The Bank of New York Mellon (Luxembourg) S.A.

PILLAR 3 DISCLOSURE
DECEMBER 31, 2016

BNY MELLON | Invested

Contents

Index of Tables

Appendices

1 Scope of Application

1.1 Disclosure policy

This document comprises the BNY Mellon Luxembourg S.A. (BNYM LUX or the Company) 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.

Information in this report has been prepared solely to meet Pillar 3 disclosure requirements of BNYM LUX 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.

On March 18, 2013, The Bank of New York Mellon SA/NV, a public limited company incorporated under the laws of Belgium, filed an application with the National Bank of Belgium (NBB) to incorporate the business of the Bank by way of a cross-border merger. On December 20, 2016 and January 31, 2017 the NBB and the European Central Bank respectively provided their approvals for the merger. The activities currently undertaken by the Bank have been transferred to The Bank of New York Mellon SA/NV, Luxembourg Branch upon completion of the cross-border merger, which occurred on April 1, 2017.

Before the dissolution of BNYM LUX on 1 April 2017 the Board resolved to grant the directors then in office the power to approve jointly the Pillar 3 Report for The Bank of New York Mellon (Luxembourg) S.A. so that it may be published as required by Art. 433 of the CRR which requires that annual disclosures shall be published in conjunction with the date of publication of the financial statements and for which no exemption to publish is provided.

As describe above the Pillar 3 disclosures were approved by the Directors who were in office prior to 1 April 2017, who have verified that they are consistent with formal policies adopted regarding production and validation. Wherever possible and relevant, consistency has been ensured between 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 The Bank of New York Mellon Group website (www.bnymellon.com), see section Investor Relations/Financial Information/Other Regulatory/Pillar 3 Disclosures in conjunction with the date of publication of the financial statements. BNYM LUX 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, counterparty credit risk, market risk, operational risk and capital resources requirements

Pillar 2 – Supervisory review process:

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

Pillar 3 – Market discipline:

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

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

1.3 Purpose of Pillar 3

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

Credit risk

Counterparty credit risk

Market risk

Credit valuation adjustment

Securitisations

Operational risk

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

BNYM LUX 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 Board of BNYM LUX 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 LUX 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 Board may omit one or more disclosures if the information provided is regarded as proprietary or confidential. Information is regarded as proprietary if disclosing it publicly would undermine 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 Board of BNYM LUX 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 LUX 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 The Bank of New York Mellon Corporation group website (www.bnymellon.com/investorrelations/filings/index.html).

1.6 Board Approval

These disclosures were approved for publication on 24 April 2017 by the directors of BNYM LUX who were in office at the dissolution of the company in accordance with the powers granted that is described in in 1.1 above. The directors who were in office at the dissolution of the company approved the adequacy of BNYM LUX's risk management arrangements that provided assurance that the risk management systems in place were adequate with regard to BNYM LUX's profile and strategy.

1.7 Key Metrics

During 2016, BNYM LUX's performance was in line with its risk appetite.

The following risk metrics reflect BNYM LUX's risk profile:

Table 1: Capital ratios

Own Funds	2016	2015
Available capital (€m)		
Common Equity Tier 1 (CET1)	228	78
Tier 1	228	78
Total capital	228	78
Risk-weighted assets (€m)		
Total risk-weighted assets (RWA)	435	238
Risk-based capital ratios as a percentage of RWA		
Common Equity Tier 1 ratio	52.4%	32.6%
Tier 1 ratio	52.4%	32.6%
Total capital ratio	52.4%	32.6%
Additional CET1 buffers requirements as a percentage of RWA		
Capital conservation buffer requirement	2.50%	2.50%
Total of bank CET1 specific buffer requirements	2.50%	2.50%
CET1 available to meet buffers after meeting the bank's minimum capital requirements, and, if applicable, TLAC requirements	51.9%	31.2%

Own Funds (continued)	2016	2015
Basel III Leverage Ratio		
Total Basel III leverage ratio exposure measure (€m)	3,467	3,714
Basel III leverage ratio	6.6%	2.6%
Liquidity Coverage Ratio		
Total HQLA (€m)	1,154	3,028
Total Net Cash Outflow (€m)	482	1,169
LCR ratio	239.5%	259.1%
Net Stable Funding Ratio		
Total Available Stable Funding (€m)	1,081	1,356
Total Required Stable Funding (€m)	375	183
NSFR ratio	288.5%	739.2%

Key Highlights and post balance sheet date events

The following main events took place in 2016 and are considered important events that impacted BNYM LUX:

On February 29, 2016 the existing shareholders transferred the shares that they held to The Bank of New York Mellon who then became the sole shareholder.

On March 8, 2016 an Extraordinary General Meeting of shareholders was held and the share capital of the Bank was increased by EUR 140,000,000 from EUR 74,831,463 to EUR 214,831,463 without increase in the number of shares.

The Bank had provided custody services to two significant clients of another group company under a delegation agreement, during the year this delegation ceased in order to ensure that the clients were compliant with the requirements of the UCITS V directive which became applicable during the year.

On March 18, 2013, The Bank of New York Mellon SA/NV, a public limited company incorporated under the laws of Belgium, filed an application with the National Bank of Belgium (NBB) to incorporate the business of the Bank by way of a cross-border merger. On December 20, 2016 and January 31, 2017 the NBB and the European Central Bank respectively provided their approvals for the merger. The activities currently undertaken by the Bank have been transferred to The Bank of New York Mellon SA/NV, Luxembourg Branch upon completion of the cross-border merger, which occurred on April 1, 2017.

A prerequisite requested by the NBB to approve the merger of the Bank with The Bank of New York Mellon SA/NV was that the Luxembourg Fiduciary product, which cannot operate under Belgian Insolvency Law, was transferred to successors. The exit from this business was completed in 2016.

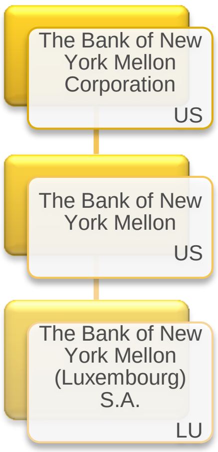
1.8 Company Description

BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 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 LUX is a company limited by shares which is incorporated in Luxembourg. At 31st December 2016 The Bank of New York Mellon was the sole shareholder.

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

Figure 1: BNYM LUX corporate structure



1.9 Core Business Lines

BNYM LUX provides custody, depository, fund accounting and transfer agency services to Investment Funds in Luxembourg and Corporate Trust Services to corporate clients in Luxembourg and Milan.

1.9.1 Custody Services

Custody services are provided to customers (or their advisors) to assist with holding and keeping track of their securities. Specifically, BNYM LUX's custody services include the following functions:

- Safekeeping of instruments either in physical form or within a securities settlement system or central securities depository
- Maintaining records of the securities being held and the securities being bought and sold
- Presenting securities either electronically or on occasion physically to, and receiving securities from, a clearing and settlement platform
- Collecting income earned on the securities such as dividends and interest
- Delivering issuer communications to the investor
- Preparing reports for the investor, such as settlement reports, income collection reports, etc.

1.9.2 Depositary Services

Depositary services are provided to Undertakings for Collective Investments in Transferrable Securities (UCITS) in accordance with the law governing AIFMD, UCITS and FCP structures.

1.9.3 Fund Accounting

Fund accounting provides daily fund accounting services to Luxembourg investment funds. Net Asset Values (NAVs) are calculated at each valuation point, usually daily, and financial statements are prepared usually on a semi-annual and annual basis for publication to the fund's investors.

1.9.4 Transfer Agency

Transfer agency is contracted by customers, including pension funds, mutual funds and asset managers, to maintain records of investors (share or unit holders), account balances and transactions, to cancel and issue share/unit certificates, perform cash processing, provide call centre services and to process investor mailings

1.9.5 Corporate Trust

Corporate trust supports a wide range of agency services, including client payment, security settlements and physical securities. In Milan Corporate Trust performs the administrative roles associated with bond issuance as well as for structured finance transactions.

1.10 Legal Entities

BNYM LUX's services are provided through its Luxembourg Head Office and its Branch in Milan, Italy.

2 Own Funds

Own funds comprise tier 1 and tier 2 capital less deductions. This section provides an overview of the regulatory balance sheet and composition of BNYM LUX's regulatory own funds. There are a number of differences between the balance sheet prepared in accordance with Luxembourg GAAP and the Pillar 3 disclosures published in accordance with prudential requirements.

BNYM LUX's regulatory capital is defined by CRD IV and includes:

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

Tier 2 capital which is a component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, and eligible collective impairment allowances

Table 2: Regulatory adjustments

This table shows a reconciliation of BNYM LUX's balance sheet prepared in accordance with Luxembourg GAAP and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements.

31 December 2016 (€m)	Consolidated Balance Sheet	Regulatory adjustments	Regulatory Balance Sheet
Assets			
Cash in hand and on demand balances at central banks	2,140	0	2,140
Loans and advances to banks	1,256	0	1,256
Loans and advances to customers	23	0	23
Investments in subsidiary undertakings	0	0	0
Fixed asset investment - associate	0	0	0
Intangible assets	4	(2)	2
Tangible fixed assets	2	0	2
Other assets	37	0	37
Prepayments and accrued income	0	0	0
Total assets	**3,462**	**(2)**	**3,460**
Liabilities			
Deposits by banks	65	0	65
Customer accounts	2,492	0	2,492
Other liabilities	646	0	646
Accruals and deferred income	0	0	0
Current and deferred tax liabilities	4	0	4
Subordinated loan	0	0	0
Provision for liabilities and commitments	25	0	25
Total liabilities	**3,232**	**0**	**3,232**

BNY MELLON

31 December 2016 (€m) (continued)	Consolidated Balance Sheet	Regulatory adjustments	Regulatory Balance Sheet
Shareholders' equity			
Called up share capital	215	0	215
Profit and loss account	8	0	8
Retained earnings	6	0	6
Other	1	0	1
Deductions from capital	0	(2)	(2)
Capital and reserves	**230**	**(2)**	**228**
Total equity and liabilities	**3,462**	**(2)**	**3,460**

Table 3: Composition of regulatory capital

This table shows the composition of BNYM LUX's regulatory capital including all regulatory adjustments as at 31 December 2016.

Own Funds (€m)	31 December 16	31 December 15
Common Equity Tier 1 (CET1)		
Capital Instruments	215	75
Retained Earnings	14	6
Reserves and others	1	0
CET1 Adjustments	(2)	(3)
Total CET1	**228**	**78**
Additional Tier 1 Capital (AT1)		
AT1	**0**	**0**
Total Tier 1	**228**	**78**
Tier 2 Capital (T2)		
T2 Capital	**0**	**0**
Total Own Funds	**228**	**78**

Table 4: Transitional own funds

The table below shows the transitional own funds disclosure at 31 December 2016.

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date	Subject to pre-CRR treatment or prescribed residual amount of CRR
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts	215	
of which: ordinary shares	215	
Retained earnings	14	
Reserves and others	1	
CET1 capital before regulatory adjustments	**230**	**0**
CET1 capital: regulatory adjustments		
Additional value adjustments	(2)	
Year-end non eligible earning adjustments	0	
Total regulatory adjustments to CET1	**(2)**	
CET1 capital	**228**	
AT1 capital	**0**	
Total Tier 1 capital	**228**	
Tier 2 (T2) capital: Instruments and provisions		
T2 capital	**0**	
Total capital	**228**	
Total risk weighted assets	**435**	
Capital ratios and buffers		
CET1 (as a percentage of risk exposure amount)	52.4%	
T1 (as a percentage of risk exposure amount)	52.4%	
Total capital (as a percentage of risk exposure amount)	52.4%	
of which: capital conservation buffer requirement	2.50%	
CET1 available to meet buffers (as a percentage of risk exposure amount)	52.4%	
Amounts below the thresholds for deduction (before risk weighting)		
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)	0	

Table 5: Common tier 1 instruments

This table provides a description of the main features of regulatory instruments issued and included as tier 1 capital in table 3 at 31 December 2016.

Capital instruments main features [1]	Ordinary shares
Legal entity issuer	The Bank of New York Mellon (Luxembourg) S.A.
Governing law(s) of the instrument	G-D of Luxembourg
Regulatory treatment	
Transitional CRR rules	Not Applicable
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated / solo & (sub-)consolidated	Solo
Instrument type	Ordinary Shares
Amount recognised in regulatory capital (€m)	215
Nominal amount of instrument	Shares issued without par value
Issue price (€m)	215
Accounting classification	Subscribed capital
Original date of issuance	On incorporation and June 14, 2006
Perpetual or dated	Perpetual
Original maturity date	No maturity date
Issuer call subject to prior supervisory approval	Yes
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretionary
Existence of step up or other incentive to redeem	No
Convertible or non-convertible	Non-convertible
Write-down features	No

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

3 Capital Requirements

BNYM LUX's capital forecast aims to ensure that an appropriate amount of capital is held to support its business model, allowing for prudent management of the business, given a range of plausible but severe stress scenarios. The forecast is reflective of BNYM LUX's risk appetite, which details a commitment to a strong balance sheet characterised by strong liquidity, superior asset quality and a capital structure which supports the risk taking activities and has the ability to absorb losses.

The forecast is developed with input from Finance, Risk, Treasury and the business lines. Incorporating the projected earnings based on its business plan, BNYM LUX generates a 3 year forecast which forms the foundation for financial modelling and stress testing used as part of the ICAAP process.

The capital forecast effectively incorporates a view of BNYM LUX's current business model, the risks associated with that model, and an assessment of how those risks contribute to the amount of capital required, as per internal and external regulatory criteria. The capital forecast is subject to executive and Board approval.

From a regional / function perspective the monthly capital ratios reviewed and monitored at the EMEA Asset and Liability Committee (EMEA ALCO).

3.1 Calculating Capital Requirements

CRD IV allows for different approaches to the calculation of capital requirements. BNYM LUX applies the standardised approach under Pillar 1 where risk weights are based on the exposure class to which the exposure is assigned and its credit quality. These risk weights used to assess requirements against credit exposures are consistent across the industry. The standardised approach is used for calculating the risk weights assigned to each risk component including credit risk, counterparty credit risk, market risk and operational risk.

Table 6: Capital requirements

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

Type of risk (€m)	Risk exposure amount		Capital requirements	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Credit Risk SA*	363	139	29	11
Counterparty Credit Risk SA*	0	8	0	1
Market Risk SA*	2	14	0	1
of which: Foreign Exchange Position Risk	2	14	0	1
Operational Risk	70	68	6	5
of which: Standardised Approach	70	68	6	5
Credit Valuation Adjustment - Standardised method	0	9	0	1
Total	**435**	**238**	**35**	**19**
Total capital			**228**	**78**
Surplus capital			193	59

** SA: Standardised Approach*

BNYM LUX exceeds the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. BNYM LUX sets its internal capital target levels higher than the minimum regulatory requirements to ensure there is a buffer to allow for balance sheet volatility. These ratios have been determined to be appropriate, sustainable and consistent with the capital objectives, business model, risk appetite and capital plan.

4 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 LUX 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 Board takes place

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

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

4.1 Risk Objectives

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

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

The Board sees embedding the risk appetite into the business strategy as essential

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

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

The Board adopts a prudent appetite to all elements of risk to which BNYM LUX is exposed.

4.2 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.

4.2.1 Board of Directors

The main duty and responsibility of the Board is to approve the strategy and supervise the management of BNYM LUX. Whilst acting autonomously and in accordance with its legal and regulatory requirements, the Board aligns BNYM LUX's strategy to that of its primary shareholder. The Board has overall responsibility for the establishment and maintenance of BNYM LUX'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

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

Name	Position	Number of directorships held	Knowledge, skills and expertise
J Wheatley	Director (Chairman)	10	EMEA Head of Client Service Delivery
D Claus	Director	4	Authorised Manager of BNYM LUX / Luxembourg Country Executive
D Fletcher[1]	Director	3	International Head of Corporate Trust (resigned)
M Mannion[2]	Director	5	Head of EMEA AIS Relationship Management (resigned)
J Pamplin[3]	Director	1	Managing Director AIS Client Services
M Devane[4]	Director	1	Group Manager Client Services

[1]*D Fletcher resigned on 1 March 2016*

[2]*M Mannion resigned on 14 November 2016*

[3]*J Pamplin resigned on 27 February 2017*

[4]*M Devane was nominated on 14 November 2016*

BNYM Lux has a commitment to diversity and inclusion. This commitment is not only important to BNYM Lux's culture and to each director as individuals, it is also critical to BNYM Lux's ability to serve its clients and grow its business. BNYM Lux 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.

4.2.2 The General Management and Executive Committee

The General Management of BNYM LUX as the main delegate of the Board is responsible for:

- Conducting and developing the activities of BNYM LUX 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 LUX has an effective organisation 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 LUX
- Implementing an effective system of internal controls and an adequate compliance programme
- 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
- Approving BNYM LUX's recovery and resolution plans

The Executive Committee (ExCo) of BNYM LUX is responsible for:

- The General Management may decide, subject to Board approval, to appoint additional officers with various expertise or skills to join the ExCo in order to assist the General Management in carrying out their responsibilities. The main role of the members of the ExCo will be to assist in strategic and administrative decisions of BNYM LUX
- Despite the fact that particular powers may be internally delegated to the ExCo by the General management, the General Management ultimately remain accountable, as the body mandated by the Board for the day-to-day operations of BNYM LUX
- The ExCo is also responsible for the approval of BNYM LUX's recovery and resolution plans

4.2.3 Regional Risk Governance

A regional level risk governance structure is in place to oversee all business and legal entities’ risk. BNYM LUX Risk Management Committee and 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.

4.2.4 Business Unit Risk Management

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

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

EMEA Asset Servicing Business Risk Committee - responsible for ensuring that the risk profile of EMEA Asset Servicing is well understood and effectively managed. This is achieved by carrying out the review of current and emerging key risk and control issues and related initiatives, escalation of material risks and issues to the Head of BNY Mellon Asset Servicing and other regional committees and boards as appropriate, approval of new or materially modified products, review of potential off-boarding of non-systemically significant products and review of significant regulatory requirements.

4.2.5 Legal Entity Risk Management

The oversight of risk management within BNYM LUX is governed by the Luxembourg Risk Management Committee.

4.3 Risk Management Framework

BNYM LUX'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 LUX in order to ensure an appropriate level of risk management.

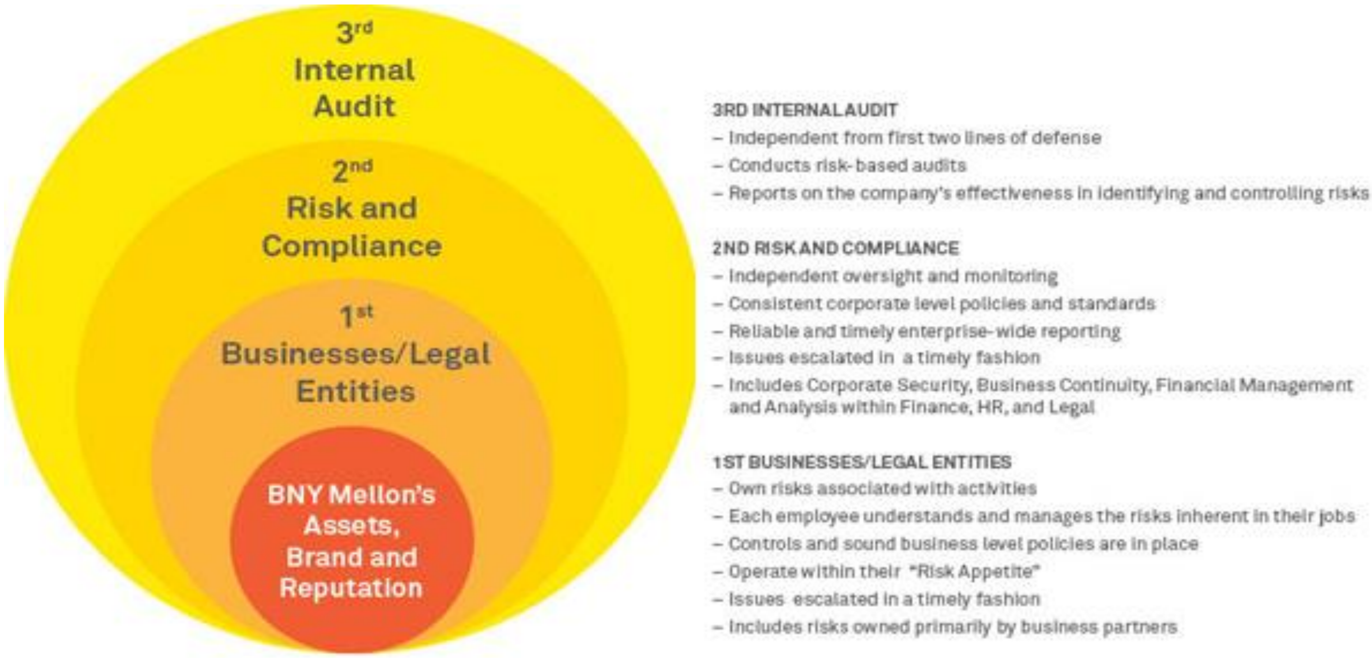
Risk management complies with corporate policies on risk appetite and managing risk culture centered on a "Three Lines of Defence" model advocated by BNY Mellon. Within the EMEA region, the EMEA Chief Risk Officer oversees the management of risk and is supported in this role by Senior Risk Managers operating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

BNYM LUX'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 LUX has adopted the 'Three Lines of Defence' model in deploying its risk management framework (figure 2 below). The first line of defence (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 defence (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 LUX Board 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 LUX'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 LUX 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 LUX's Board adopts a prudent appetite to all elements of risk to which it is exposed. Business activities are managed and controlled in a manner consistent with the Board's stated tolerances using defined quantitative and qualitative measurements.

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

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 LUX risk profile. Details of risk management tools are further explained below.

4.4 Risk Register

The Risk Register is a risk management tool used for the assessment and documentation of risks associated with a legal entity. BNYM Lux's risk register was drafted 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. The Risk Register for BNYM LUX has remained in draft given the imminent merger with BNYM SA/NV, which was completed on 1 April 2017.

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, which has delegated authority from the Luxembourg Executive Committee.

4.5 Risk Appetite

BNYM LUX's Risk Appetite Statement is owned and approved by the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations. The statement is reviewed at least annually or when the Company's risk profile changes.

BNYM LUX uses a variety of metrics to measure and monitor its risk taking activities relative to its risk appetite. Articulating risk appetite through its metrics aids important decision-making by determining actions such as pursuing new products and enterprises, exiting businesses, and aligning resources to maximise potential gains given acceptable levels of risk. The metrics are actively monitored, managed and mitigated through the monthly BNYM LUX Risk Management Committee (RMC). Where residual risks remain (which are within risk appetite), BNYM LUX will allocate capital as provision against any potential financial loss.

4.6 Risk and Control Self-Assessments

Risk and Control Self-Assessments (RCSAs) 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. 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 LUX on an on-going basis.

4.7 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.

4.8 Operational Risk Events

All operational 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.

4.9 Credit Risk

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 both Client Services and the Credit function.

4.10 Market Risk

Market Risk Management Objectives and Policies – BNYM LUX 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 organizational 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 Board meetings.

4.11 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.

4.12 Top Risks

Top risks are identified according to the assessment of the inherent risk, quality of controls in place to mitigate risk and ability to identify residual risk. Top risks are rated as 'High,' 'Moderate to High,' 'Moderate,' 'Moderate to Low' and 'Low' with direction anticipated. The top risks assessed form part of the RMC and Board meeting reporting. Top risks are also consolidated into the EMEA regional top risk reporting process for reporting to the EMEA level risk committees. BNYM LUX's risk profile is recorded through a number of risk assessment tools and the risk management team prepares and updates the top risk assessment which is reviewed and approved by BNYM LUX's RMC monthly and by the Board quarterly.

4.13 Stress Testing

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

Scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by BNYM LUX's RMC and Board.

4.14 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 LUX Board members, soon after determination. Risk management is responsible for supporting the business lines in achieving the following:

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

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

Elevating, reporting and investigating operating errors, losses and near misses, identifying 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 LUX is being compensated appropriately for the assumption of risk

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

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

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

4.15 Internal Capital Adequacy Assessment Process (ICAAP)

An ICAAP document is produced annually for BNYM LUX. The process and document is owned by the BNYM LUX Board and supported by the ICAAP and Stress Testing team. The purpose of the ICAAP is to:

Ensure the ongoing assessment and monitoring of the firm's risks and the approaches used to mitigate those risks, such that they remain within the risk appetite established by the Board of Directors of BNYM LUX

Determine the capital requirement for the residual risk exposure at the point when the assessment is made and also over the firm's three-year planning horizon, both under baseline and stressed conditions

Document the capital adequacy assessment process both for internal stakeholders and prudential supervisors

Provide the necessary information so that senior management, including the Board, can make decisions about the amount of capital that is required and what approach to risk management should be adopted

4.16 Recovery & Resolution Planning (RRP)

In 2015, recovery and resolution plans for BNYM LUX were submitted to the Commission de Surveillance du Secteur Financier (CSSF) in accordance with the requirement of Bank Recovery and Resolution Directive (BRRD). The RRP is designed to ensure that the BNYM LUX has credible and executable options to meet the challenges that may arise from potential future financial crises. Following the dissolution of BNYM Lux on 1 April 2017 there is no further requirement to submit individual RRP plans for this entity.

5 Credit Risk

5.1 Definition and Identification

Understanding, identifying and managing credit risk is a central element of BNYM LUX's risk management. Credit risk is managed in line with BNYM LUX's Risk Appetite to minimize losses whilst identifying future potential risks. In addition BNYM LUX is also exposed to operational and intraday credit risk. This section describes the framework for the effective governance of all credit risk exposures, including intraday credit risk across BNYM LUX. The principles, methodologies and processes relating to intraday credit risk are reviewed, and if appropriate modified at least annually.

Credit risk is defined as the risk that an obligor will fail to repay a loan or otherwise meet a contractual obligation as and when it falls due.

BNYM LUX's credit risk arises from the following business operations:

Client lending:

- Credit facilities are provided on an unadvised and uncommitted basis to investment funds
- Unadvised, uncommitted intraday and overnight credit facilities are provided in support of operational activity (trade settlement, cash wire activity, FX trades, etc.)

Nostros:

BNYM LUX utilises a number of banks around the world to maintain cash and securities accounts to enable access to over a hundred worldwide markets to facilitate its Global Custody business. Nostro balances occur as a result of underlying client custody activity (trade settlements, securities maturing, etc.). This is known as 'as offered' exposure, since it is dependent largely upon the client activity rather than the activity of BNYM LUX's own Treasury function. Nostro exposure forms the bulk of BNYM LUX's credit risk to other banks

Cash Placements:

BNYM LUX deposits funds with or purchases certificates of deposits issued by other banks

5.2 Credit Risk Management Framework

At the outset of a new agent bank, trading counterparty or customer relationship, a review is undertaken by the business in partnership with Credit Risk to determine the client's suitability for the products offered and BNYM LUX's risk appetite for the name. Once it is agreed that the relationship can be entered and suitable limits would be available to cover the activity, the client can be mandated and moved through the Business Acceptance Committee process for formal approval by all relevant parties. It is the primary responsibility of the business as the first line of defence alongside the guidance and oversight of Credit Risk as the second line of defence to identify, based on business activity, the types of credit risk that may be incurred and an estimate of the anticipated levels.

5.3 Management of Credit Risk

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

BNY MELLON

Nostros are maintained at the minimum possible level and within the large exposure limits, ensuring smooth operations and adherence to own fund requirements. The banks used are all major well rated banks in their respective countries

For clients within the custody portfolio, intra-day limits are provided as a percentage of assets under custody. Most clients have, within their Global Custody Agreement (GCA), provided the bank with a contractual right of set off across currency accounts, a custodial lien on the assets held and a right of retention and sale if debts are not repaid

Certain clients may not be able to give liens on their assets due to either sovereign immunity issues, or an inability to compromise or otherwise encumber their asset pool which may be held ultimately for the benefit of other parties (insurance companies, etc.). However, these tend to be highly rated financial institutions and so the risk is reduced by virtue of their high quality rather than access to a securities portfolio

For daylight / intraday overdrafts limits are set for each client as a percentage of the client's Assets Under Custody (AUC), as follows:

- Stock purchases under Custody Clearing Limit Regulations (CCLR – maximum 50% of AUC value, being capped at $800m)
- Daylight Overdraft Limit (DOL) for stock purchases with today's value and cash payments due out today (maximum 15% of AUC value, being capped at $800m)

A Master Netting Agreement is in place to cover intragroup exposure to The Bank of New York Mellon SA/NV

Placement activity with third party banks is undertaken only after limits have been approved by Credit Risk function and this only occurs after careful consideration of the quality of the bank, large exposure issues and exposure elsewhere within the BNY Mellon group. Third party banking relationships are managed by the BNY Mellon Group at a Global level. Limits applied by BNYM LUX to third party banks are within the context of this approach

It should also be noted that the metrics supporting the management of credit risk are monitored on a monthly basis and reported to senior management. Throughout 2016, no large exposure breaches have been reported for BNYM LUX.

5.4 Monitoring and Reporting

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

Post-event monitoring is conducted by both the Client Service area and the Credit Risk function.

5.5 Governance

Governance of credit risk oversight as a second line of defence function is described and controlled through Credit Risk Policy and day-to-day procedures as follows:

Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event

Approvals for excesses are controlled using a matrix of credit risk approval authorities held within the Credit Risk Policy – each Credit Risk Officer has their own individual approval authority granted by the Chief Credit Officer. He/she must act within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a more senior officer. The outsourcing of credit responsibility to Credit Risk Officers is through the Board approved Credit Risk Policy

Overdraft monitoring is a daily task and conducted within each legal entity – significant overdrafts are chased on a daily basis and according to BNYM LUX's risk appetite. All significant overdrafts and exposures are recorded and form part of the credit risk management information produced on a monthly basis for various management committees

5.6 Analysis of Credit Risk

Credit risk exposure is computed under the Standardised Approach which uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies. The following credit risk exposure tables summarise the credit exposure for BNYM LUX in accordance with the CRD IV requirements.

The definitions below are used in the following tables:

Exposure at Default (EAD) is defined as the amount expected to be outstanding, after any Credit Risk Mitigation, if and when a counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory IFRS accounting balance sheet carrying values

Credit Risk Mitigation (CRM) is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection

Geographic area is based on the continental location for the counterparty

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

Table 7: Standardised credit exposure by exposure class

This table shows the credit risk exposures for BNYM LUX post CRM techniques - Standardised Approach by exposure class as at 31 December 2016.

Exposure class (€m)	Net value at the end of the period	Average net value over the period
Central governments or central banks	1,183	1,581

Exposure class (€m) (continued)	Net value at the end of the period	Average net value over the period
Corporates	17	34
Institutions	1,605	2,463
Other items	28	26
Total	**2,833**	**4,104**

Table 8: Standardised credit exposure by country

This table shows the BNYM LUX post CRM exposure by class and by country of the counterparty.

31 December 2016 (€m)	US	Luxemburg	Belgium	Italy	Germany	Other	Total
Central governments or central banks	0	1,130	0	53	0	0	1,183
Corporates	0	17	0	0	0	0	17
Institutions	1,324	1	164	24	20	72	1,605
Other items	0	27	0	1	0	0	28
Total	**1,324**	**1,175**	**164**	**78**	**20**	**72**	**2,833**

31 December 2015 (€m)	Luxemburg	Belgium	US	Italy	Hong Kong	Other	Total
Central governments or central banks	3,027	0	0	52	0	0	3,079
Corporates	2	0	0	0	0	1	3
Institutions	2	381	79	23	14	68	567
Other items	22	0	0	0	0	0	22
Total	**3,053**	**381**	**79**	**75**	**14**	**69**	**3,671**

Table 9: Standardised post mitigated credit exposures by counterparty type

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

31 December 2016 (€m)	General governments	Credit institutions	Other financial corporations	Various balance sheet Items	Total
Central governments or central banks	1,183	0	0	0	1,183
Corporates	0	0	17	0	17
Institutions	0	1,605	0	0	1,605
Other items	0	0	0	28	28
Total	**1,183**	**1,605**	**17**	**28**	**2,833**

Table 10: Standardised credit exposure by residual maturity

This table shows the exposure post credit risk mitigation, classified by credit exposure class and residual maturity.

31 December 2016 (€m)	On demand	<= 1 year	>1 year <=5	> 5 years	No stated maturity	Total
Central governments or central banks	1,154	29	0	0	0	1,183
Corporates	17	0	0	0	0	17
Institutions	1,599	6	0	0	0	1,605
Other items	2	26	0	0	0	28
Total	**2,772**	**61**	**0**	**0**	**0**	**2,833**

5.7 Analysis of Past Due and Impaired Exposures

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

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

Past due exposure is when a counterparty has failed to make a payment when contractually due

Impaired exposure is when the entity does not expect to collect all the contractual cash flows when they are due

Impairment provision is where there is objective evidence that events have detrimentally affected the expected cash flows of an asset or a portfolio of assets. The impairment loss is the difference between the carrying value of the asset and the present value of its estimated future cash flows and recorded as a charge to the profit and loss account and against the carrying amount of the impaired asset. An impairment provision may be either specific or generally assessed

As at 31 December 2016, BNYM LUX had no material impaired assets for which a specific or general provision was required. There were no material assets past due greater than 90 days. BNYM LUX did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.

Table 11: Credit quality of exposures by counterparty type

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

Counterparty type at 31 December 2016 (€m)	Gross Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	0	1,183	0	0	0	0	1,183
Credit institutions	0	2,233	0	0	0	0	2,233
Other financial corporations	0	23	0	0	0	0	23
Various Balance Sheet Items	0	28	0	0	0	0	28
Total	0	**3,467**	0	0	0	0	**3,467**

Counterparty type at 31 December 2015 (€m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	0	3,079	0	0	0	0	3,079
Credit institutions	0	567	0	0	0	0	567
Other financial corporations	0	5	0	0	0	0	5
Various Balance Sheet Items	0	24	0	0	0	0	24
Total	**0**	**3,675**	**0**	**0**	**0**	**0**	**3,675**

As at 31 December 2016 there are no past due exposures on investment securities, cash or cash balances with Central Banks. BNYM LUX has not recorded any impairment provision for financial assets in 2016 (2015: € nil).

Table 12: Credit quality of exposures by industry

This table shows the credit quality of BNYM LUX's on- and off-balance sheet exposures by industry type.

Industry type at 31 December 2016 (€m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net Values
	Defaulted	Non-defaulted	Specific	General			
Financial and insurance activities	0	3,430	0	0	0	0	3,430
Other services	0	37	0	0	0	0	37
Total	**0**	**3,467**	**0**	**0**	**0**	**0**	**3,467**
Of which: Loans	0	3,467	0	0	0	0	3,467

Industry type at 31 December 2015 (€m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net Values
	Defaulted	Non-defaulted	Specific	General			
Manufacturing	0	0	0	0	0	0	0
Financial and insurance activities	0	3,657	0	0	0	0	3,657
Other services	0	18	0	0	0	0	18
Total		**3,675**	**0**	**0**	**0**	**0**	**3,675**
Of which: Loans		3,675	0	0	0	0	3,675

Table 13: Credit quality of exposures by country

This table shows an analysis of past due, impaired and allowances by country using IFRS reporting.

Counterparty type at 31 December 2016 (€m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net Values
	Defaulted	Non-defaulted	Specific	General			
US	0	1,324	0	0	0	0	1,324
Luxemburg	0	1,182	0	0	0	0	1,182
Belgium	0	792	0	0	0	0	792
Italy	0	77	0	0	0	0	77
Germany	0	20	0	0	0	0	20
Other	0	72	0	0	0	0	72
Total	**0**	**3,467**	**0**	**0**	**0**	**0**	**3,467**

Counterparty type at 31 December 2015 (€m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net Values
	Defaulted	Non-defaulted	Specific	General			
Luxemburg	0	3,057	0	0	0	0	3,057
Belgium	0	381	0	0	0	0	381
US	0	79	0	0	0	0	79
Italy	0	74	0	0	0	0	74
Hong Kong	0	14	0	0	0	0	14
Other	0	70	0	0	0	0	70
Total	**0**	**3,675**	**0**	**0**	**0**	**0**	**3,675**

6 Credit Risk Mitigation

BNYM LUX manages credit risk through a variety of credit risk mitigation strategies including collateral and master agreements and netting arrangements.

6.1 Netting

International Swaps and Derivatives Association (ISDA) Master Agreements and netting are used to mitigate counterparty credit risk. The ISDA Agreement incorporates schedules that allow the contracting parties to customise the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters.

Netting may take two different forms, close-out netting and settlement netting. Close-out netting refers to an agreement between BNYM LUX and a counterparty that, in the event of a default, the non-defaulting party can require that:

All open derivative contracts be marked-to-market and summed

A single net payment will be made as final settlement to whichever party holds the overall profit from the contracts

Collateral be liquidated (if held)

Settlement netting requires that all foreign exchange obligations payable on the same settlement date, be netted to produce a single payment obligation for each currency traded.

6.2 Collateral Valuation and Management

BNYM LUX can receive collateral from a counterparty which can include, guarantees, cash and both equity and debt securities. When a right of pledge exists, BNYM LUX has the ability to call on this collateral in the event of a default by the counterparty.

Collateral amounts are adjusted on a daily basis to reflect market activity to ensure they continue to achieve an appropriate mitigation of risk value. Securities are marked-to-market daily and haircuts are applied to protect BNYM LUX in the event of the value of the collateral suddenly reducing in value due to adverse market conditions. Customer agreements can include requirements for the provision of additional collateral should valuations decline.

6.3 Liens over custody assets

BNYM LUX can receive liens from a counterparty over cash, equity and debt securities and has the ability to call on these liens in the event of a default by the counterparty.

6.4 Credit Risk Concentration

Credit risk mitigation taken by BNYM LUX to reduce credit risk may result in credit risk concentration. Credit Concentration Risk results from concentration of exposures to a single counterparty, borrower or group of connected counterparties or borrowers. This includes on and off-balance sheet (i.e. guarantees) concentration risk.

Credit concentration risk within BNYM LUX originates mostly through BNYM LUX's banking activities. BNYM LUX has an appetite to place only with institutions having an internal rating of 7 or above (equivalent to Moody's/S&P/Fitch external rating of A3/A-/A- respectively). This limits the spread but also ensures that exposures are well-controlled, managed and less likely to default. Guarantees are treated as an exposure against the guarantor institution and managed within this controlled environment.

The number of counterparties BNYM LUX is willing to place funds with is limited and hence, concentration risk can arise from cash balances placed with a relatively small number of counterparties. To mitigate this, exposures are only placed on a very short-term basis, generally overnight (maximum of 180 days), ensuring ability to withdraw funds in a timely manner. In addition, to comply with the Large Exposures Regime, Treasury Services limit placements to a maximum of €150m.

Table 14: Credit risk mitigation techniques – overview

This table shows the total exposure that is covered by financial and other eligible collateral by each exposure class.

31 December 2016 (€m)	Exposures		Exposures secured by		
	unsecured carrying amount	total secured	collateral	financial guarantees	credit derivatives
Total loans	2,833	634	634	0	0
Total debt securities	0	0	0	0	0
Total exposures	**2,833**	**634**	**634**	**0**	**0**
Of which defaulted	0	0	0	0	0

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

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

7 External Credit Assessment Institutions (ECAIs)

The standardised approach uses credit ratings supplied by External Credit Assessment Institutions (ECAIs) to determine the risk weightings to apply on exposures. BNYM LUX uses S&P Global Ratings, Moody's and Fitch Ratings as its chosen ECAIs. There has been no change to these ECAIs during the year.

Table 15: Mapping of ECAIs credit assessments to credit quality steps

BNYM LUX uses Credit Quality Steps (CQS) to calculate the RWAs associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments.

This table shows the mapping of BNYM LUX's nominated ECAIs' credit assessments to the credit quality steps.

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

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

Table 16: Credit quality steps and risk weights

Credit quality steps and risk weights	CQS	CQS	CQS	CQS	CQS	CQS
Exposure class	1	2	3	4	5	6
Central governments and central banks	0%	20%	50%	100%	100%	150%
Institutions maturity <= 3 months	20%	20%	20%	50%	50%	150%
Institutions maturity > 3 months	20%	50%	50%	100%	100%	150%
Corporates	20%	50%	100%	100%	150%	150%
Collective investment undertakings	20%	50%	100%	100%	150%	150%
Unrated institutions	20%	50%	100%	100%	100%	150%

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

Table 17: Credit risk exposure and Credit Risk Mitigation (CRM) effects

This table shows the effect of the standardised approach on the calculation of capital requirements. Risk weighted exposure amount (RWA) density provides a synthetic metric on the riskiness of each portfolio.

Exposure classes at 31 December 2016 (€m)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA	RWA density
	balance sheet amount					
	On-	Off-	On-	Off-		
Central governments and central banks	1,183	0	1,183	0	0	0%
Corporates	23	0	17	0	14	82%
Institutions	2,233	0	1,605	0	321	20%
Other items	28	0	28	0	28	100%
Total	**3,467**	**0**	**2,833**	**0**	**363**	**13%**

Table 18: Credit risk exposure by asset class and risk weight post CCF and CRM

This table shows the breakdown of exposures for BNYM LUX after the application of both conversion factors and risk mitigation techniques.

Exposure class at 31 December 2016 (€m)	0%	20%	50%	100%	250%	Risk Weight Others	Total
Central governments or central banks	1,183	0	0	0	0	0	1,183
Corporates	0	0	5	11	0	0	16
Institutions	0	1,605	0	0	0	0	1,605
Other items	0	0	0	28	1	0	29
Total	**1,183**	**1,605**	**5**	**39**	**1**	**0**	**2,833**
Exposure class at 31 December 2015 (€m)	**0%**	**20%**	**50%**	**100%**	**250%**	**Risk Weight Others**	**Total**
Central governments or central banks	3,079	0	0	0	0	0	3,079
Corporates	0	0	0	3	0	0	3
Institutions	0	606	0	0	0	0	606
Other items	0	0	0	23	0	0	23
Total	**3,079**	**606**	**0**	**26**	**0**	**0**	**3,711**

8 Counterparty Credit Risk

Counterparty credit risk is the risk of loss arising from a counterparty to a contract recorded in either the trading book or non-trading book where the client defaults before fulfilment of cash-flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

As at 31 December 2016 BNYM LUX did not have any trading book or derivative positions held in its banking book and therefore had no associated counterparty credit risk.

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

The Credit Value Adjustment (CVA) reflects the current market value of the counterparty credit risk by measuring the difference between the risk-free value of the portfolio and the true value of the portfolio, when defaults have been considered. The credit valuation adjustment calculation is based on the derivative position valuations in accordance with the standardised formula without eligible hedges.

Table 19: Analysis of the counterparty credit risk (CCR) exposure by approach

This table shows the risk mitigating impact of netting and collaterisation on counterparty credit risk relating solely to foreign currency derivative contracts under the mark-to-market method.

Counterparty Credit Risk (€m)		
Derivatives - Mark to Market Method	**31 December 2016**	**31 December 2015**
Gross positive fair value of contracts	0	39
Netting benefits	0	0
Net current credit exposure	**0**	**39**
Net derivatives credit exposure	0	39
Risk Weighted Assets	0	8
SFT - under financial collateral comprehensive method	**31 December 2016**	**31 December 2015**
Net current credit exposure	0	0
Net SFT credit exposure	0	0
Risk Weighted Assets	0	0
Total counterparty credit risk exposure	**0**	**39**

Note: SFT (Securities Financing Transactions)

8.1 Credit Valuation Adjustment

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

9 Asset Encumbrance

Table 20: Encumbered assets

31 December 2016 (€m)	Encumbered assets		Unencumbered assets	
	Carrying amount	of which notionally eligible EHQLA and HQLA	Carrying amount	of which EHQLA and HQLA
Assets of the reporting institution	28	0	3,443	0
Loans on demand	28	0	2,124	0
Loans and advances other than loans on demand	0	0	1,279	0
Other assets	0	0	40	0

Table 21: Collateral encumbrance

31 December 2016 (€m)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	0	0	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged			0	0
Total assets, collateral received and own debt securities issued	**28**	**0**		

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

Table 22: Sources of encumbrance

31 December 2016 (€m)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**0**	**0**
Other sources of encumbrance	**0**	**28**
Other	0	28
TOTAL SOURCES OF ENCUMBRANCE	**0**	**28**

Note: ABS (Asset-Backed Securities)

10 Market Risk

Market risk is defined as the risk of adverse change to the economic condition of BNYM LUX due to variations in prices, rates, implied volatilities, or correlations of market risk factors. Market risk factors include but are not limited to interest rates, foreign exchange rates, market liquidity, equity prices, credit spreads, prepayment rates, commodity prices and issuer risk associated with the Bank's trading and investment portfolios. BNYM LUX's exposure to market risk arises mainly from foreign exchange (FX) risk and non-traded interest rate risk.

Foreign exchange risk arises from operational flows in foreign currencies where clients are billed in currencies other than Euro. A lower amount of market risk also arises as a result of investment in money market or other collective investment undertakings.

Interest rate risk (IRR) is the risk associated with changes in interest rate that affects net interest income from interest earning assets and interest paying liabilities. The interest rate risk for BNYM LUX, which only has a banking book, is monitored on a daily basis by Market Risk Management.

BNYM LUX's exposure to market risk arises mainly from foreign exchange risk from operational flows in foreign currencies where clients are billed in currencies other than Euro. A lower amount of market risk also arises as a result of interbank and central bank placements or overdrafts with collective investment undertakings.

Daily limits are monitored by a dedicated market risk officer who ensures that BNYM LUX operates in accordance with the limits set down in the BNYM LUX risk appetite and reported on a regular basis to senior management.

Table 23: Market risk – risk weighted assets and capital required

This table shows the components of the capital requirements and risk weighted assets for market risk using the standardised approach at 31 December 2016.

Position risk components at 31 December 2016 (€m)	Risk Weighted Assets	Capital requirements
Foreign exchange risk	1,901	152
Total	**1,901**	**152**

11 Interest Rate Risk – Non-Trade Book

BNYM LUX has no material assets and liabilities subject to Interest Rate Risk (IRR), does not run a trading book and seeks to match its interest rate risk on its non-trading book. Its IRR exposure for balance sheet assets and liabilities mainly arises from movements in domestic and foreign interest rates.

The Board sets the overall tolerance for IRR in the form of DV01 limits and delegates to the EMEA Asset and Liability Committee (EMEA ALCO) a mandate to oversee the management of these risks and the responsibility for devising and executing IRR strategies and policies consistent with the risk appetite.

IRR exposure has a daily value-at-risk (VaR) calculation against a stop loss limit and is monitored daily by the Market Risk management team to ensure that BNYM LUX operates within its risk appetite. Any breaches are reported to the RMC and the Board.

Table 24: Net interest income sensitivity by currency

This table shows the net interest income sensitivity by BNYM LUX's major transactional currencies.

Currency at 31 December 2016	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
(000s)	**2016**	**2016**	**2015**	**2015**
GBP	0	0	186	188
USD	5	(5)	2,509	(2,537)
EUR	(262)	265	(2,749)	2,780
Other currencies	(12)	12	(66)	67
Total	**(269)**	**272**	**(66)**	**67**
As percentage of net interest income	(5%)	5%	4%	(4%)

12 Operational Risk

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

Operational risks 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.

12.1 Operational Risk Management Framework

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

The ORMF defines roles and responsibilities through the global policy, using the three lines of defence model as a foundation. Thus, responsibility for the management of Operational Risk sits first and foremost with the business and functions.

The first line is principally the businesses and business process owners, who are responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which they are accountable throughout the course of their business activities.

The second line of defence, the independent Risk Management function, is responsible for reviewing and challenging the risks identified, assessed and managed by the first line of defence. The Operational Risk Framework team, including the LERO, is also responsible for building and maintaining the ORMF framework and partnering the first line of defence to enable them to embed it.

The third line of defence is Internal Audit (organisationally independent from both the first and second line of defence). A key responsibility of the third line as it pertains to the Operational Risk framework is to opine on the adequacy of the framework and governance process.

Therefore, the monitoring and reporting of operational risks occurs within the business, entity and EMEA-region risk oversight functions as well as decision-making forums, such as business risk committees and BNYM LUX’s Risk Management Committee.

In order to continually reduce the likelihood of negative results from operational failures and to aid the continued identification, evaluation, mitigation, and re-assessment of risks and controls, the activities defined in the ORMF policy are:

Identify and understand key business processes and risks

Design and document controls

Execute the controls

Monitor key risk indicators

Report key risk indicator performance, issues and actions to resolve

Elevate concerns

Strengthen controls

Re-assess and update when necessary

BNYM LUX's ORMF relies on a culture of risk awareness, a clear governance structure and Operational Risk policies and procedures, which define the roles and responsibilities of the first, second and third lines of defence. These policies and procedures complement each other to ensure that the operational risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

BNYM LUX uses the ORMF to capture, analyse and monitor its operational risks, including Operational Risk Events, Risk Control Self-Assessments, Key Risk Indicators and Operational Risk Scenarios. Below is an explanation of how these tools are used to manage the operational risks of the business.

Operational Risk Events (OREs) are mapped to Basel II operational risk event categories. Information on operational risk event losses or gains exceeding $10,000 is entered into a central Risk Management Platform (RMP) database. Loss events are analysed to understand root cause and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events.

All OREs over $10,000 are reviewed for root cause and possible mitigating actions are reported to the RMC monthly. BNYM LUX adheres to the corporate procedures on loss event analysis and reporting, that document clearly the risk event workflow process for analysing OREs, the approval process and the required escalation process, to senior management and its Governance Committees.

Risk and Control Self-Assessments (RCSAs) are used to identify and document inherent risks associated with business processes and perform an assessment of the current risk and control environment. Gaps and action plans are tracked to completion for all controls that are assessed as "Less than Satisfactory" or "Needs Improvement". The progress of open action plans is monitored and reported at the monthly RMC.

Key Risk Indicators (KRIs) are defined at the Line of Business level and they allow management to monitor essential/critical aspects of the business processes against their measurable thresholds. BNYM LUX's management is alerted when these risk levels exceed the risk agreed range. These excesses are escalated to the appropriate BNYM LUX governance committees.

Operational Risk Scenario Analysis (ORSA) is used by BNYM LUX to:

- Identify and assess plausible, high impact, low probability Operational Risk loss events
- Provide a broad perspective of risks faced globally based on the expertise of senior business and risk managers
- Support an understanding of how significant operational losses could occur
- Support, directly or indirectly, the calculation of Operational Risk capital by using the output of the scenario analysis (frequencies and severities) as the input for Pillar II operational risk capital modelling

Scenario Analysis is reviewed on an annual basis and in response to a significant business change. During the 2016 review of the Operational Risk scenarios, a number of enhancements were made to the process including:

- Improved representation at scenario workshops and better clarity around roles and responsibilities
- Improved linking of scenarios to the legal entity risk profile with increased coverage
- Enhanced documentation of the process

BNYM LUX utilises the Risk Management Platform (RMP), a global platform for monitoring and reporting of operational risks within the business, entity and EMEA-region risk oversight functions, as well as decision-making forums such as business risk committees and the RMC. Regional Committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks of BNYM LUX in forming its regional risk assessment.

Additionally, BNYM LUX has, in line with the enterprise risk policy for risk appetite, set a risk appetite statement which recognises the inherent nature of operational risk and the reliance on the ORMF to mitigate it.

Operational risk is one of BNYM LUX's material risks. Current issues, emerging and top risks, adverse KRIs and OREs (>$10,000) are reported to the BNYM LUX Risk Management Committee.

Risk managers are assigned to oversee the risk management activities undertaken in the business of BNYM LUX. Besides the operational risk function, other internal functions also ensure that processes are in place to support the sound operational risk management of the business e.g. Information Risk Management and Business Continuity Planning.

12.2 Capital Resource Requirement

BNYM LUX calculates the Pillar 1 operational risk capital resource requirement under the Standardised Approach. BNYM LUX falls under the Agency Services Basel business line which mandates a 15% beta factor to determine capital requirements from gross income.

13 Leverage

The leverage ratio is calculated by dividing tier 1 capital by a total exposure measure which is comprised of a defined sum of asset exposure values and off-balance sheet items.

The capital measure for the leverage ratio is the tier 1 capital of the risk-based capital framework, taking into account transitional arrangements. Total exposure measure is the sum of the following exposures:

On-balance sheet exposures

Derivate exposures

Security financing transaction (SFT) exposures

Off-balance sheet items

The increase in capital during the year combined with a decrease in balance sheet size improved the ratio compared to 31 December 2015.

Leverage ratio calculation for BNYM LUX as of 31 December, 2016 is presented below:

Table 25: Leverage ratio summary

This table shows BNYM LUX summary reconciliation of accounting assets and leverage ratio exposures.

Leverage ratio summary at 31 December 16 (€m)	31 December 16
Total assets as per published financial statements	**3,470**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(3)
Total leverage ratio exposure	**3,467**

Table 26: Leverage ratio common disclosure

Regulatory leverage ratio exposures at 31 December 16 (€m)	31 December 16
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,469
Asset amounts deducted in determining Tier 1 capital	(2)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**3,467**
Capital and Total Exposures	
Tier 1 capital	228
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	0

Regulatory leverage ratio exposures at 31 December 16 (€m) (continued)	
Leverage Ratios	
Total Exposures	**3,467**
End of quarter leverage ratio	6.6%
Leverage ratio (avg of the monthly leverage ratios over the quarter)	6.6%
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in

Table 27: Composition of on-balance sheet exposures

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

CRR leverage ratio exposures at 31 December 2016 (€m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**3,467**
Banking book exposures, of which:	3,467
Exposures treated as sovereigns	1,183
Institutions	2,233
Corporate	23
Other exposures	28

14 Remuneration Disclosure

14.1 Governance

The Board of BNYM LUX is responsible for the remuneration policy statement and its application. 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 BNYM LUX 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 LUX. Remuneration policy decisions of BNYM LUX including its branches rest however with the Board. Deferred awards in instruments are made in the form of shares of The Bank of New York Mellon Company, Inc.. These shares are listed on the New York Stock exchange under ticker "BK". Deferred shares are made in the form of Restricted Share Units, transferable into BK shares at vesting. These grants also require the approval of the Human Resources and Compensation Committee (HRCC) of BNY Mellon, since it functions as the remuneration committee of the ultimate shareholder of BNYM LUX. The HRCC also functions as the ultimate shareholder of BNYM LUX in respect of remuneration matters, notably in respect of the decision to lift the maximum variable remuneration limit for its staff to 200%.

14.2 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.

14.3 Fixed Remuneration

Fixed remuneration is composed of (i) salary, (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, including role-based allowances, and (iii) any benefits in kind which are awarded as a result of the job rather than the performance within the job.

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

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

14.4 Variable Compensation Funding and Risk Adjustment

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

The staff of BNYM LUX are eligible to be awarded variable compensation. Such variable compensation consists of both cash and deferred components.

BNYM LUX makes use of the robust performance appraisal system in place at BNY Mellon to document an individual's performance. This contains not only agreed and individualized business goals, but also a compulsory risk management goal and a compliance and ethics goal. The behaviour of previously identified staff members with regard to risk was in 2016 evaluated through a risk culture summary scorecard, detailing any issues related to risk, compliance or audit issues.

14.5 Ratio between Fixed and Variable Pay

Material Risk Takers of BNYM LUX are restricted to a maximum variable remuneration of 200% of fixed remuneration, as approved by the shareholder. However, only one Material Risk Taker received variable compensation in excess of 100% of fixed pay for performance year 2016.

14.6 Deferral Policy and Vesting Criteria

For eligible employees a portion of variable compensation is deferred for a period of four years on a pro-rata basis. The deferred component of the variable compensation award is delivered as restricted stock units whose value is linked to BNY Mellon's share price. The percentage of the variable compensation award to be deferred depends on the level of the position and the amount of the award (summarized in a Corporate Deferral table). Taking into account the Corporate Deferral, the size and low risk profile of the activities of BNYM LUX, the Board has decided not to apply the regulatory deferral for regulated staff. All deferred awards are subject to terms and conditions that provide for forfeiture or clawback in certain circumstances.

14.7 Variable Remuneration of Control Function Staff

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

14.8 Quantitative Disclosures

The tables below provide details of the aggregate remuneration of senior management and Material Risk Takers (MRT) for BNYM LUX for the year ended 31 December 2016.

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

Table 28: Aggregate remuneration expenditure by business

This table shows the total aggregate remuneration expenditure for MRTs by business for 2016.

(€000s)	Investment Services	Other[6]	Total
Total remuneration[5]	**1,808**	**2,142**	**3,950**

[5] *Includes base salary and other cash allowances, plus any incentive awarded for full year 2016. Pension contribution is not included.*

[5] *Includes all support functions and general management positions.*

Table 29: Aggregate remuneration expenditure by remuneration type

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

31 December 2016	Senior Management[7]	Other MRTs	Total
Number of beneficiaries	3	17	20
Fixed remuneration[8]	602	2,375	2,977
Total variable remuneration (€000s)	414	559	973
Variable cash (€000s)	263	454	717
Variable shares (€000s)	151	105	256
Total deferred remuneration awarded during the financial year (€000s)	151	105	256
Total deferred remuneration paid out during the financial year (€000s)	6	296	302
Total deferred remuneration reduced through performance adjustments (€000s)	0	0	0

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

[8] *Fixed Remuneration includes base salary and any cash allowances. Pension contribution is not included.*

Table 30: Deferred variable remuneration

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

31 December 2016	Senior Management	Other MRTs	Total
Number of beneficiaries	3	17	20
Total deferred variable remuneration outstanding from previous years (€000s)	430	808	1,238
Total vested (€000s)[9]	6	296	302
Total unvested (€000s)[10]	424	512	936

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

[10] *Total unvested equity is valued as at 1st February, 2017.*

Table 31: New sign-on and severance payments

This table shows the number and value of new sign-on and severance payments made during 2016.

	Senior management	Other MRTs	Total
Number of sign-on payments awarded	0	0	0
Value of sign-on payments awarded (€000s)	0	0	0
Number of severance payments awarded	0	1	1
Value of severance payments awarded (€000s)	0	360	360
Highest individual severance payment awarded (€000s)	0	360	360

In regards to 2016 no individuals were remunerated EUR 1 million or more.

Appendix 1 Other Risks

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 LUX 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. BNYM LUX does not originate significant assets from lending activities, and therefore funding assets are not a significant use of liquidity. While sizable overdrafts can appear periodically, large deposits offset these amounts. Significant deposit balances are transactional in nature and exhibit a degree of "stickiness" and represent the transactional nature of the client relationship.

Business and Financial Risk

Legal Entity and Business Risk

Business Acceptance Workgroups are responsible for aligning new business to appropriate business lines and subsidiaries, assessing and approving the associated risks.

Each legal entity has a risk manager aligned to the business. Risk managers are independent of the business and oversee the adherence to corporate risk policies and governance requirements. The risk management organisation is based on a three tiered structure beginning with corporate risk which creates the corporate policies, risk management form the second tier, and the third tier is the operational unit which is considered to be the primary owner of all risk relating to the business activities. Each operational unit has a dedicated Embedded Control Management (ECM) resource assigned to it. At the direction of the business or the Global Operational Control management team, the ECM resource will conduct testing of the operational activities to support internal and external audit work.

Regulatory and Compliance Risk

Compliance risk is the risk of sustaining loss arising from non-compliance with laws, directives, regulations, reporting standards and lack of adequately documented and understood processes. Regulatory risk is mitigated using Stress Testing that is carried out on a regular basis, and prior to any regulatory changes coming into force.

Monitoring & Reporting Risk is the risk of loss arising from a failure to comply with financial reporting standards, agreements or regulatory requirements. This includes risks resulting from action taken by existing and new stockholders, regulators and investors who may have sustained losses due to incomplete, inaccurate or untimely reporting of financial performance.

BNYM LUX aims to comply with the applicable laws, regulations, policies, procedures and BNYM LUX's Code of Conduct. Existing and new directives and regulations are monitored and reviewed by Compliance and Risk management and findings are reported to senior management and the Board. Strategies and preparations to comply with regulations are put in place when necessary.

Reputation Risk

Reputation risk is the risk to the bank's brand and relationships which does not arise out of any error. It can arise from all aspects of business activities, including but not limited to operational failures in business practices, legal or regulatory sanctions, joint ventures with outside firms, engagements with third party vendors, or off-balance sheet activities.

BNY Mellon relies heavily on its reputation and standing in the market place to retain and attract clients. Through analysis of other risks, potential reputational impacts have been identified as follows:

Group default or reputational event could lead to loss of confidence in the brand

Legal or operational event leading to publicised failure could lead to loss of confidence in the brand

Inability to provide products and services that fulfil local and/or international law, compliance directives or regulations. This may also result in regulatory penalties and subsequent loss of business

Legal Risk

Legal Risk is the risk of inadequate legal advice, inadequate contractual arrangements and failing to take appropriate legal measures to protect rights or changes in laws or regulations. Legal Risk could crystallise through:

Receipt or provision of wrong or inadequate legal advice

Failure to manage litigation or disputes effectively

Failure to identify and implement changes in legislation or law

Failure to appropriately make notifications required as a result of legal requirements

Failure to ensure adequate contractual arrangements (excluding outsourcing arrangements)

Failure to manage and /or protect the infringement of rights arising outside of contracts

Settlement Risk

Settlement risk is the probability of loss arising from the failure of one counterparty to settle its side of a transaction, thus preventing other counterparties from settling their commitments. It tends to occur when payments are not exchanged simultaneously such as in a multi-leg Swap trade.

BNYM LUX is not subject to settlement risk as it holds no commodities commitments to settle during the reporting period. This risk is monitored for the transactions pertaining to the securities portfolio. BNYM LUX has no trading book. The bank transacts FX trades for banking book purposes with intra-group legal entities and trades are settled within one business day. To date, the bank has not experienced any unsettled FX transactions.

Non-Trading Book Exposures in Equities

BNYM LUX did not have any non-trading book exposures in equities as at 31 December 2016 and during the reporting period.

Securitisation Risk

Securitisation risk is the risk that the capital resources held in respect of assets that BNYM LUX has securitised is insufficient to cover associated liabilities. As at 31 December 2016 and during the reporting period BNYM LUX did not have any securitisation risk-weighted exposure.

Outsourcing Risk

Outsourcing risk is the risk that failure in respect of the provision of services by third party providers could potentially damage BNYM LUX's operations, or if contracts with any of the third party providers are terminated, that BNYM LUX may not be able to find alternative providers on a timely basis or on equivalent terms.

BNYM LUX relies on internal and external outsourcing entities within and outside of the BNY Mellon group to perform its core business activities. To date, BNYM LUX has only outsourced critical tasks to BNY Mellon group entities that hold the required permissions in their jurisdiction to carry out the respective delegated tasks. Currently there are no critical tasks outsourced to third parties outside BNY Mellon entities.

BNYM LUX's outsourcing policy describes minimum standards that should be adopted when considering or dealing with a service and/or activity that is outsourced to another legal entity, either within the BNY Mellon group or to an external provider and establishes a framework for evaluating and analysing outsourcing projects.

Business Risk

Business risk is the risk of loss that the business environment poses to BNYM LUX's profitability. It normally consists of items such as changes in the external macro environment or client behaviour, inappropriate management actions and performance of competitors. The list is not exhaustive.

The principal business risk for BNYM LUX is within the Asset Servicing and Alternative Investment Services businesses, mainly driven by the fact that fees are largely based on the client's net asset value. As business risk is difficult to assess, it has been defined as the residual risks that confront BNYM LUX after taking all known and quantifiable risks into consideration.

Regular monitoring of assets under custody, revenue and profitability is a key control used to mitigate the risk.

Concentration Risk

Concentration risk is the risk of loss arising from significant interrelated asset or liability exposures, which in cases of distress associated with markets, sectors, countries, or areas of activity, may threaten the stability of the institution.

Traditionally analysed in relation to credit activities, concentration risk arises from exposures that may arise within or across different risk types, including intra-risk concentration where exposure concentration exists within a single risk type, and inter-risk concentration arising from interactions between different risk exposures across different risk categories connected by a common risk factor (e.g. counterparties, vendor, economic sector, geographic region, and/or financial instrument/product type).

BNYM LUX manages concentration risk as part of its credit, market, operational and liquidity management policies.

Group Risk

Group risk is the risk that the financial position of BNYM LUX may be adversely affected by its relationships (financial and non-financial) with other entities within BNY Mellon or by risks which may affect the financial position of the whole Group, for example reputational contagion or Group default.

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

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

Model Risk

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

Model risk can result in material financial loss, inaccurate financial or regulatory reporting, misaligned business strategies or damage to the reputation of BNYM LUX or BNY Mellon as a whole. BNYM LUX uses models in its risk management framework. All models have been assessed in line with the relevant corporate policies and model risk management framework wherein the individual model is categorised into one of three tiers based on materiality, complexity, and level of reliance. The tiers determine the controls applicable to the model classes. The Enterprise Model Risk Committee oversees model risk management at the enterprise level and approves the overall framework and standards, which are applicable across the organisation. The Model Risk Management Group, based in the US, retain ultimate responsibility for overall model governance.

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

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

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

Strategic Risk

Strategic risk is defined as the risk of direct or indirect loss arising from the adverse effects or the improper implementation of business decisions. It is a function of the compatibility of an organisation's strategic goals, the business strategies developed, the resources deployed to achieve those goals and the quality of implementation. It can result from either a misalignment between strategic decisions taken at the Asset Servicing and Alternative Investment Services or Corporate Trust business level which impact BNYM LUX, or failure to deliver business value through new strategic initiatives.

Country Risk

Country risk is the risk of adverse impact on operating profits and/or value of assets due to changes in the business environment resulting from political or macroeconomic factors. It can also be due to exposure to sovereign and economic debts in EMEA countries such as Italy, Russia, and the Eurozone.

Appendix 2 Glossary of Terms

The following terms are used in this document:

ALCO: Asset and Liability Committee

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

BRRD: Bank Recovery and Resolution Directive

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

CSSF: Commission de Surveillance du Secteur Financier

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

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

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

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

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

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

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

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

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

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

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

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

Risk Governance Framework: BNYM LUX'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

Risk Weighted Assets (RWAs): Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements

Standardised Approach: Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. All financial institutions must opt to either use the Standardised Approach (SA) specified by the regulator, or develop and use their own Internal Ratings Model (IRM). The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

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

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

Appendix 3 CRDIV Reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures	BNY Mellon publishes Pillar 3 disclosures	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	N/A	N/A
431 (3)	Institution shall adopt a formal policy to comply with the disclosure requirements	BNY Mellon has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450)	Refer to Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected	Refer to Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information	N/A	N/A
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements	Refer to Pillar 3 policy	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies	Section 4 Risk Management Objectives and Policy	18-27
435 (1) (a)	Strategies and processes to manage those risks	Section 4.1 Risk Objectives	18
435 (1) (b)	Structure and organisation of the risk management function	Section 4.2 Risk Governance	19
435 (1) (c)	Scope and nature of risk reporting and measurement systems	Section 4.1 - 4.16	18-27
435 (1) (d)	Policies for hedging and mitigating risk	Section 4.3 - 4.16	22-27
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	Section 4 Risk Management Objectives and Policy	18
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	Section 4 Risk Management Objectives and Policy	18
435 (2) (a)	Number of directorships held by directors	Section 4.2.1 Board of Directors	19
435 (2) (b)	Recruitment policy of Board members, their experience and expertise	Section 4.2.1 Board of Directors	19

435 (2) (c)	Policy on diversity of Board membership and results against targets	Section 4.2.1 Board of Directors	19
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	Section 4.2.2 - 4.2.4	20-21
435 (2) (e)	Description of information flow on risk to Board	Section 4.2.2 - 4.2.4	20-21
Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply	Section 1 Scope of Application	6-11
436 (b) 436 (b) (i) 436 (b) (ii) 436 (b) (iii) 436 (b) (iv)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated; proportionally consolidated; deducted from own funds; neither consolidated nor deducted	Section 1 Scope of Application	6-11
436 (c)	Current or foreseen material practical or legal impediment to the prompt transfer of Own Funds or repayment of liabilities among the parent undertaking and its subsidiaries	N/A	N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	N/A - Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9	N/A	N/A
Own funds			
437 (1)	Requirements regarding capital resources table	Section 2 Own Funds	12-15
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	Table 2: Regulatory adjustments	12
437 (1) (b)	Description of the main features of the CET1 and Additional tier 1 and tier 2 instruments	Table 3: Composition of regulatory capital	13
437 (1) (c)	Full terms and conditions of all CET1, Additional tier 1 and tier 2 instruments	Table 3: Composition of regulatory capital	13
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied Each deduction made Items not deduction	Table 2: Regulatory adjustments	12
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds	N/A - no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds	N/A - Capital ratios calculated on basis stipulated in the Regulations	N/A
437 (2)	EBA to publish implementation standards for points above	BNYM follows the implementation standards	N/A
Capital requirements			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels	Section 3 Capital Requirements	16-17
438 (b)	Result of ICAAP on demand from authorities	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised Approach exposure class	Table 7: Standardised credit exposure by exposure class	30

BNY MELLON

438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class	N/A – internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits	Table 6: Capital requirements and Section 10: Market Risk	16 & 41
438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable	Table 6: Capital requirements and Section 12: Operational Risk	16 & 43-45
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Table 6: Capital requirements	16
Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	Section 8 Counterparty Credit Risk	39
439 (b)	Discussion of process to secure collateral and establishing reserves	Section 8 Counterparty Credit Risk	39
439 (c)	Discussion of management of wrong-way exposures	Section 8 Counterparty Credit Risk	39
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	N/A – a credit ratings downgrade is managed at the BNYM Corp level	N/A
439 (e)	Derivation of net derivative credit exposure	Section 8 Counterparty Credit Risk	39
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	Section 8 Counterparty Credit Risk	39
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	N/A – BNYM does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type	N/A – BNYM does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable	N/A	N/A
Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1)	N/A	N/A
Indicators of global systemic importance			
441 (1)	Disclosure of the indicators of global systemic importance	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1)	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired	Section 5.6 Analysis of Credit Risk	30-31
442 (b)	Approaches for calculating credit risk adjustments	Section 5.6 Analysis of Credit Risk	30-31
442 (c)	Disclosure of pre-CRM EAD by exposure class	Section 5.5 Table 7: Standardised credit exposure by exposure class	30

442 (d)	Disclosures of pre-CRM EAD by geography and exposure class	Section 5.6 Table 8: Standardised credit exposure by country	31
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class	Section 5.6 Table 9: Standardised post mitigated credit exposures by counterparty type	31
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class	Section 5.6 Table 10: Standardised credit exposure by residual maturity	31
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type	Section 5.7 Table 11: Credit quality of exposures by counterparty type.	32
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	Section 5.6 Table 13: Credit quality of exposures by country	34
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments	Section 5.6 Analysis of Credit Risk	30
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	Section 5.6 Analysis of Credit Risk	30-32
Unencumbered assets			
443	Disclosures on unencumbered assets	Section 9 Asset Encumbrance	40-41
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes	Section 7 External Credit Assessment Institutions (ECAIs)	37-38
444 (b)	Exposure classes associated with each ECAI	Section 7 Table 16: Credit quality steps and risk weights	37
444 (c)	Explanation of the process for translating external ratings into credit quality steps	Section 7 Table 16: Credit quality steps and risk weights	37
444 (d)	Mapping of external rating to credit quality steps	Section 7 External Credit Assessment Institutions (ECAIs)	37-38
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	Section 7 Table 17-18: Credit risk exposure	38
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	Section 10 Market Risk	42
Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	Section 12 Operational Risk	43-45
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52

447 (d)	Realised cumulative gains and losses on sales over the period	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52
447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within tier 1 capital	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models	Section 10: The Bank has no significant Balance Sheet Interest Rate Risk because no maturity mismatch exists between client cash deposits and Bank's cash holdings. In addition, interest rates applicable to clients' cash deposits are market driven	41
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency	Section 11 Table 25: Net interest income sensitivity by currency	42
Exposure to securitisation positions			
449	Exposure to securitisations positions	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices	Section 14 Remuneration Disclosure	48-51
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	Section 14.1 Governance	48
450 (1) (b)	Information on link between pay and performance	Section 14.2 Aligning Pay with Performance	48
450 (1) (c)	Important design characteristics of the remuneration system	Section 14 Remuneration Disclosure	48-51
450 (1) (d)	Ratios between fixed and variable remuneration	Section 14.5 Ratio between Fixed and Variable Pay	49
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based	Section 14.6 Deferral Policy and Vesting Criteria	49
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	Section 14.7 Variable Remuneration of Control Function Staff	49
450 (1) (g)	Aggregate quantitative information on remuneration by business area	Section 14.8 Table 28: Aggregate remuneration expenditure by business	50
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	Section 14.8 Table 29: Aggregate remuneration expenditure by remuneration type	50
450 (1) (i)	Number of individuals being remunerated EUR 1 million or more per financial year	Section 14.8	50
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority	N/A	N/A

450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio	Section 13 Leverage Ratio	46-47
451 (1) (b)	Breakdown of total exposure measure	Section 13 Table 26: Leverage ratio common disclosure	46
451 (1) (c)	Derecognised fiduciary items	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio	Section 13 Leverage Ratio	45-46
451 (2)	EBA to publish implementation standards for points above	BNYM follows the implementation standards	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting	Section 6.1 Netting	35
453 (b)	How collateral valuation is managed	Section 6.2 Collateral Valuation and Management	35
453 (c)	Description of types of collateral used	Section 6.2 Collateral Valuation and Management	35
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	N/A - BNYM's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	Section 6.3 Credit Risk Concentration	35
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives	Section 6.3 Table 14: Credit risk mitigation techniques – overview	36
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements	Section 2 Own Funds	12-15
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	Section 2 Table 5: Common tier 1 instruments	15
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	Section 2 Table 4: Transitional own funds	14
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	Section 2 Table 4: Transitional own funds	14
Article 6	Entry into force from 31 March 2014	N/A	N/A

The Bank of New York Mellon (Luxembourg) S.A.
2-4 rue Eugène Ruppert
Vertigo Building - Polaris
L-2453 Luxembourg
Luxembourg

+352 24 524 1