The Bank of New York Mellon (Frankfurt Branch)

PILLAR 3 DISCLOSURE

DECEMBER 31, 2016

BNY MELLON | Invested

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1 Scope of Application

1.1 Disclosure policy

This document comprises The Bank of New York Mellon Frankfurt Branch ("BNYM Frankfurt Branch") Pillar 3 disclosures on capital and risk management at 31 December 2016. These disclosures are published in accordance with the requirements of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) referred to together as CRD IV, which came into effect on 1 January 2014. CRD IV has the effect of implementing the international Basel III reforms of the Basel Committee on Banking Supervision within the European Union. The Pillar 3 disclosure requirements are contained in Part Eight of the CRR, in particular articles 431 to 455, which in conjunction with §26a and §53 Kreditwesengesetz (KWG) defines the disclosure requirements for BNYM Frankfurt Branch.

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

Wherever possible and relevant, consistency has been ensured between The Bank of New York Mellon ("BNY Mellon") Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content e.g. disclosures concerning risk management practices and capital resources at the year end. Unless indicated otherwise, information contained within the Pillar 3 disclosure has not been subject to external audit.

Disclosures will be made annually and will be published on BNY Mellon Group website (https://www.bnymellon.com/us/en/investor-relations/other-regulatory.jsp#pillar3 as well as on BNYM Frankfurt Branch website (https://www.bnymellon.com/de/de/index.jsp#ir/the-bank-of-new-york-mellon-filiale-frankfurt-am-main--informationen-und-publikationen). BNYM Frankfurt Branch will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

1.2 The Basel III Framework

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

Pillar 1 – Minimum capital requirement:

Establishes rules for the calculation of minimum capital for credit risk, market risk, operational risk and capital resource requirements

Pillar 2 – Supervisory review process:

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

Pillar 3 – Market discipline:

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

1.3 Purpose of Pillar 3

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

Credit risk

Market risk

Operational risk

Liquidity risk

These Pillar 3 disclosures only focus on those risk and exposure types relevant to BNYM Frankfurt Branch.

BNYM Frankfurt Branch includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and an analysis of its credit risk exposures. The disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into its approach to risk management.

1.4 Non-material, Proprietary or Confidential Information

In accordance with CRD IV, the branch management of BNYM Frankfurt Branch may omit one or more disclosures if the information provided is not regarded as material. The criteria for materiality used in these disclosures is that BNYM Frankfurt Branch will regard as material any information where its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

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

1.5 Frequency and Means of Disclosure

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

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

Disclosures are published on BNY Mellon Corporation website (https://www.bnymellon.com/us/en/investor-relations/other-regulatory.jsp#pillar3) as well as on https://www.bnymellon.com/de/de/index.jsp#ir/the-bank-of-new-york-mellon-filiale-frankfurt-am-main--informationen-und-publikationen.

1.6 Branch Management Approval

These disclosures were approved for publication by BNYM Frankfurt Branch's branch management on 26th of June 2017. The branch management has verified that they are consistent with formal policies adopted regarding production and validation and are satisfied with the adequacy and effectiveness of the risk management arrangements

1.7 Own Funds

At 31st of December 2016 BNYM Frankfurt Branch capital consists of €5,113M (2015: €5,113M) endowment capital.

In accordance with §1 FreistVO and §53c KWG, BNYM Frankfurt Branch is not required to apply Article 11 – 386 CRR.

For regulatory purposes the own funds of the parent (BNY Mellon Corporation) is used. The parent´s total Tier 1 capital as at 31st of December 2016 was: €18,889M (2015: €17,103M). Further details can be found in the Pillar 3 disclosure of the parent, available at: https://www.bnymellon.com/us/en/investor-relations/other-regulatory.jsp#pillar3

In accordance to BaFin circular published on 17th of February 2016 BNYM Frankfurt Branch as a branch per §53c KWG is not required to calculate or disclose Basel III leverage ratio. Furthermore BNYM Frankfurt Branch also received a derogation from BaFin regarding the need to create a local risk bearing capacity concept as the BNYM Frankfurt Branch is included in the risk bearing capacity concept of the parent entity, which ensures appropriate risk taking across all branches. This derogation also entails that the BNYM Frankfurt Branch is not obligated to have a standalone own funds plan and to perform a standalone ICAAP, as BNYM Frankfurt Branch is integrated in the parents entity own funds plan and ICAAP. For further details please see the 2016 annual report and the Pillar 3 disclosure of BNY Mellon Corporation available at: https://www.bnymellon.com/us/en/investor-relations/index.jsp.

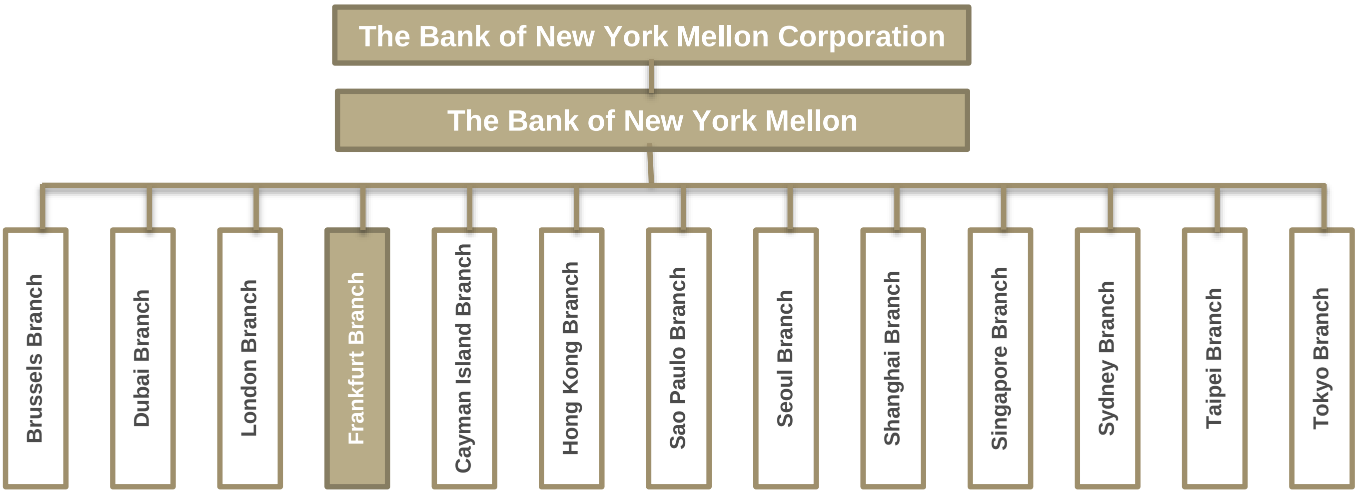
1.8 Company Description

BNY Mellon is a global investment company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31st of December 2016, BNY Mellon had $29.9 trillion in assets under custody and/or administration, and $1.6 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments.

BNYM Frankfurt Branch is a legally dependent branch of BNY Mellon. At 31st of December 2016 The Bank of New York Mellon Corporation was the sole shareholder of The Bank of New York Mellon, New York.

The corporate structure of BNYM Frankfurt Branch as at 31st of December 2016 is illustrated in Figure 1 below.

Figure 1: The Bank of New York Mellon corporate structure



1.9 Core Business Lines

BNYM Frankfurt Branch primarily offers its clients Treasury Services, in particular:

- Short-term credit foreign trade financing, letters of credit and follow-on financing guarantees
- Euro payment services
- Client Deposits

The clients, which are almost exclusively international financial institutions, are located primarily in the Middle-East, Europe and Asia.

2 Risk Management Objectives and Policies

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

Whilst BNY Mellon assumes less balance sheet risk than most financial services companies, it does assume a significant amount of operational risk as a result of its business model. As a consequence, BNY Mellon has developed an enterprise risk management program that is designed to ensure that:

Risk tolerances (limits) are in place to govern its risk-taking activities across all businesses and risk types

Risk appetite principles are incorporated into its strategic decision making processes

Monitoring and reporting of key risk metrics to senior management and the Branch Management takes place

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

BNYM Frankfurt Branch is integrated in BNY Mellon Corporation's risk management program and has embedded the above policies in local governance processes. As stated in the parents pillar 3 disclose, the goal of enterprise risk management is to adopt a conservative risk appetite in order to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity, superior asset quality, ready access to external funding sources at competitive rates, and a robust capital structure whilst delivering operational excellence to meet stakeholders' expectations.

2.1 Risk Objectives

The identification, measurement, monitoring and management of risk are essential elements for the success of operations undertaken by BNYM Frankfurt Branch, specifically:

The Branch Management recognises that defining a risk appetite must consider the views of a number of different stakeholders while accounting for business strategy and risk profile

The Branch Management sees embedding the risk appetite into the business strategy as essential

The Branch Management recognises that it cannot mitigate all risks. The risk framework includes standard risk management self-assessment tools that take into account loss history and stress testing to measure and monitor whether or not risk controls in place continue to remain effective

The Branch Management will seek input from its own and group wide risk committees on a regular basis in its reassessment of appetite and sources of major risks

The Branch Management adopts a prudent appetite to all elements of risk to which BNYM Frankfurt Branch is exposed.

2.2 Risk Governance

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

2.2.1 Board of Directors of Parent Company

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

Holding management accountable for the integrity of the risk appetite framework

Seeking independent assessment, if deemed necessary, of the integrity and robustness of the risk appetite framework by reference to stakeholder expectations

Understanding how strategic decisions alter the risk profile, and whether the strategic change would cause the risk appetite to be exceeded

Supervision of BNY Mellon affiliates and branches.

The Board meets at least quarterly.

2.2.2 The Branch Management

The Branch Management of BNYM Frankfurt Branch as the main delegate of the Board is responsible for:

Conducting and developing the activities of BNYM Frankfurt Branch in accordance with its social objective as described in its articles of incorporation and in accordance with applicable laws

Making appropriate determinations with regards to accepting or rejecting new business and ensuring escalation to the Board of any issues which cannot be resolved at this level

Ensuring that BNYM Frankfurt Branch has an effective organization and sufficient human / technology resources

Ensuring the sound administration of assets and the proper execution of operations

Ensuring the complete and accurate recording of transactions and the production of reliable and timely information

Promoting a positive attitude towards controls within BNYM Frankfurt Branch

Implementing an effective system of internal controls and an adequate compliance program

Reporting at regular intervals to the Board on the status of affairs, internal controls and compliance. The General Management must promptly report to the Board any material breaches of law, regulation, code of conduct and standards of good practice

Ensuring adequate oversight and control over any outsourcing arrangements

The Branch Management meets at least monthly and the directors who served during the year were:

Name	Position	Number of directorships held	Responsibilities
Christopher Porter	Branch Manager	1	Market
Reinhard Heilmaier	Branch Manager	1	Operations (“Marktfolge”) since 1st of November 2016
Christoph Marniok	Branch Manager	1	Operations (Marktfolge”) until 31th of October 2016

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

2.2.3 Regional Risk Governance

A regional level risk governance structure is in place to oversee all business and legal entity risk. The German Risk Management Committee and the BNYM Frankfurt Branch risk management processes feed into the structure below.

Oversight and escalation is provided through the following key committees:

EMEA Executive Committee (EEC) is the senior regional management committee. The committee's main role is to drive actions relating to the region's revenue generation, strategy, governance and control objectives. It is also a platform for regional senior managers to agree common positions on issues relevant to all businesses operating within EMEA.

The EEC is a challenge and advisory committee, though it will not typically have decision-making authority over individual businesses and legal entities. The chair can escalate concerns raised at the EEC to the Corporate Executive Committee of which he is a member.

However it should be noted that the primary responsibility for the oversight of individual businesses / entities rests with the senior management of those businesses.

EMEA Senior Risk Management Committee (ESRMC) exercises responsibility and provides independent oversight for policies, processes and controls relating to all aspects of risk and compliance for the EMEA region. This includes the following EMEA subcommittees:

- EMEA Anti-Money Laundering Oversight Committee
- EMEA Asset and Liability Committee
- EMEA Controls Committee
- EMEA Investment Management Risk & Compliance Committee

The Committee is an empowered decision-making body under authority delegated by the EMEA Executive Committee, but subject to constraints of both corporate policy and legislation and regulation as appropriate.

2.2.4 Business Unit Risk Management

The oversight of risk management within business units at a regional level is governed by

EMEA Asset Servicing and Corporate Trust Business Acceptance Committees - responsible for channeling new/renewal business into lines of business and subsequently legal entities, including BNYM Frankfurt Branch, approving all new clients prior to commencing a relationship with them and approving new business arrangements with existing clients. Risk is assessed and reviewed as part of the approval process.

2.2.5 Legal Entity Risk Management

The oversight of risk management within BNYM Frankfurt Branch is governed by the German Risk Management Committee and BNYM Frankfurt Branch Management Meeting as outlined in 2.2.2 - The Branch Management.

2.3 Risk Management Framework

BNYM Frankfurt Branch's risk management framework provides integrated forward-looking risk assessment, management information reporting, risk appetite and capital adequacy process consistency. The framework helps ensure that all material risks in each business line are defined, understood, and effectively managed using appropriate policies and controls. Suitable policies and procedures have been adopted by BNYM Frankfurt Branch in order to ensure an appropriate level of risk management.

Risk management complies with corporate policies on risk appetite and managing risk culture centered on a "Three Lines of Defense" model advocated by BNY Mellon. Within the EMEA region, the EMEA Chief Risk Officer oversees the management of risk and is supported in this role by Senior Risk Managers operating at business line and/or functional level.

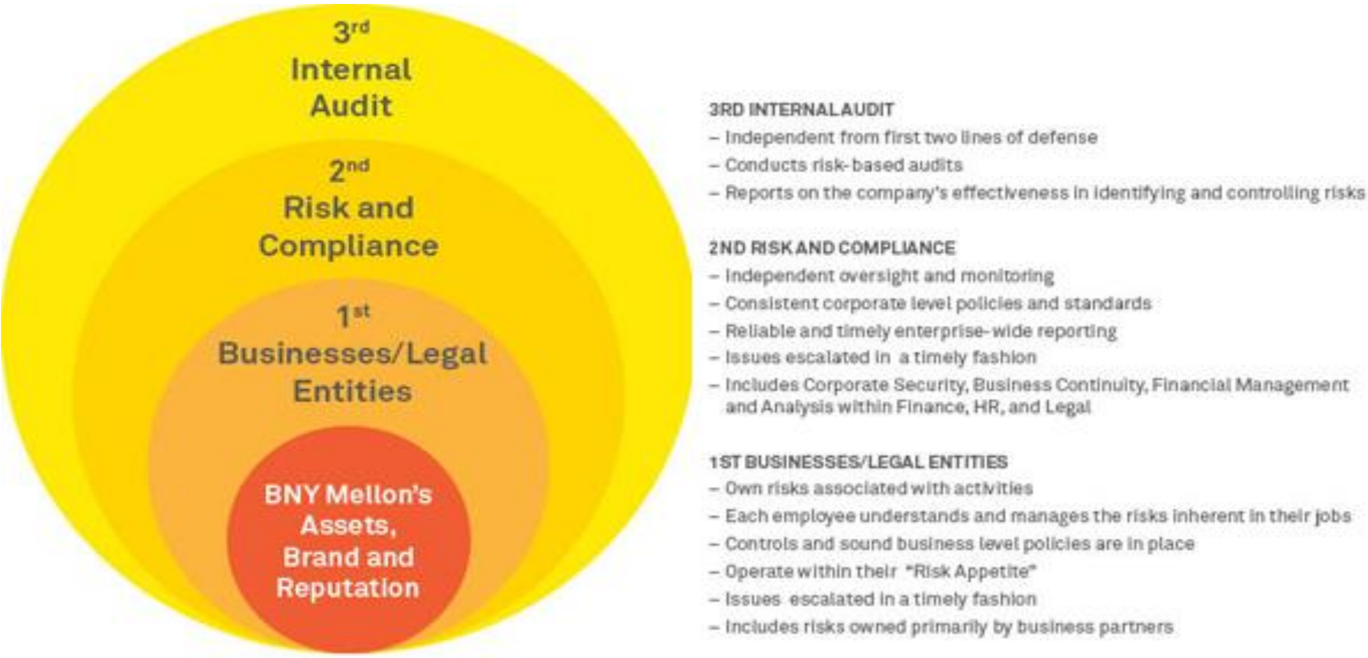
BNYM Frankfurt Branch's risk management framework is designed to:

- Ensure that risks are identified, managed, mitigated, monitored and reported
- Define and communicate the types and amount of risks to take
- Ensure that risk-taking activities are consistent with the risk appetite
- Monitor emerging risks and ensure they are weighed against the risk appetite
- Promote a strong risk management culture that considers risk-adjusted performance

In line with global policy, BNYM Frankfurt Branch has adopted the 'Three Lines of Defense' model in deploying its risk management framework (figure 2 below). The first line of defense (1LOD) is the business or, in some cases, business partner level. The business takes and owns the risk associated with activities, and it manages the risks and the related control processes and procedures on an operational basis. The risk management and compliance functions are the second line of defense (2LOD) and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD, ensuring that policies are adhered to and challenged. This also includes corporate security, business continuity, financial management and analysis within

Finance. The third line of defence (3LOD) is Internal Audit, which independently provides the BNYM Frankfurt Branch Management and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

Figure 2: Managing Three Lines of Defence



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

The risk management function provides risk management information reporting to the BNYM Frankfurt Branch Management Board and governance committees, and contributes to a 'no surprise' risk culture. It aligns closely with Compliance (2LOD) and Internal Audit (3LOD) plus Finance and Treasury (1LOD) as control functions. It independently educates staff, promotes risk awareness and continually makes improvements, whilst monitoring progress against defined success criteria for improving the effectiveness of the risk function. Emerging risks are identified in the region by a centralised emerging risk forum which convenes quarterly. Information from this forum is shared with regional management, including risk committees for interpretation and consideration within each line of business or legal entity.

BNYM Frankfurt Branch Management adopts a prudent appetite to all elements of risk to which it is exposed. Business activities are managed and controlled in a manner consistent with the Board's stated tolerances using defined quantitative and qualitative measurements.

The Board has sought to establish a clear set of tolerances for its business and has articulated its appetite through a series of statements and metrics.

Key risk management tools include risk and control self-assessment, key risk indicators, the reporting and monitoring of top risks, reporting of Operational Risk Events (ORE), credit risk exposure and limits, and market risk metrics. Stress testing is undertaken on a quarterly basis to analyse a range of scenarios of varying nature, severity and duration relevant to the BNYM Frankfurt Branch risk profile. Details of risk management tools are further explained below.

2.4 Risk Register

The Risk Register is a risk management tool used for the assessment and documentation of risks associated with a legal entity. BNYM Frankfurt Branch's risk register was prepared using risk data extrapolated from business risk and control self-assessments, audit reports, top risk reports, and consultation with business risk champions, business risk partners and executive management. It is owned by the Legal Entity Risk Officer and provides a high level view of the entity's risk exposure and assists in identifying the top risks for the entity.

Detailed risk mitigation plans for top risks are owned and maintained by risk owners and these plans are also made available to the RMC for oversight and challenge from the German Risk Management Committee.

2.5 Risk Appetite

BNYM Frankfurt Branch aligns within the Business and Risk Strategy to the parents risk appetite statement as owned and approved by the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations. The Risk Appetite statement and the Branch Strategy are reviewed at least annually or when the Company's risk profile changes.

2.6 Credit Risk

The major source of weighted credit risk for BNYM Frankfurt Branch is trade financing. The country exposure is actively monitored by the local trade and risk teams. The counterparty risk evaluation and loan limits are centrally managed. All counterparties (clients and banks) are assessed and allocated a borrower rating in accordance with BNY Mellon's rating system. Monitoring and control is conducted via a number of real-time systems to ensure that approved exposure levels are not exceeded, or are pre-approved by a suitable credit officer in light of individual circumstances. Post-event monitoring is also conducted by the Credit function, including a respective reporting to Branch Management.

2.7 Market Risk

The BNYM Frankfurt Branch is a non-trading book institution. Therefore it is only exposed to the following sources of market risk:

- Interest rate risk: Only limited amounts of interest rate risk persist in the banking book as the assets and liabilities are predominantly due overnight with the exception being trade financing which has maturities of 1 year or less.

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- Currency risk: The branch receives earnings predominantly in EUR and USD and is therefore exposed to currency risk. This risk is minimized by actively monitoring the foreign currency exposure and closing out positions that exceed local limits.

BNY Mellon´s group wide market risk management policies and procedures and respective tools for market risk measurement and monitoring are applicable to the BNYM Frankfurt Branch.

Market Risk Management Objectives and Policies – BNYM Frankfurt Branch has adopted the BNY Mellon Enterprise-wide Market Risk Management framework. The framework consists of policies that establish standards and definitions for the effective management of market risk and present required practices specific to one or more business units, regions or support functions that facilitate the effective implementation of these standards and practices. The Enterprise-wide Market Risk Management framework provides that any business unit, legal entity or employee entering into business generating market risk must be appropriately mandated or otherwise authorised to do so.

Market Risk Management Governance - Market Risk Management is independent of the business units it supports and is responsible for establishing, implementing, monitoring and reporting exposures relative to limit measures and related remediation and escalation practices.

Market risk limits are established in agreement between the Market Risk Management function and the business unit in line with business activities, products and strategies, and include all risk limits required by applicable laws and regulations.

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

Monitoring of utilisation of market risk limits on a daily basis

Reporting of limit utilisation and limit breaches

Periodic limit reviews

A business unit or legal entity must report to its management when the entity's actual market risk exposures exceed currently approved limits. Market Risk independently monitors limit breaches. Depending on the level and type of limit that is breached, escalation and notification is to the Executive Committee and Risk Management Committee, EMEA ALCO or to EMEA Senior Risk Management and Business Management levels in the organisational hierarchy. In addition to timely notification of breaches to management (and where required by the escalation standard, the Risk Committee), breaches are reviewed periodically at Branch Management meetings.

2.8 Operational 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 system failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudential ethical standards or contractual obligations.

BNY Mellon has developed several enterprise-wide operational risk policies and procedures applicable to BNYM Frankfurt Branch as well as tools to identify, monitor and manage its operational risk.

The following main tools are used by BNYM Frankfurt Branch for operational risk management:

2.8.1 Risk and Control Self-Assessment

Risk and Control Self-Assessments (RCSAs) are used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls. RCSA control gaps and action plans form part of the standard risk management report to the RMC which ensures that, although the RCSA process is owned by the line of business in conjunction with the business risk managers, the RMC has oversight of risk to the business and of the key exception items relating to BNYM Frankfurt Branch on an on-going basis.

2.8.2 Key Risk Indicators

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

2.8.3 Operational Risk Events Database

All operational actual and potential losses and fortuitous gains exceeding $10,000 are recorded in the risk management platform, completeness being verified by reconciliation to the general ledger. Risk events are categorised and reported to the RMC monthly.

Business is required to analyse operational risk events in order to identify control breaks or gaps that led to the significant event. Risk Management will review completion of agreed action plans to close control gaps to avoid reoccurrence of similar risk events.

2.9 Liquidity Risk

BNY Mellon defines liquidity as the ability to access funding, 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 (up to one year) obligations.

BNY Mellon defines Funding Liquidity Risk as the risk that it cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without 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's liquidity risk profile and are considered in the liquidity risk management framework.

BNY Mellon defines Intraday Liquidity Risk as the risk that it cannot access funds during the business day to make payments or settle immediate obligations, usually in real time, primarily due to disruptions or failures. The BNY Mellon Intraday Liquidity Policy is specifically dedicated to managing these risks.

BNYM Frankfurt Branch aims to be self-sufficient for liquidity and seeks to maintain a very liquid balance sheet at all times. Its balance sheet is liability driven in nature primarily due to the nature of client deposit taking activity. In order to mitigate liquidity risk BNY Mellon Frankfurt Branch does not actively engage in maturity transformation and the maturity structure of the balance sheet is predominantly due overnight.

Furthermore BNYM Frankfurt Branch is required to calculate and report the monthly LiqV as well as the LCR. During 2016 BNYM Frankfurt Branch exceeded the minimum requirement for LiqV and LCR. During 2016 the average LiqV as calculated from all monthly filling was 3,17. Further details on LCR and NSFR can be found in the below table.

Table 1: Key Metrics

Liquidity Coverage Ratio	2016	2015
Total HQLA (€m)	3,542	2,767
Total Net Cash Outflow (€m)	3,290	2,548
LCR ratio	107.6%	108.6%
Net Stable Funding Ratio		
Total Available Stable Funding (€m)	321	264
Total Required Stable Funding (€m)	233	108
NSFR ratio	138%	244%

2.10 High Level Assessment

BNY Mellon's High Level Assessment (HLA) of the components of risk is performed quarterly and incorporates commentary on current risk and loss experience, emerging risks, business process changes, new product development, risk management initiatives and key risk indicators. HLA coverage includes operational, credit, market, strategic and reputation risk. The HLA incorporates ratings of inherent risk, quality of controls, residual risk and direction of risk.

2.11 Stress Testing

According to FreistVO in conjunction with §53c KWG BNYM Frankfurt Branch is required to perform standalone stress tests, limited to interest rate risk. Further stress testing is performed on a consolidated basis. Branch management ensures that BNYM Frankfurt Branch stays within overall limits as defined by the Group.

2.12 Escalation of Risks and Issues

A robust framework exists for monitoring and escalation of issues and risks. If a material risk issue occurs, the EMEA Governance Guide for reporting and escalation of material issues and risks is followed. Business management is required to notify senior management, which includes BNYM Frankfurt Branch Management, soon after determination. Risk management is responsible for supporting the business lines in achieving the following:

Identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed

Developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by Risk

Elevating, reporting and investigating operating errors, losses and near misses, identifying root causes and implementing corrective actions

Reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions

Approving the process to accept new business, including ‘Request for Proposal’ preparation, contract acceptance and compliance, and challenging whether BNYM Frankfurt Branch is being compensated appropriately for the assumption of risk

Reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.

Ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness

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

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3 Remuneration Disclosure

3.1 Governance

The Board is responsible for the remuneration policy statement and its application of BNY Mellon. Where applicable, the Board has delegated the annual approval of the variable compensation awards of all staff that have a material impact on the risk profile of BNY Mellon to its non-executive chairman.

The Board is assisted in its task by BNY Mellon's EMEA Remuneration Governance Committee ("ERGC") which was set-up as a regional governance committee that reviews and ensures compliance with local regulations affecting BNY Mellon's EMEA businesses, including BNYM Frankfurt Branch. Remuneration policy decisions of BNY Mellon including its Branches rest with the Board.

3.2 Aligning Pay with Performance

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

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

3.3 Reference to German Remuneration Report ("Verguetungsbericht")

For further details regarding the remuneration policy as applied at the BNYM Frankfurt Branch we refer to the German Remuneration Report as disclosed on the German website of BNY Mellon (URL: https://www.bnymellon.com/de/de/index.jsp#ir/the-bank-of-new-york-mellon-filiale-frankfurt-am-main--informationen-und-publikationen) according to the regulations as stipulated in the Institutsverguetungsverordnung.

Frankfurt, 26th of June 2017

The Bank of New York Mellon, Frankfurt Branch

Branch Management

Christopher F. Porter Reinhard A. Heilmaier

Appendix 1 Glossary of Terms

The following terms are used in this document:

ALCO: Asset and Liability Committee

BaFin: Bundesanstalt fuer Finanzdienstleistungsaufsicht (German Banking Supervisory Authority)

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

BNY Mellon: The Bank of New York Mellon

Board – Management body of BNY Mellon

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

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

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

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

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

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

EMEA: Europe, Middle-East and Africa region

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

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

GRMC: German Risk Management Committee, covering all entities of BNY Mellon, domiciled in Frankfurt

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

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

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

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

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

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

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

Risk Governance Framework: BNYM Frankfurt Branch's risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

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

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

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