA/NV has to provide collateral and liquidity against actual business activities. The plan for this portfolio is that the bonds are kept until March 2014 and classified to available for sale financial instruments.
- Derivative clearing services provided by the Frankfurt Branch of BNY Mellon SA/NV (exposures to CCPs, clients and carry brokers).
- Securities lending (please refer to note 25.2).

Credit Risk counterparties in treasury and money market activity are banks and financial institutions; borrowers in custody activity are mainly institutional clients such as mutual funds, pension funds and banks, as custody clients. At a high level, Asset Servicing clients are grouped as regulated funds, unregulated funds and corporate holding companies.

27.2.1 Credit Risk Management Framework

BNY Mellon SA/NV Credit unit is embedded in the Risk sector of BNY Mellon with certain credit officers having responsibilities at regional level. BNY Mellon SA/NV's credit unit is an integral part of BNY Mellon's EMEA regional credit risk management, and there are credit officers based in Brussels with direct responsibilities for BNY Mellon SA/NV's credit risk management. As a risk unit, BNY Mellon credit risk operates the overall management and oversight of BNY Mellon SA/NV. In BNY Mellon, credit risk is managed by exposure type:

- Type "A" exposure consists of traditional credit products where usually committed facilities are extended to borrowers. The approval authority is determined in function of the credit division or business line the client belongs to.
- Type "B" exposure, operational credit, is by far the most frequent type of credit supporting BNY Mellon SA/NV clients' custody activity. Extensions of credit are provided for BNY Mellon SA/NV's processing business. Other types of exposures include foreign exchange activities, related to securities settlement. Operational credit is a specialized unit within Credit Risk Management designed to approve measure, monitor and control extensions of operational credit and other operational related facilities.

27.2.2 Credit Risk Monitoring and Control

On a daily basis, information concerning the main sources of credit risk is collected and individual cases requiring investigation are followed-up to determine resolution status or if escalation or additional controls and procedures are required. Data is aggregated, analyzed and reported in the monthly RMC and through Credit Risk hierarchy.

Global custody overdrafts are monitored and controlled to ensure that approved exposure levels are not exceeded, or are approved by a suitable credit officer in the light of individual circumstances. Custody client overdrafts are monitored, tracked and escalated on an intraday and/or next-day basis. Criteria in relation to large exposure limits, ageing, borrower rating, limits, Assets Under Custody, origin of the overdraft are monitored and any exposure above set thresholds is reported daily to a Credit Portfolio Manager.

Securities lending monitors daily the volume of outstanding on-loan contracts and follow-up on collateralization levels. Instances of insufficiently collateralization are escalated to the appropriate division for follow-up.

Derivative Financial Instruments

BNY Mellon SA/NV maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts) by amount and maturity. Credit risk arising from derivative financial instruments is, at any time, limited to the positive current fair values of these financial instruments (plus a regulatory “add-on” reflecting the future credit risk exposure of these derivatives).

Collateral or other security is usual practice to cover the credit risk exposure on these instruments, except where BNY Mellon SA/NV requires margin deposits from counterparties.

Settlement risk arises where a payment in cash, securities or equities is made in the expectation of a corresponding similar receipt. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk exposures resulting from the daily market transactions of BNY Mellon SA/NV.

The exposure value of derivatives as of 31 December 2013 is €435 million (2012: € 155 million).

Offsetting Financial Assets and Financial Liabilities

BNY Mellon SA/NV does not offset any financial assets and financial liabilities. The disclosures set out in the table below include financial assets and financial liabilities that are subject to legal agreements similar to enforceable master netting arrangements, which cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

BNY Mellon SA/NV’s sale and repurchase, and reverse sale and repurchase transactions, and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, BNY Mellon SA/NV and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

BNY Mellon SA/NV receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives
- sale and repurchase, and reverse sale and repurchase agreements, and
- securities lending and borrowing.

Such collateral is subject to the standard industry terms of ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements for the year 2013 and 2012.

31 December 2013		Related amounts not offset in the statement of financial position		
In € '000	**Note**	**Financial instruments**	**Cash/other collateral**	**Net amount**
Derivative assets (futures)	13	219,290	97,823	121,467
Reverse sale and repurchase agreements	27.2.4	329,787	329,787	-
Total assets		**549,077**	**427,610**	**121,467**
Derivative liabilities		-	-	-
Sale and repurchase agreements		-	-	-
Total liabilities		-	-	-

31 December 2012		Related amounts not offset in the statement of financial position		
In € '000	**Note**	**Financial instruments**	**Cash/other collateral**	**Net amount**
Derivative assets (futures)		-	-	-
Reverse sale and repurchase agreements	27.2.4	177,650	177,650	-
Total assets		**177,650**	**177,650**	**-**
Derivative liabilities		-	-	-
Sale and repurchase agreements		-	-	-
Total liabilities		-	-	-

27.2.3 Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

In most cases, credit granted to clients are credits issued in the framework of their operations. When a right of pledge exists, in favor of BNY Mellon SA/NV, it is to be found on the assets under custody. These, in most cases, largely exceed the cash amount lent to the client. Hedge funds, however, have special control procedures in place. Please also refer to caption 25.

27.2.4 Risk Concentrations: Maximum Exposure to Credit Risk

BNY Mellon SA/NV's concentrations of risk are controlled and managed according to client/counterparty as opposed to geographical region and/or by industry. The largest exposure of 62% assets is to BNY Mellon Group and is spread across multiple branches and locations which provide certain mitigation in the case of default or rating downgrade of a related party. Please also refer to note 26.3.

The following table shows the maximum exposure to credit risk for the financial assets and financial liabilities, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Overview of maximum credit risk exposure

	Maximum risk position		Collateral
	2013	**2012**	**2013**
	In € '000	**In € '000**	**In € '000**
Cash and cash balances with Central Banks	8,803,730	14,769,857	-
Derivative financial instruments (asset side), of which:	435,068	76,558	-
Derivatives clearing (cash collateral) (note 13 and 25.2)	*219,290*	-	*97,823*
Available-for-sale financial assets	3,765,957	2,394,482	-
Loans and advances to customers, of which:	39,038,573	35,955,565	-
Reverse Repo (guarantees received) (note 25.2)	*329,787*	*177,650*	*329,787*
Derivative financial instruments (liability side)	377,121	44,511	-
Financial liabilities measured at amortized cost	50,096,706	51,785,068	-
Deposits	*49,735,408*	*50,979,520*	-
Subordinated liabilities	*345,500*	*345,500*	-
Other financial liabilities	*15,798*	*460,048*	-

	Maximum credit risk exposure by region, carrying values:				**2013**	**2012**
	Africa	**Americas**	**Europe**	**Asia Pacific**	**In € '000**	**In € '000**
FINANCIAL ASSETS						
Cash and cash balances with Central Banks			8,803,730		8,803,730	14,769,857
Derivative financial instruments		12,874	422,194		435,068	76,558
Available-for-sale financial assets		184,481	3,581,476		3,765,957	2,394,482
Loans and advances to customers	93,605	27,032,906	6,828,308	5,083,887	39,038,573	35,955,565
TOTAL FINANCIAL ASSETS	**93,605**	**27,230,261**	**19,635,708**	**5,083,887**	**52,043,328**	**53,196,462**
FINANCIAL LIABILITIES						
Derivative financial instruments		4,363	372,758		377,121	44,511
Financial liabilities measured at amortized cost	51,864	4,665,115	44,442,581	937,146	50,096,707	51,785,068
TOTAL FINANCIAL LIABILITIES	**51,864**	**4,669,478**	**44,815,339**	**937,146**	**50,473,828**	**51,829,579**

	Maximum credit risk exposure by industry, carrying value:				2013	2012
	Credit institutions	Corporates	Central Government	Non Credit Institutions	In € '000	In € '000
FINANCIAL ASSETS						
Cash and cash balances with Central Banks	22		8,803,708		8,803,730	14,769,857
Derivative financial instruments	166,760			268,308	435,068	76,558
Available-for-sale financial assets	1,409,299		2,356,658		3,765,957	2,394,482
Loans and advances to customers	38,622,813	66	4,960	410,734	39,038,573	35,955,565
TOTAL FINANCIAL ASSETS	**40,198,894**	**66**	**11,165,326**	**679,042**	**52,043,328**	**53,196,462**
FINANCIAL LIABILITIES						
Derivative financial instruments	125,290			251,831	377,121	44,511
Financial liabilities measured at amortized cost	34,419,177	30,358	899,882	14,747,289	50,096,707	51,785,068
TOTAL FINANCIAL LIABILITIES	**34,544,467**	**30,358**	**899,882**	**14,999,120**	**50,473,828**	**51,829,579**

27.2.5 Monitoring Sovereign Risks

The past 15 months have been an active time in managing counterparty and sovereign risk. Risk Management of BNY Mellon has actively managed through events in the macro-economy, unstable political situations in regions, acts of nature and threats of a regional debt contagion, events impacting employees, clients and business operations. Thus far, no direct credit losses have been recorded in BNY Mellon SA/NV from these events. Credit risk management will continue to give attention to global events and be responsive to world-wide conditions.

In 2013 BNY Mellon SA/NV has sovereign debt exposure to affected peripheral European countries, notably to bonds in Spain and Italy. The split per country is presented further down.

Overview of exposure to sovereign debt at year-end 2013 and 2012, carrying value (in € Mio):

Country	Held-for-trading	Balances with Central Banks	Available-for-sale financial assets	Loans and receivables	2013	2012
Belgium	-	153.6	164	-	**317.6**	**466.9**
France	-	-	260.2	-	**260.2**	**-**
Germany	-	8,039	536.1	-	**8,575**	**14,609.5**
Ireland	-	6.3	-	-	**6.3**	**-**
Italy	-	-	74.4	-	**74.4**	**-**
Kazakhstan	-	-	-	-	**-**	**1.9**
Luxembourg	-	1.7	-	-	**1.7**	**1.1**
Netherlands	-	603	264.2	-	**867.2**	**1,682.4**
Spain	-	-	99.6	-	**99.6**	**-**
United Arabic Emirates	-	-	-	5	**5**	**-**
United Kingdom	-	0.2	776.6	-	**776.8**	**14.6**
United States	-	-	181.5	-	**181.5**	**-**
TOTAL	-	8,803.7	2,356.6	5	**11,165.3**	**16,776**

27.2.6 Credit Quality by Class of Financial Assets

The credit quality of financial assets is managed by BNY Mellon SA/NV using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on BNY Mellon SA/NV's internal credit rating system. This system can be linked to more common rating systems available on the market. The amounts represent the credit risk exposures as calculated according to regulatory rules. There are no past due or impaired financial assets recognized for BNY Mellon SA/NV in 2013 (2012: € nil).

Internal BNY Mellon rating	Moody's equivalent grades	2013	2012
		€ Mio	**€ Mio**
2	Aaa	60,254.6	76,446.6
3-6	Aa1 - A3	61.2	56.2
7-8	Baa1 - Baa2	1,588.9	531.3
		61,904.8	**77,034.1**

BNY Mellon SA/NV does not possess assets with an internal grading between 10 and 18 that is equivalent to Moody's grades Ba1 to D.

It is BNY Mellon SA/NV's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products.

The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with

BNY Mellon SA/NV's rating policy. The attributable risk ratings are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class.

27.2.7 Impairment Assessment

For accounting purposes, BNY Mellon SA/NV uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days (60 days for overdrafts) or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. BNY Mellon SA/NV may address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually Assessed Allowances

BNY Mellon SA/NV determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

BNY Mellon SA/NV has not recorded any allowance for individual loans in 2013 (2012: € nil).

Collectively Assessed Allowances

Due to the individual significance of each transaction within BNY Mellon SA/NV, BNY Mellon SA/NV does not make any collective assessment for impairment.

27.2.8 Commitments and Guarantees

BNY Mellon SA/NV does not enter into irrevocable commitments and contingent liabilities for external customers. The off-balance sheet items of BNY Mellon SA/NV contain mainly: lease car or rental commitments, securities lending items as well as pledged financial assets. These are not qualified as loan commitments or financial guarantees. For more details please refer to note 25.

27.3. Liquidity Risk and Funding Management

BNY Mellon SA/NV defines liquidity as the ability to access funding or convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress, in order to meet its short term obligations.

Funding Liquidity Risk is the risk that BNY Mellon SA/NV cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without adversely affecting daily operations or financial conditions. Liquidity risks can arise from funding mismatches, market constraints from inability to convert assets to cash, inability to raise cash in the markets, deposit run-off, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputational risks also can affect BNY Mellon SA/NV's liquidity risk profile and are considered in the liquidity risk framework.

The management of liquidity risk is the responsibility of the Belgium and EMEA ALCO. Risk Management performs independent monitoring and control over the activities of the treasury-related operational functions.

Liquidity Risk Appetite

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 the firm.

The Board of BNY Mellon SA/NV has a low appetite for liquidity risk. BNY Mellon SA/NV will at all times maintain liquidity resources that are adequate both as to amount and quality to ensure there is no significant risk, either in normal or stressed market conditions, that liabilities cannot be met as they fall due. Internal Liquidity metrics are defined to ensure adequate headroom in respect of regulatory liquidity requirements.

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. The Board of Directors of BNY Mellon SA/NV has approved the following oversight, controls and metrics which are part of the liquidity risk appetite for the entity:

- Belgium Asset and Liability Committee (ALCO) has responsibility for oversight of liquidity management activities across BNY Mellon SA/NV. Belgium ALCO monitors compliance to the liquidity risk appetite in its monthly meetings.
- At all times BNY Mellon SA/NV's actual liquid asset buffer shall be at least equal to the target liquid asset buffer calculated to take account of the output of liquidity stress testing.
- At all times, liquid assets (including, for this purpose, <1 month intercompany placements) shall be greater than 70% of all interest bearing assets.
- BNY Mellon SA/NV, through the workings of ALCO, undertakes liquidity stress testing on an ongoing basis to constantly challenge the assumptions behind the liquidity of the balance sheet. The results of such stress tests are translated into management actions where appropriate.

BNY Mellon SA/NV performs some treasury and liquidity activities. These consist in managing the liquidity of the client base. Clients mainly deposit funds on demand accounts of BNY Mellon SA/NV. Simultaneously BNY Mellon SA/NV invests mostly in cash deposits with BNY Mellon or its sub-custodians. Investments are all less than a year, ensuring a reduced liquidity risk. In addition, BNY Mellon SA/NV maintains deposits with the Central Banks of most of the countries it is active in.

Funding Strategy

The BNY Mellon SA/NV balance sheet is liability driven. BNY Mellon SA/NV does not have "strategic" business driven assets that require funding. As a result, and by the nature of its business, BNY Mellon SA/NV normally finds itself in very large long liquidity position. While on a given day, the entity may be exceptionally looking for liquidity in a specific currency, out of the 30 it actively manages, BNY Mellon SA/NV has never found itself in an overall liquidity shortfall situation since its creation.

The liability side consists of mostly the long cash balances kept by BNY Mellon global custody and corporate trust clients on the sight accounts. These clients deposit cash directly with BNY Mellon SA/NV or with another BNY Mellon entity, which, in turn deposits cash with BNY Mellon SA/NV.

It should be noted that deposits from Global Custody clients are linked to their global custody activity. Therefore although client cash deposits are short term, clients could not take out all their cash without severely impacting their global custody operation. These deposits are therefore highly “sticky”, even in times of liquidity stress.

Cash on the balance sheet is deployed in the following ways:

- used to fund operational overdrafts
- used to fund securities and other liquid assets of the liquid asset buffer
- placed short term (maximum one month) in the Interbank Market
- placed short term (maximum one month) with other BNY Mellon entities
- placed with Central Banks

While overdrafts occur on specific client accounts they are mainly of technical nature and very short duration. They never influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.

BNY Mellon SA/NV acts as a settlement bank to BNY Mellon CSD. Participants of BNY Mellon CSD will be required to open cash accounts with BNY Mellon SA/NV for cash settlement purposes. In addition BNY Mellon CSD has also outsourced its operational functions to BNY Mellon SA/NV including provision of financial and liquidity risk management for the CSD liquidity position. Consequently, as BNY Mellon CSD will only account for Participants securities accounts, it has minimal or no liquidity risk arising in the CSD legal entity. BNY Mellon SA/NV treats cash deposits from BNY Mellon CSD customer similar to its other investment servicing clients and therefore this does not create any additional liquidity risk for BNY Mellon SA/NV.

Liquidity Risk Management Strategy

To limit liquidity risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

Looking forward to Capital Requirements Directive (CRD IV), BNY Mellon SA/NV has been building a liquid asset buffer composed of assets that would qualify as highly liquid under the CRD IV and the Capital Requirement Regulation (CRR). This buffer is mainly composed of the items below and is invested in securities or tenders of EUR Central Banks, managed by the treasury group:

- overnight deposits at Central Banks
- certificates of deposits
- UK gilts
- Dutch government bonds, and

- other central placements

As of December 2013, the assets qualifying for liquidity buffer amounts to €12.6 billion (2012: €12.9 billion).

This buffer intends to meet the size required to match the liquidity ratio imposed by the NBB (the National Bank of Belgium) and Basel III/CRD IV full requirements starting in 2014.

Liquidity Risk Assessment Methodology and Monitoring

BNY Mellon SA/NV has developed internal control processes and a contingency plan for managing liquidity risk. Firstly, the liquidity measurement is performed by means of specific liquidity risk limits and ratios that are documented in the Liquidity Policy and Contingency Funding Plan for BNY Mellon SA/NV and also in the Placement Policy for BNY Mellon SA/NV.

Secondly, as a banking entity regulated by the NBB, BNY Mellon SA/NV must comply with NBB circular updating the requirements in terms of “Sound liquidity requirements” (CBFA-2009-18). A framework for liquidity stress testing was developed whereby scenarios are developed and assessed on a quarterly basis.

BNY Mellon SA/NV’s Treasury Department manages liquidity by looking for significant changes in funding trends on a daily basis. Adjustments to the invested position are made accordingly. Daily estimated cash position available or required is calculated by the Liquidity Support team. Estimated cash position for a specific currency is provided to the Brussels trading desk, allowing the traders to perform an effective liquidity management. The day after, the accuracy of the estimate is controlled by comparing the actual and the anticipated positions.

Internal stress testing is undertaken by the BNY Mellon which takes position of BNY Mellon SA/NV into account and is based on similar assumptions as the stress test done at group level. The liquidity stress tests consider the combination worst case scenario, firm idiosyncratic liquidity, parent liquidity and market liquidity crises scenarios. The results of the stress tests show that BNY Mellon SA/NV is able to face a liquidity event under all developed scenarios and that the current size and position of the liquidity asset buffer is consider more than adequate for BNY Mellon SA/NV.

A Contingency Funding Plan (CFP) has been developed for responding to increasingly severe disruptions to BNY Mellon SA/NV’s ability to fund some or all of its activities in a timely manner and at a reasonable cost. This plan is commensurate with BNY Mellon SA/NV’s relatively simple treasury operation, its conservative liquidity risk profile and its role in the financial systems in which BNY Mellon SA/NV operates.

The following table details the liabilities according to the remaining term to maturity (contractual maturity date):

2013	Overnight	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative liabilities									
Deposits	522,102	14,915,407	33,534,073	3,078				48,974,660	48,974,660
Deposits from Central Banks		375,622	385,126					760,748	760,748
Subordinated liabilities				15,182	14,935	120,549	375,945	526,611	345,500
Other financial liabilities		693	15,105					15,798	15,798
	522,102	**15,291,722**	**33,934,304**	**18,260**	**14,935**	**120,549**	**375,945**	**50,277,817**	**50,096,706**

2012	Overnight	On demand	Less than a week	Up till 3 months	3 months 1 year	1 year- 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Book Value
	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000	In € '000
Non derivative liabilities									
Deposits	1,379,596	18,167,150	31,424,617	8,157	-	-	-	50,979,520	50,979,520
Subordinated liabilities	-	-	-	14,363	14,935	120,549	375,617	525,463	345,500
Other financial liabilities	(1,472,446)	1,090,906	841,575	-	-	-	-	460,035	460,048
	92,850	**19,258,056**	**32,266,192**	**22,520**	**14,935**	**120,549**	**375,617**	**51,965,018**	**51,785,068**

By the nature of its business, BNY Mellon SA/NV finds itself in very large long liquidity position. The liability side consists mostly of the long cash balances kept by BNY Mellon’s global custody clients on the sight accounts opened on BNY Mellon books and linked to their activities in the global securities markets. Most deposits consist of re-investment of BNY Mellon Brussels and London branches corporate trust clients’ deposits into BNY Mellon SA/NV.

On the asset side of the balance sheet, while overdrafts occur on specific client accounts, they are mainly of technical nature and very short duration. They never influence in any meaningful way the overall liquidity position of BNY Mellon SA/NV.

27.4. Market Risk

Market risk is the risk of loss due to adverse changes in the financial markets. Where the BNY Mellon SA/NV takes market risk in its usual course of business, we seek to stem potential losses by limiting positions that could have a material negative impact on BNY Mellon SA/NV.

The three types of market risk exposure categories are as follows:

- Equity risk or the price risk associated with a trading book. BNY Mellon SA/NV does not have a trading book, that is, it is not involved in debt, equity or commodities trading. As a consequence, BNY Mellon SA/NV is not exposed to this risk and it is not expected to change in the near future.
- Interest rate risk is the risk associated with changes in interest rates that impacts net interest income from interest earning assets and interest paying liabilities.
- Currency risk or the risk that a change in foreign exchange rates will create adverse impacts on the financial performance. BNY Mellon SA/NV is naturally exposed to exchange risk as it operates in more than 100 markets and in the majority of the world's currencies, resulting in long and short FX positions. In order to mitigate this, foreign exchange positions on the balance sheet are closed daily, while those generated by the translation of the P&L in EUR are closed monthly.

Furthermore, BNY Mellon SA/NV does not enter into speculative operations. For this reason, market risk is considered as very low within BNY Mellon SA/NV (i.e. €12.4 million capital requirements). It has to be mentioned that BNY Mellon SA/NV enters into currency swaps to optimize its treasury management. The currency swaps do not create market risk issues. The interest risk aspect of the transactions is limited as the deals are mostly overnight.

27.4.1 Market Risk Management

The Market risk policy is determined and revised by BNY Mellon's Risk Policy Sector in conjunction with the business line. The risk measurement is in accordance with BNY Mellon's Risk Policy Manual.

The BNY Mellon SA/NV Market Risk is assessed and monitored by the Control and Risk functions under the direction of the Chief Risk Officer of BNY Mellon SA/NV. In addition, Market Risk assessment and monitoring are conducted independently by BNY Mellon's Risk Policy function.

Market risks are reported during the monthly RMC and ALCO. BNY Mellon SA/NV runs very little market risk. It doesn't have a portfolio of securities for trading purposes and does not run foreign exchange positions for trading purposes. The only securities BNY Mellon SA/NV has are part of its liquid assets buffer, hence out of a trading portfolio, or are the result of operational errors. The amounts have, historically, been low. Upon creation of the position, it is immediately incorporated into the risk management tools.

BNY Mellon SA/NV is a part of BNY Mellon's market risk assessment process. BNY Mellon uses a Value-at-Risk (VAR) methodology to monitor market risk. The BNY Mellon's VAR is calculated daily on a variance/covariance basis, uses a one-day time horizon and a 99% confidence level.

27.4.2 Market Risk – Non-trading

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Interest Rate Risk Framework

For BNY Mellon SA/NV, the duration of the liabilities is predominantly short term.

Currently, placements are mostly at a week horizon. The interest sensitivity is generated by the building up of the securities portfolio as part of the liquidity asset buffer. These securities being available for sale, management has concluded that the impact of interest rate risk is minimal due to short-term duration of interest-bearing instruments.

Nonetheless, interest rate risk is a standard agenda item of BNY Mellon SA/NV ALCO. The BNY Mellon's International Treasury Team has responsibility for setting the maturities of deposits of BNY Mellon SA/NV. At present, interest rate gaps are monitored by this team.

Sensitivity Analysis

Stress tests are performed in order to better evaluate the potential impact of changes in the short term yield curve. Because the maturity mismatch is at the short term end of the maturity curve, it is considered that changes in the shape of the yield curve will not have material impact.

BNY Mellon SA/NV performs on a monthly basis stress tests on the interest rate sensitivity which is reported to the Belgium ALCO. It reflects the sensitivity of the money market placement book and the securities portfolio only. It does not include any behavioral sensitivity on the liability side of the balance sheet or interest sensitivity of the trading books e.g. FX swaps etc. This was reported as USD -66,395 for money market placement book and USD -530,000 for the securities portfolio as on 31 January 2013.

Interest Rate Sensitivity is based on a one basis point parallel shift in the yield curve and reflects the asset side of the balance sheet only. What this means is that in the event interest rates move higher by 1bps, this would result in a loss of 596k on the asset side of the balance sheet.

27.4.3 Currency Risk

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with BNY Mellon SA/NV's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which BNY Mellon SA/NV had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Euro, with all other variables held constant, on the consolidated statement of comprehensive income and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as non qualifying economic hedges). A negative amount in the table reflects a potential net reduction in consolidated statement of comprehensive income or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Euro would have resulted in an equivalent but opposite impact.

Currency	Variation	Conversion rate at closing	Effect on profit before tax	Effect on equity	Conversion rate at closing	Effect on profit before tax	Effect on equity
		2013	2013	2013	2012	2012	2012
			€ Mio	€ Mio		€ Mio	€ Mio
Scenario 1	1%						
USD	0.0138	1.3791	122.6	2.7	1.3194	19.9	2.5
GBP	0.0083	0.8337	27.4	6.5	0.8161	18.0	6.7
Scenario 2	Maximum variation over one year (2008)						
USD	0.3530	1.3791	3,138.2	68.5	1.3194	533.2	68.2
GBP	0.2452	0.8337	806.8	192.4	0.8161	540.1	201.1
Scenario 3	Over 10 years						
USD	0.7738	1.3791	6,879.2	150.2	1.3194	1,168.8	149.4
GBP	0.4075	0.8337	1,340.6	319.7	0.8161	897.6	334.1

BNY Mellon SA/NV also manages its liquidity by currency and ensures that the net position in each currency does not exceed internal limits.

27.5. Operational Risk

Operational Risk is the risk of loss resulting from people, systems, inadequate or failed internal processes 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.

BNY Mellon SA/NV manages operational risk within the Basel II framework. Key operational risks for BNY Mellon SA/NV include:

- internal and external fraud
- corporate actions
- transaction processing errors
- subcustodian bankruptcy
- business continuity

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, it is this risk that materializes the biggest loss events.

The main responsibilities of these persons are:

- Ensure the lines of business comply with Corporate Risk Policy, from an operational risk perspective.
- Work closely with line of business management to understand the business, identify risk issues, ensure the risks are assessed and are monitored.
- Ensure that risk identification and assessment techniques are in place and maintained (both high level and granular assessments).
- Ensure that appropriate risk monitoring is in place, maintained and challenged (particularly RCSA control gaps, action plans and Key Risk Indicators) and that trends are identified and actions are being taken and escalated where appropriate to the line of business, the risk management sector and the local risk committee.
- Assess emerging risks, including those related to new client take-on, new products or significant process/business changes and challenge risk mitigating solutions as appropriate.
- Participate in appropriate business risk meetings/committees to identify opportunities to challenge risk mitigators/controls and reduce risk.

A Loss Distribution Approach (LDA) model owned and managed at BNY Mellon level was utilized to calculate operational risk Pillar 2 and resulted in a requirement of €93 million (2012: €96 million), versus the Pillar 1 calculation of €83 million (2012: €96 million).

28. Capital

BNY Mellon SA/NV maintains an actively managed capital base to cover risks inherent to the business. The adequacy of BNY Mellon SA/NV's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the NBB in supervising BNY Mellon SA/NV. During the past year, BNY Mellon SA/NV had complied in full with all its externally imposed capital requirements.

28.1. Capital Management

According to Pillar II of the Basel principles, banks have to perform their own evaluation of the economic capital and to conduct stress tests in order to assess their needs in own funds in case of a downturn in the economy. This pillar has the effect of structuring the dialog with the NBB on the capital adequacy level adopted by the credit institution.

In the framework of the Internal Capital Adequacy Assessment Process (ICAAP), BNY Mellon SA/NV defined measurement methods for its economic need for capital as well as management and control methods to encompass its risk policies. Furthermore, stress test scenarios are being worked on.

The difference between the economic capital and the regulatory capital incorporates the margin ensuring that the capital level of BNY Mellon SA/NV is sufficient at all times. The latter is in function of the risk profile and of the risk aversion of BNY Mellon SA/NV. The capital ratio stays in line with 2012 as observed in the table below:

Regulatory capital

	2013	2012
	€ Mio	**€ Mio**
Qualifying Core Tier1 Capital	2,182.47	1,799.98
Qualifying Tier1 Capital	345.50	345.50
Total qualifying Tier 1 capital	2,527.97	2,145.48
Deductions	585.43	579.25
Total qualifying Tier 2 capital	-	-
Total capital	**1,942.54**	**1,566.23**
Total Risk weighted assets	**10,900.64**	**9,073.03**
Credit risk weighted assets	**9,709,03**	**8,061.85**
Market risk weighted assets	**154.98**	**107.73**
Operational risk weighted assets	**1,036.63**	**903.45**
Core Tier 1 capital ratio	14.65%	13.45%
Tier 1 capital ratio	17.82%	17.26%
Total capital ratio	17.82%	17.26%

Regulatory capital consists of qualifying core Tier 1 capital, which comprises the paid up share capital, share premium, retained earnings, including current year profit and filtering out the valuation reserves, less goodwill and other intangibles. Certain adjustments are made to IFRS-based results and reserves. Tier 1 also includes perpetual subordinated debt qualifying since it meets specific conditions imposed by the National Bank of Belgium. BNY Mellon SA/NV has no Tier 2 capital.

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